



Graphene
Nanochem™

ANNUAL REPORT
2015



AT A GLANCE

WHO WE ARE

Graphene Nanochem plc (AIM: GRPH) is an international provider of nanotechnology enhancing solutions for global industries. The Group employs nanotechnologies and nanomaterials to design, engineer and enhance the performance of mainstream products for a wide range of industrial applications. It has established two major functional platforms in the energy and water sectors, and the Group, through partnerships with established industry players, is focused on building market opportunities in both sectors whilst continuing its developmental work in other strategic application areas of nanotechnology.

OUR VALUE PROPOSITION

- ▶ Nanotechnologies platform with diverse range of applications potential across multiple industries
- ▶ Unique ability in improving and enhancing performances of existing products and solutions, enabling cost reduction, new applications and environmental compliance
- ▶ Rationalised business portfolio focused on high margin high returns and long term opportunities
- ▶ Strong value-add partnerships with established industry players, accelerating market access and enhancing solutions-based offering
- ▶ Well-positioned in the highly specialised and fragmented markets that offer growth potential and diversification opportunities

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01 | STRATEGIC REPORT

CHAIRMAN'S STATEMENT

TAN SRI DATO' SRI ABI MUSA ASA'ARI
BIN MOHAMED NOR
NON-EXECUTIVE CHAIRMAN

In 2015, the oil and gas industry faced the most severe cyclical downturn in decades, affecting businesses across the spectrum and caused disorientation for many industries. Graphene NanoChem is no exception to this as we endured the continuing impact of the global downturn of the industry and this has been reflected in the current position of the Group. In addition to that the Group also faced the internal challenges of managing its debt position.

In every challenge there also lies opportunity, and as a truly flexible and entrepreneurial company, we adapted and adjusted. In these challenging times, Graphene NanoChem's strength rests in our ability to make the necessary adjustments to our business and strategy, to concentrate on our key assets and to focus on new opportunities. Following a comprehensive review of our business and strategy, we developed a turnaround plan and started executing firm actions and steps to reorganise our business, address our debt position, reduce costs and rebuild our business.

We took the decision to begin exiting the asset-heavy, low margin, fuel additive and crude palm oil businesses which contributed significantly to reducing our cost base. In line with this and international accounting standards, the said assets were impaired to their forced sales values along with intangible assets and goodwill, incurring impairment charges of £25.7 million for the year. To align our cost structure and strengthen our delivery capability, we continue to focus on the strategic outsourcing of our non-core operations that enables an asset-light model in the execution of the business and allow us

to focus on value-add integration. The result of these activities is a leaner and more efficient Graphene NanoChem that focuses on its fundamental competence of delivering disruptive, high margin applications of our platform nanotechnologies.

The invaluable support of our financiers during this financial year has been fundamental in allowing us to implement our restructuring plan and to move to the next phase of our business recalibration plan. A key milestone achievement to our turnaround plan is the restructuring of our short-term debt of c. £14.5 million to Malaysia Debt Ventures Berhad into a longer term debt repayment structure mapped against the Group's new business plan. In conjunction with our secured financiers efforts are ongoing for the disposal of our non-core assets to repay the Group's remaining bank debt, as well as seeking additional equity finance in the near term to continue trading as a going concern.

Looking at the business front, we are introducing new products into the highly fragmented oil and gas industry—a new entrant in a seasoned market space. That, by itself, has its own set of challenges and more so in an industry with underlying rhythms which move in terms of years and not months. For example, securing a well for field trials alone would take between 8–15 months. The downturn in the oil and gas market at this critical juncture in our market-building phase no doubt has a double impact to the Group. Delays and deferments in capital investments as the industry struggles to establish the new 'normal' has had significant financial impact to the Group.

However, despite the difficulties in the industry, we continue to secure new wins which I believe are significant achievements in the current industry climate. We have achieved considerable success in the field trials of our nanofluid solutions with oil supermajors. These successes, which have translated into commercial orders, validates our proposition of increasing production, improving efficiency, reducing cost and protecting the environment, and more importantly creating critical market awareness and field track record for our products. This is the right start towards market building and will augur well for us when the industry recovers. Through our partnership with the Scomi Group, we continue to enjoy global presence at 48 locations in 22 countries including the Middle East and Africa, where rapid future growth is projected and we intend to continue building on that.

Graphene NanoChem remains unique, offering technology platforms that we can provide across diverse applications in multiple industries, and we are keeping a key eye on the longer term as we continue to work on new applications in lucrative areas and sectors.

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The challenging market condition has prompted us to prioritise and accelerate focus our next growth opportunities in the Water industry. We see significant advantage in our capability to enhance existing products and solutions with our platform nanotechnologies, and we continue to work in collaboration and partnership with industry veterans, where necessary.

In March 2016, our water solutions platform was formally launched at the Offshore Technology Conference. This marked our expansion into the leading disruptive commercial applications of our platform nanotechnologies. In Q2 2016 we secured the first contract for our water treatment solution, for a greenfield petroleum refinery project in Thailand. Water treatment is a natural extension of the diverse applications of our nanotechnology solutions within the equally diverse oil and gas market segments. We have now expanded into a fully integrated water treatment solutions supplier for multiple industry use. We are taking a more diverse approach in our water treatment applications—we target multiple market segments and geographical locations and work with value-adding partners to secure market opportunities and deliver integrated solutions to meet project requirements. The speed at which we have achieved this was only made possible because of the groundwork that we have laid in previous years, working with industry experts.

We will continue to leverage our partnership with Scomi and other strategic partners in deploying our water treatment solutions globally with focus in Asia, Africa and the Middle East. I am also pleased to report that we have been selected by TecnoConsult, an international engineering procurement and construction expert, to be its partner for water treatment solutions. This will give the Group to leverage over TecnoConsult's geographical presence in 3 continents, and engineering expertise in turnkey solutions projects. Our strategic alliance with TecnoConsult is the latest validation of our cutting edge solutions offering and the potential of its growth.

We will need some time to close on market opportunities that we have developed for our Water business but I believe that decisive actions taken by our management to reorganise the business and address the consequential impact of the market downturn, specifically in restructuring the Group's debt, reducing costs and diversifying business has improved the Group's prospects considerably. Our cash position remains challenging and we will be undertaking a fundraise in the near future to strengthen the Groups financial position.

The markets have been harsh, but Graphene NanoChem is emerging smarter, leaner and more cost conscious and we continue to make progress. Whilst we can't control the economic environment, we know that we are taking the right steps and making the right decisions for the current environment. Through our focus on delivering better solutions and securing new business we will continue to grow.

I must extend my sincere gratitude to all the management and staff of Graphene NanoChem and the Board for their continued support during this challenging period for the Group. Finally, my particular thanks to the financial institutions that continue to support and facilitate our business reorganisation efforts through this difficult period.

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor

Non-Executive Chairman

27 October 2016

CEO's REVIEW



DATO' JESPAL DEOL
CHIEF EXECUTIVE OFFICER

OVERVIEW

The last 18 months has been challenging for Graphene NanoChem. We entered 2015 on the back of a significant debt burden against plunging oil prices with the industry hitting its all-time low and going almost into a standstill. Our phase of growth, closely tied to the troubled oil and gas industry was significantly impacted and consequently our financial position.

Given the challenges that we have faced, we have undertaken a comprehensive review of Graphene NanoChem's position and this has led to a decisive plan to clearly address the challenges for continued growth. We remain confident of the value proposition, the growth potential and long term prospects of the business. In order to take Graphene NanoChem forward, the following key fronts are being addressed; firstly, the debt position of the Group; secondly, the Group's cost base and business structure; and thirdly, the acceleration of the diversification of its business. Pursuant to the review of Graphene's operations and growth strategy, we have embarked on executing a holistic turnaround plan to streamline our business operations, lower cost and restructure our debt with the aim of addressing these challenges and driving the growth potential of the business to deliver value ('Turnaround Plan').

TURNAROUND PLAN

Phase 1 of the turnaround plan was to undertake a debt restructuring plan for both the short and long term debt of the Group. This has meant actively engaging with our financial institutions for the restructuring of our debt and working out a debt settlement plan to enable the Group to conserve cash outflow against debt repayment and deploy its funds towards stabilising and growing the business. It has taken much longer than we originally expected but we are pleased to report that a significant milestone of Phase 1 has been met with the debt restructuring approval (with customary conditions precedent to be met by year end) by our lead financier, Malaysia Debt Ventures Berhad ('MDV Approval') resulting in the conversion of

our short term debt into a longer term debt with a 2 year payment moratorium coupled with a minimal fixed pay down and a 7 year repayment tenure mapped against the business plan of the Group ('MDV Loan'). The MDV Loan represents 57% of the total secured bank debt of the Group.

Underpinning the Group's turnaround plan is the focus on core value add businesses that fit our strength and growth strategy. A key decision made to this end is the exit from our asset-heavy low-margin fuel additive and crude palm oil refining businesses which carries the remaining 43% of the secured bank debt of the Group and the disposal of its underperforming assets that will enable the Group to reduce its bank debt and focus on solid, higher margin and longer-term opportunities in our core businesses. The assets realisation process is currently ongoing in conjunction with the secured financiers of our non-core subsidiaries ('Non-core Subsidiaries') including dedicated efforts to liquidate these non-core assets which, based on written down force sale values, provides an assumed aggregated value cover of approximately 1.4 times of the bank debt of the Non-core Subsidiaries. We will continue to manage the process of liquidation to ensure a smooth exit from the non-core businesses.

In Phase 2, we had concentrated on streamlining our business structure and aligning our cost base against the new business plan. The process commenced with our exit from the non-core businesses resulting in major headcount and administrative cost reductions for the Group. Parallel to this effort is our strategic move towards an asset-light approach business model, refocusing our operations to a value-adding process and through independent manufacturing. This strategy eliminates the need for significant capital investment to deliver our solutions and allows us to focus on our core competence of value adding while protecting our growth prospects and flexibility to continue building our business around new markets.

To create realisable value, we have streamlined and structured our business platforms around two areas that offer a diverse range of applications potential—**Nanofluids** and **Water Treatment**. We have made solid progress in both areas and although this may not be obvious to our external stakeholders, we have enjoyed a number of successes which will position us for growth in 2017 and beyond.

The Scomi Group remains the primary partner for our Nanofluids applications in the Energy sector and through our Scomi Partnership, we continue to enjoy market presence at 48 locations in 22 countries for the deployment of our solutions. A leading service provider for the energy industry, the Scomi Group provides integrated oil drilling and completion services including waste management and water treatment services to the oil and gas industry. The current downturn in oil prices, deeper and more prolonged than anticipated, has had a far-reaching impact on the energy industry, which is continuing to determine the new 'normal'.

“ We remain confident in the market fundamentals, and what we have created today is a leaner, more agile and simplified company that is now capable of exploiting new opportunities in our markets. ”

Today, we are facing close to a 60% drop in oil prices, due to an oversupply in the market. No doubt the Group's market has been severely impacted by the industry downturn and this has been reflected in our revenues for the year, but we believe this hiatus is temporary. The world's population will continue to grow, creating long-term resource demand and, over time, we believe the industry will right and balance itself. As an inelastic commodity, a sudden positive snapback in prices comes with the territory. We have built significant inroads from our successful field trials and sales during the market downturn. We have developed the field track record that demonstrated the technological and performance excellence of our solutions, and hence we believe that we are well positioned to benefit from an industry upturn.

We undertook swift action in addressing the industry hiatus by embarking on Phase 3 of our turnaround plan to accelerate business development efforts in expanding the applications of our solutions in the Water industry. The global water market is currently estimated at US\$425.0 billion with strong demand for innovative solutions that enable more efficient use of available water resources, reusing and recycling of water to optimise and improve water treatment processes and quality. Demand will continue to grow with the market opportunities related to the water sector to reach US\$1 trillion by 2025.

We have made solid progress in our business development activities in the Water sector. Scomi remains a strong partner for the water treatment market in the energy sector and we are working with Scomi to offer water treatment solutions for the oil and gas sector in the Middle East region on a leasing model.

At the same time, we have developed and secured strategic partnerships with industry stakeholders that enable us access to project-based market opportunities and most importantly to enhance our delivery and execution capabilities as we target to bid and secure project-based contracts that will provide strong margins and returns to the Group. We are continuing to work on new business development, formalising our partnerships and further refining our growth plans in this sector and we hope to update our stakeholders as and when we meet our targeted milestones in the new business.

Our turnaround plan is well underway and this has been made possible by having a clear vision of where we want to take the Group and rationalising our corporate structure so as to achieve our goal in the quickest and most cost effective manner. We remain confident in the market fundamentals, and what we have created today is a leaner, more agile and simplified company that is now capable of exploiting new opportunities in our markets.

PROSPECTS

Despite ongoing challenges, we have a solid business platform to build a future for the Group. We have had significant wins and are making good progress in building the market for our solutions. We have developed the market foundation for our end-to-end Nanofluids solutions specifically within the areas of drilling, recovery and treatment for the oilfield chemicals sector and have now expanded our solution offerings into the Water industry with the opportunity to leverage on our well established go-to-market infrastructure to grow the business within our existing markets, to expand our geographical spread and tap into new exciting market segments.

NANOFLUIDS

In the energy industry, our Nanofluids platform comprises an end-to-end spectrum of solutions that tackle the industry pain points in a cost effective manner, from addressing drilling challenges and time, recovery and production rates to regulatory health, safety and environmental concerns associated with oil and gas exploration and production activities.

Having undergone rigorous testing protocols and successful field trials with a number of oil majors and supermajors, our oilfield products are now positioned by Scomi as the mainstream solutions for new tenders and bids participated by Scomi. For our drilling solutions, I am happy to report that our game changing disruptive value proposition was field-validated in our first delivery of the 3-year contract win with Scomi in Myanmar where our product delivered a 50% increase in drilling efficiency resulting in 40% reduction in total drilling cost for the end customer, a national oil company ('NOC'). This breakthrough performance have led to a planned programme for our solutions to be deployed in other operating geographies of the NOC, to commence with a well trial for Thailand in 2017.

Successful trials concluded in Myanmar, Turkmenistan, Indonesia, Vietnam and India have translated into purchase orders for our water-based drilling fluids to replace existing product to service ongoing drilling campaign in Turkmenistan until the end of 2017.

We anticipate that the product rollout in other trialed jurisdictions to commence once drilling activity resumes. We have also closed our first commercial order in Pakistan for our viscosifier this year

Our well stimulation and recovery solution, which increases production output without the use of hazardous and harsh chemicals, was launched this year and is now undergoing commercial trial by an NOC operating in Myanmar with encouraging results. We anticipate having the opportunity to rollout our solution in other operating locations of the NOC once the commercial trial is completed. At the same time we are also in advanced negotiations with an NOC in India and an international oil company operating in Turkmenistan for deployment of our solution which will commence with well trials in India and Turkmenistan this year.

Our field performance successes are providing us with the proven track record hurdle demanded by the industry for mainstream commercial deployment, strengthens our value proposition and tender bids and shortens the time to market in this highly fragmented industry. After the hiatus, we are today seeing indication of activities resuming and subject to working capital availability; we anticipate participating in 12 new oilfield tenders in the next 12 months in the South East Asia ('SEA') and the Middle East and North Africa ('MENA') regions with our proven track record.

WATER

Working in collaboration with a specialised equipment manufacturer, we apply our platform technology to tailor, customise and integrate systems and solutions to meet the varied water treatment, recycling and reuse needs of the energy, municipality, power plant and industrial sectors. Our systems combine speed, efficiency and extensiveness through a wide range of improved processes and treatment solutions, designed in both modular and centralised form to enhance productivity, reduce cost and ensure environmental compliance for all aspects of water.

Our strategy is to focus on:

- ▶ smaller to mid-sized markets where we have the competitive advantage in technology and there is a niche unaddressed space in which larger companies are not active in; and
- ▶ geographical locations where we have developed local partnerships and where we believe there are tremendous opportunities and growth potential.

Key regions that we are currently developing are SEA, South Asia, MENA and the African regions, for the following market segments:

▶ **Produced and Industrial Water**

For upstream oil and gas application, we are collaborating with Scomi to capitalise on its captive drilling waste management markets and our solution was formally launched in March 2016 at the Offshore Technology Conference Asia to well-received industry participants. Our partnership with Scomi further enables us to combine our technology offering with in-depth industry expertise and on-site services delivered by Scomi for each commercial deployment providing us, with the ability to offer an attractive value proposition for our environmental solutions and structuring a recurring revenue model-base business platform for this market segment.

We are making positive inroads into the Middle East markets and are currently at the technical data evaluation stage with two NOCs for the customisation of our modular produced water solutions for offshore rigs and platforms operated by the NOCs in the MENA region.

In downstream applications, our non-toxic biological pathway in wastewater treatment has been selected as part of an integrated water treatment solution for a greenfield petrochemical refinery complex in Thailand with the letter of award issued in Q3 2016, a further validation of our innovative solution offering in water treatment.



Parallel to this, we are also in early stage discussion with an international gas processing company operating in Egypt to develop an integrated on-site wastewater treatment for a gas-processing refinery on a design-build-own-operate-transfer model. The wastewater is currently transported on daily basis for treatment at offsite location and our solutions would eliminate costly haulage expenses and environmental risk of spillage and non-compliance.

► **Municipalities/Utilities**

On the municipal side, we are working on three different geographical-based fronts, namely, drinking water treatment, sewage water treatment and desalination. Key to our execution strategy is the local and international industry partnerships that we developed to allow an integrated solutions offering on various business models and structures from turnkey to build-own-operate-transfer models.

“ Demand will continue to grow with the market expecting to reach US\$ 1 trillion by 2025 and leveraging on its technology platform, Graphene NanoChem intends to capitalise on the opportunities to address these water-related challenges focusing on speed, size and cost reduction offered by its solutions. ”

Drinking Water Treatment

Our partnership model has enabled us to be pre-qualified for an international government tender for water supply and distribution system in South Asia and we expect to participate in the upcoming tender to be issued in Q4 2016 in which, through our partnership-consortium, we intend to offer a modern decentralised-based water system to address the need for access to clean drinking water for the region.

Sewage Water Treatment

Our alliance with Millennium Engineering Corporation, a process water treatment specialist avails us with the delivery arm to pursue and address the sewage water treatment markets which we are developing in South Asia.

Desalination

For desalination opportunities, we have entered into a strategic alliance agreement with Tecnoconsult International, an international engineering procurement and construction expert in turnkey solutions projects with geographical presence across three continents to design, develop and implement integrated customised solutions to treat local source water and provide high purity water for the region. Together with TecnoConsult, we have identified project pipelines in MENA and Africa that we intend to develop and pursue within the next three years.

Global water consumption doubles every 20 years. Today, water scarcity, changing demographics, declining water quality, stringent regulations and climate change impact have become major issues in the global water sector, driven by rising demand due to population and economic growth. The global water market is currently estimated at US\$425 billion with strong demand for innovative solutions that enable more efficient use of available water resources, reusing and recycling of water to enhance the quality of drinking. Demand will continue to grow with the market expecting to reach US\$1 trillion by 2025 and leveraging on its technology platform, Graphene NanoChem intends to capitalise on the opportunities to address these water-related challenges focusing on speed, size and cost reduction offered by its solutions.

OUTLOOK

Our key focus areas are the restructuring of bank debt that has been progressing well, the advancement of the Nanofluids business and the Water treatment business through strategic partnerships, and a fundraise to recapitalise the Group.

We are confident that the measures that we have undertaken enables the reorganised Graphene NanoChem to be well positioned to advance across its chosen sectors and markets. Considerable work is to be done for the Group to realise the full potential of its business platforms, the key being securing more contract wins. We are focused towards achieving that through existing project pipelines, new tenders and bids that we are participating in. Whilst no guarantees can be given that this stage, we anticipate to meet customary conditions on the approved Phase 1 of the debt restructuring by year end. Approval and completion of the Phase 2 debt restructuring and seeking of additional equity finance are also expected by year end, in order to continue trading as a going concern. Please refer to note 2.2 to the financial statements in regards the material uncertainty over the Group's ability to continue as a going concern.

Whilst cautious, we are optimistic on the market opportunities and confident in the fundamentals of our strategy and look forward to sustained earnings in the near future.

Dato' Jespal Deol

Chief Executive Officer

27 October 2016

BUSINESS OVERVIEW



NANOFLUIDS IN ENERGY

VALUE CREATED

Increases lubricity
Reduces drill clogging
Reduces losses
Environmentally superior



WELL
DRILLING

CUSTOMERS' BENEFITS

Reduces drilling time
Reduces nonproductive time
Reduces drilling cost
Reduces cost of treatment

Reduces blockages

WELL STIMULATION
+ RECOVERY



Increases production

Reduces treatment time
Lowers corrosion rates
Environmentally superior



WELL PROTECTION
+ INTEGRITY

Reduces cost of treatment
Reduces maintenance cost
Reduces HSE cost

Solids/Liquids
In situ treatment
Recovers oil and mud
Enhanced throughput

WASTE TREATMENT
+ RECYCLING



Reduces cost of haulage
and disposal
Reduces OPEX cost
Reduces CAPEX

WATER

VALUE CREATED

Chemical-free
In situ treatment
Highly difficult contaminants



ENERGY

CUSTOMERS' BENEFITS

Reduces HSE risk
Reduces complexity
Reduces cost

Compact high value systems
Single pass systems
Lower CAPEX and OPEX

MUNICIPALITY



Reduces footprint
Reduces time
Reduces cost

Removes salts and hardness
in one pass
High contaminants tolerance



POWER
PLANTS

Reduces plant CAPEX
Reduces maintenance cost

Ability to treat diverse and
fluctuating conditions

INDUSTRIAL



Reduces system components
Reduces CAPEX and OPEX

GLOBAL PRESENCE

Through strategic partnerships we have presence in 48 locations in 22 countries



FINANCIAL REVIEW

OVERVIEW

Faced with macro-economic challenges of a global downturn in the oil and gas markets in 2015, the Group has been taking decisive action in reducing its cost base and recalibrating and streamlining its portfolio of businesses to maximise growth opportunities. Our focus has been on a holistic turnaround plan which includes debt restructuring, reducing headcount and diversification from the traditional low margin high volume fuel additive business to build future foundations with new high margin technologies.

The Group's structured exit from the low margin, high volume fuel additive and crude palm oil refining businesses began in 2015, which is not expected to have any significant growth in margins. This structured exit contributed to the lower revenues for the year of £8.0 million. The 2nd phase of the proposed exit, is the realisation of the assets and closure of the related subsidiaries in the most expedient and efficient manner. In line with the proposed exit and closure of subsidiaries, the Group incurred £25.7 million in impairment charges on the assets of those businesses for the year that contributed to the overall loss attributable to shareholders of £32.9 million.

A key focus for the Group during the year was the holistic restructuring of debt (with customary conditions precedent to be met by year end) mapped against the recalibrated business plans of the Group. The Group successfully restructured c. £14.5 million in short term bank debt due in 2015 into a 7 year long term debt schedule by extending the maturity date to December 2021, a two year payment moratorium and payment in the aggregate amount of £0.315 million in 2016 and 2017, effectively reducing the Group's short and immediate term cash pressure within a challenging operating environment amidst the oil and gas industry downturn. The Group has made the £0.315 million payment for 2016 to date.

The c.£14.6 million in bank debt constitutes approximately 57% of the Group's total debt to secured financiers and on the heels of this success, the Group has progressed the second phase of its debt restructuring plan with its remaining secured financiers, for the settlement of its balance of secured debt of approximately £10.9 million (at a current average effective interest rate of 7.3%) through the planned realisation and disposal of its non-core assets and the utilisation of proceeds thereof towards reducing the Group's term loan debt. Such non-core assets include the fuel additive assets and the palm oil refinery.

These non-core assets have a written down force sale value of £18.2 million providing an assumed c.1.4 times cover ratio over

The successful implementation of the restructuring plan, by year end is expected to significantly reduce the Group's debt balance and interest rate expense, which will have a positive impact of strengthening the Group's balance sheet. Further, the utilisation of operating cash flows in the near term for advancement of the recalibrated business plan rather than repayment of debt obligations, bodes well for the Group as it focuses on available resources and growth strategies on long term, higher margin business opportunities.

In line with the reorganisation of the Group, GNC is in the process of winding up two non-core subsidiaries namely Platinum Nanochem Sdn bhd and Platinum Green Chemical Sdn Bhd;

- ▶ **Platinum Green Chemicals Sdn Bhd ('PGC') Winding Up**
KPMG Deal Advisory Sdn Bhd was appointed as receivers and managers of Platinum Green Chemicals Sdn. Bhd. The appointment was made by the Bank Pembangunan Malaysia Berhad via the Security Deed and Debenture held and pursuant to Sections 188(1), 189(1) and 189(2) of the Malaysian Company Act 1965. Subsequent to this a further winding up order for PGC via Section 218 of the Malaysian Companies Act 1965 was received on 1 August 2016.
- ▶ **Platinum Nanochem Sdn Bhd ('PNC') Winding Up**
On 15 July 2016, a winding up order was received for Platinum Nanochem Sdn Bhd, a wholly owned subsidiary of Graphene Nanochem Sdn. Bhd. pursuant to Section 218 of the Malaysian Companies Act 1965.

The proposed exit from the fuel additive and palm oil refining businesses are not anticipated to have any material impact on the Group's core business portfolio, consisting of the oilfield chemicals and water solutions businesses, in which the Group is continuing to have strong market traction and growth opportunities.

In spite of the challenging period of the oil and gas industry, compounded further by the financial restructuring undertaken, the Group has delivered on its two core near term strategies:

- ▶ Establishing market access and presence in 48 locations and 22 countries with engagement, contracts, purchase orders and upcoming tenders for Nanofluids through its Scomi Joint Venture, negating the need to incur cost that would otherwise be required; and
- ▶ The launch of the enhanced water treatment solution platform with marketing efforts focused towards securing early wins.



Operationally, 2016 continues to be a period of market building for the Group and a number of commercial opportunities have been identified to increase sales volumes and expand market reach particularly in light of the urgent needs for water treatment solutions and significant progress is being made. For the larger water treatment projects currently pursued, the Group is looking at various methods of financing including off balance sheet structures.

Looking further ahead, improvements in key financial metrics can be achieved and the deployment of our partnership based market access strategy will continue to strengthen the business and enhance shareholder returns. After a difficult year, the business has been right sized with personnel reduction from 131 to 21 persons to date, is leaner and well positioned to capitalise upon future prospects in the two large markets in which the Group operates.

OPERATIONS

Revenue for the period decreased to £8 million in lieu of the proposed exit from the high volume, low margin fuel additive business. Administrative expenses increased by 24% to approximately £3.4 million due to unfavourable foreign exchange movements during the year.

Finance costs in the period also decreased by 26% to approximately £1.8 million. This was largely due to the debt restructuring and payment and interest moratoriums given by one of the Groups lenders given during the year.

Capital expenditure and product development expenses during the year decreased by 99% to £0.7 million reflecting the completion of the development phase for the current suite of products and manufacturing capability.

Available cash and cash equivalents at year-end were approximately £0.6 million, to be used for continued deployment in operations.

2016 OUTLOOK

The Group will look to ensure a strengthened balance sheet to reflect the recalibrated portfolio of businesses, through the realisation of our debt restructuring plan to improve short to medium term liquidity and future debt balance.

As noted in note 2.2 to the financial statements, in view of the net current liabilities and shareholders' deficiency of the Group, the ongoing discussions with the Group's financiers and the rationalization plan also being dependent upon the Group having access to sufficient funds, the directors consider there is a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern. However the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary, if the going concern basis of preparing the financial statements of the Group and of the Company is not appropriate.

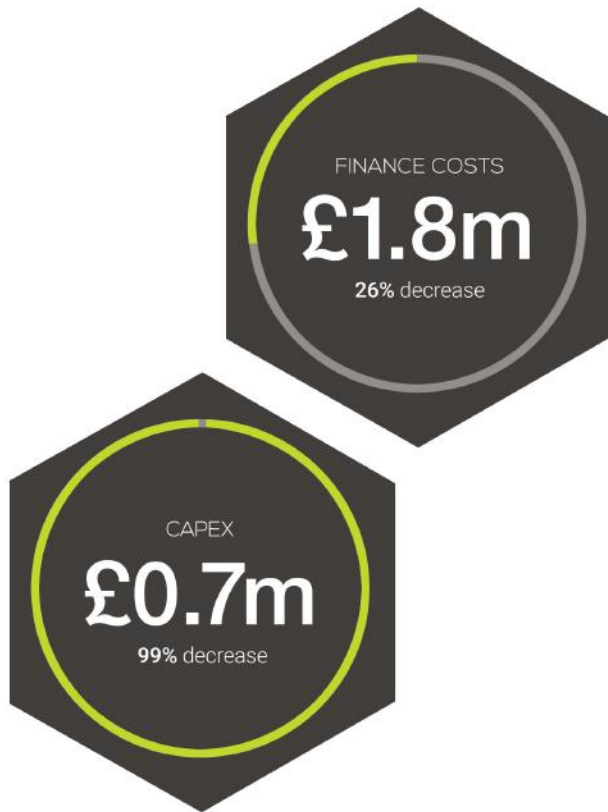
The Group will continue to establish a strong foundation in 2016 for both its Nanofluids and water solution business. Focusing on achieving a resilient business model founded on high margin products with a competitive cost profile.

We will continue to explore and develop joint ventures and new business opportunities to deliver value to shareholders.

Sushil Sidhu

Finance Director

27 October 2016



Operationally, 2016 continues to be a period of market building for the Group and a number of commercial opportunities have been identified to increase sales volumes and expand market reach particularly in light of the urgent needs for water treatment solutions and significant progress is being made.

For the larger water treatment projects currently pursued, the Group is looking at various methods of financing including off balance sheet structures.

Looking further ahead, improvements in key financial metrics can be achieved and the deployment of our partnership based market access strategy will continue to strengthen the business and enhance shareholder returns. After a difficult year, the business has been right sized with personnel reduction from 131 to 21 persons to date, is leaner and well positioned to capitalise upon future prospects in the two large markets in which the Group operates.

OPERATIONS

Revenue for the period decreased to £8.0 million in lieu of the proposed exit from the high volume fuel additive business.

Administrative expenses increased by 24% to approximately £3.4 million due to unfavourable foreign exchange movements during the year. Finance costs in the period also decreased by 26% to approximately £1.8 million. This was largely due to the debt restructuring and payment and interest moratoriums given by one of the Groups lenders given during the year.

Capital expenditure and product development expenses during the year decreased by 99% to £0.7 million reflecting the completion of the development phase for the current suite of products and manufacturing capability.

Available cash and cash equivalents at year-end were approximately £0.6 million, to be used for continued deployment in operations.

2016 OUTLOOK

The Group will look to ensure a strengthened balance sheet to reflect the recalibrated portfolio of businesses, through the realisation of our debt restructuring plan to improve short to medium term liquidity and future debt balance.

The Group will continue to establish a strong foundation in 2016 for both its Nanofluids and water solution business. Focusing on achieving a resilient business model founded on high margin products with a competitive cost profile.

We will continue to explore and develop joint ventures and new business opportunities to deliver value to shareholders.

Sushil Sidhu

Finance Director

27 October 2016

Operationally, 2016 continues to be a period of market building for the Group and a number of commercial opportunities have been identified to increase sales volumes and expand market reach particularly in light of the urgent needs for water treatment solutions and significant progress is being made.

For the larger water treatment projects currently pursued, the Group is looking at various methods of financing including off balance sheet structures.

Looking further ahead, improvements in key financial metrics can be achieved and the deployment of our partnership based market access strategy will continue to strengthen the business and enhance shareholder returns. After a difficult year, the business has been right sized with personnel reduction from 131 to 21 persons to date, is leaner and well positioned to capitalise upon future prospects in the two large markets in which the Group operates.

OPERATIONS

Revenue for the period decreased to £8.0 million in lieu of the proposed exit from the high volume fuel additive business.

Administrative expenses increased by 24% to approximately £3.4 million due to unfavourable foreign exchange movements during the year. Finance costs in the period also decreased by 26% to approximately £1.8 million. This was largely due to the debt restructuring and payment and interest moratoriums given by one of the Groups lenders given during the year.

Capital expenditure and product development expenses during the year decreased by 99% to £0.7 million reflecting the completion of the development phase for the current suite of products and manufacturing capability.

Available cash and cash equivalents at year-end were approximately £0.6 million, to be used for continued deployment in operations.

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Available cash and cash equivalents at year-end were approximately £0.6 million, to be used for continued deployment in operations.

2016 OUTLOOK

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Sushil Sidhu

Finance Director

27 October 2016

OUR STRATEGY

BUSINESS STRATEGY

Graphene NanoChem's strategy is to deliver innovative, high value high margin applications in attractive growth sectors that will ensure sustained global growth that will translate to improved earnings for our shareholders. The Group seeks to deliver this by progressing the following objectives:

STRATEGIC OBJECTIVES	SOLUTIONS DRIVEN HIGH VALUE APPLICATIONS	LEADING WITH HIGH PERFORMANCE GREEN SOLUTIONS	PARTNERSHIP MODEL TO ACCELERATE GROWTH	CONTINUOUS INNOVATION FOR SUSTAINED GROWTH
MEGATRENDS DRIVING GROWTH	<p>Customised best in class applications, manufacturing know-how, intellectual property, platform technology will be key to market leadership and increased barriers to entry.</p>	<p>Increased demand from users and stringent regulations by regulatory authorities for safe and environmentally friendly solutions that perform as well as conventional products.</p>	<p>Global business environment has evolved. Amid rapid change driven by globalisation and increased business complexity, diversified customer needs and speed, companies need to respond and adopt accordingly.</p> <p>Partnerships and alliances have become an important growth tool to enable companies to realise market opportunities.</p>	<p>Innovation, strong IP portfolio and differentiated application offerings to develop and grow long term market platform and to increase barriers to entry.</p>
OUR APPROACH	<p>Investing in a portfolio of proprietary technologies aligned to market needs and requirements.</p> <p>Where necessary, we expect to continue to grow by acquisition, adding technologies and applications that complement the existing business and planned growth areas of the Group.</p>	<p>The use of our graphene-integrated nanotechnology platform as an enabling tool to deliver differentiated applications aligned to market needs.</p> <p>Through our holistic approach, we deliver a complete suite of solutions that preserve natural resources and protects the environment.</p>	<p>The Group's approach to strategic partnerships follows a strict discipline.</p> <p>We focus on value add partnerships with strong technology offering or market access, often with clearly identified synergies with our existing businesses and targeted growth areas.</p>	<p>We devote resources and tailor our innovation pipeline in alignment with market needs as well as our expanding footprint and growth ambitions focusing on higher margin markets.</p>

GROWTH STRATEGY

Sustained growth remains an important strategic objective for the Group and the Group intends to achieve this in the following manner:

- ▶ Deliver quality earnings by focusing on higher margin business segments
- ▶ Develop sustained market position in high growth sectors by leveraging on our technology platform and through continuous innovation
- ▶ Move to an asset-light model through structured independent manufacturing, focusing on creating and adding value
- ▶ Accelerate market penetration and expand geographical reach through quality value-add industry partnerships

The Group will continue to focus on its core strategy of advancing disruptive high margin applications of its platform nanotechnologies in the markets that allows it to grow predictable and recurring revenue streams. Breaking into the lucrative high end of the O&G market is expected to open up extensive, long-term global market for the Group for both its Nanofluids and Water applications and the platform to diversify into other market segments outside energy. With that, the Group is now moving onto the next phase of development of market building and securing long-term growth opportunities in its chosen industry segments.

Accordingly, the Graphene NanoChem board will continue to invest in business and applications development and securing long-term projects so as to deliver returns and sustained growth.

KEY PERFORMANCE INDICATORS

The Group has a range of performance indicators, both financial and non-financial, to monitor and manage the business. These are set at the individual customer level and for business units as well as for the Group as a whole. The Group's key performance indicators ('KPIs') are: headline operating margin, headline operating profit, net cash and net debt. These measures are used continually to manage the business, improve performance and compare results against targets.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management forms an integral part of the business planning and review cycle. The Directors believe in the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated priority.

Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem not to be significant, may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

In particular, the Group's performance may be affected by the changes in market or economic conditions and in legal, regulatory and tax requirements. The Group has put in place controls and strategies to minimise these risks where possible.

RESULTS AFFECTED BY CONTINUED MARKET VOLATILITY

The general economic climate is volatile and is affected by numerous factors beyond the Group's control, which could impact its operations, business and profitability. These factors include supply and demand of capital, growth in gross domestic products, employment trends, international economic trends, currency exchange rate fluctuations, interest rates' level, inflation rate, global and regional political events and international events, as well as a range of other market forces, all of which have an impact on demand and business costs. Economic downturns, particularly in the energy sector can adversely impact the end-users.

The Group is exposed to the consequences of fluctuation in the price of oil and gas, as the supply and demand for oil is a key driver in the rollout of the Group's Nanofluids solutions. O&G operators may reduce or curtail operations if oil and gas prices fall to a level where drilling as well as exploration and production activities become uneconomical and this had and may continue to have, an adverse impact on the Group's business.

The Group maintains flexibility to meet changes in demand by maintaining tight inventory with maintaining regular contact with customers through its partners, equipping it with the ability to assess the potential impact and for the management to respond accordingly. The Board monitors the situation and takes actions as required.

RELIANCE ON PARTNERS

The Group is reliant on its relationship with Scomi for the commercial rollout of its Nanofluids solutions. Good progress is being made on gaining new accounts, applications as well as geographical reach, and ongoing activities with Scomi are currently quite buoyant. Whilst Scomi, one of the world's leading oilfield service company in the Emerging Markets provides a strong go-to-market platform for the Group, the exposure to one primary partner to market remains high. With the aim of minimising the effect of this risk, the Group has progressed the commercial rollout of its Water solutions into diversified markets and geographies, some of which are independent of Scomi.

NEW PRODUCTS, PROJECTS AND TECHNOLOGY INNOVATION

All new technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk, and potential customer claims or onerous contracts. The same is true in transferring technology and projects executions. Such risks may have a material impact on the Group. The nature of the competitive market we operate in makes innovation a key to success, absence of which could erode margins and/or result in loss of market share. The Group counters this risk by investing in research and development resources and continuously focusing on application development path.

EARLY STAGE OF COMMERCIALISATION AND NEW MARKETS

Whilst the Group has made initial sales of its Nanofluids and Water applications, the Group is still at early stage of commercial development. There are a number of operational, strategic and financial risks associated with early stage commercialisation efforts. The Group will continue to face risks frequently encountered by early stage companies looking to bring new applications to market. In particular its future growth and prospects will depend on its ability to develop applications which have broad commercial appeal, to secure commercialisation partners on appropriate terms and to continue to improve its commercialisation functions and to secure sales on a timely basis, whilst at the same time maintaining effective cost controls.

There are no guarantees that the Group will be able to implement the strategy detailed in its growth strategy successfully or at all. The ability of the Group to implement its strategy in a competitive market will require effective management planning and operational controls. If the Group fails to implement its business expansion strategy then this may have a material adverse effect on the Group's results of operations, financial condition and future prospects. With the aim of minimising this risk, the Group is working with specialist in those areas where it currently believes it has exposure to risk.

INTELLECTUAL PROPERTY

The Group is fundamentally based on a platform of intellectual properties ('IP'), which includes a combination of proprietary technologies owned by it (wholly or partly) or licensed to it. The Group's success depends on its ability, and the ability of any third part with which it may partner, in creating a defensible IP portfolio with adequate protection covering its intellectual property rights so as to preserve its exclusive rights in respect of its technology, to preserve the confidentiality of its own and its third party partners' know-how and to be able to operate without having third parties circumvent the rights that it owns, has licensed or has been licensed.

The Group's products and technologies may infringe or be alleged to infringe third parties' intellectual property or rights that may be granted in the future. If the Group is sued for infringement, the Group would need to demonstrate that its product or methods either do not infringe the relevant third party rights or that the rights of the third party are invalid and there can be no guarantee that the Group will be successful in defending any such proceedings. The Group closely monitors intellectual property in the areas in which it operates.

DEPENDENCE ON RECRUITMENT AND RETENTION OF KEY PERSONNEL

The Group's business, future success and planned expansion of its operations will depend upon its ability to attract, train and retain qualified and appropriately skilled personnel and on the efforts and abilities of its executive officers and certain other key employees, particularly those with sales and sales management responsibilities, who are key to the Group's growth. The lack of an appropriately skilled workforce or comprehensive succession plans would adversely impact our

ability to perform. Our operations could be adversely affected if for any reason we were unable to attract or retain such officers or key employees. The Group aims to mitigate this risk by in-house staff development while giving them clear objectives and career paths.

INDUSTRY OPERATING ENVIRONMENT

In the past, cessation or delay of customers' test programmes has inhibited the Group's growth. The Group has little or no influence over the duration of testing, which nearly always takes longer than originally projected by its partner or the end customers. It is common for test programmes, particularly in safety-critical applications such as oilfield chemicals, to take several years to complete. It is also a risk that significant application development time is spent on test programmes that do not result in sales. We mitigate the risk by establishing as early as possible the likelihood of a customer's test programme coming to fruition and that the potential commercial opportunities for the Group justifies embarking on the programme in the first place.

BID SUCCESS AND CONTRACT PERFORMANCE

The Group is dependent on the success of its bid activities across its targeted sectors and applications. Bidding, by its nature, can be long and expensive and investment in such activity needs to be closely monitored to ensure adequate return. The success and performance of the Group also depends on our businesses' ability to successfully execute their contractual obligations on terms that provide the expected returns.

There is a risk that a particular project (including but not limited to, capital expenditure in relation to production expansion, meeting agreed standards or timescale and/or product development and commercialisation) could experience unforeseen delays and incur unexpected expenses, adversely impacting the implementation of the Group's strategy and the Group's business, financial condition and results of operations.

The Group has developed and laid down its 'gatekeeping' process to assess on a business by business and project to project basis, or if necessary at a Group level, the risk and reward balance in deciding to bid for or execute contracts whether on our own account or in partnership with others. Further, the Group maintains rigorous quality standards in all of its operations and carefully assesses the terms on which it agrees to enter into contractual relationships at appropriate levels of responsibility.

DEPENDENCE ON THIRD PARTY SUPPLIERS

Whilst the Group's contract manufacturers will manage their own supply chains, the Group will continue to hold relationships with (i) key component suppliers (which are likely to be used by contract manufacturers) and (ii) a more extensive supply chain to support its ongoing development activities. Whilst the Group has sought to mitigate the risk attaching to its reliance on third party suppliers through expanding its supplier base, a supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meet the Group's

quality, quantity or cost requirements, or the Group's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to it, could harm its ability to meet its contractual obligations to its customers.

LITIGATION AND CLAIMS

The Group is subject to litigation from time to time in the ordinary course of business, and makes provision for the expected cost based on appropriate professional advice. In particular, the fuel additive subsidiaries of the Group, currently in the process of closing down, are subject to litigations and winding up proceedings which however are not expected to have a material adverse impact on the Group's position. There is a risk that additional litigation could be instigated in the future which could have a material impact on the Group.

ENVIRONMENTAL AND REGULATORY CONSIDERATIONS

In addition to general UK and international laws, our activities are subject to significant additional obligations, particularly in the jurisdictions that we operate in. In the context of changes in the regulatory environment there is a risk that we fail to adopt policies/processes to ensure compliance with emerging requirements. It is also difficult to predict the impact of future changes to laws or regulations or the introduction of new law or regulations that affect us and, from time to time, interpretation of existing laws or regulations may also change or the approach to enforcement may become more rigorous. It could also lead to high levels of scrutiny by regulators, enforcement agencies or authorities with associated increase in operational costs.

GROUP MAY CONTINUE TO MAKE LOSSES

The Group has always been focused on developing commercial applications. Notwithstanding the commencement of commercialisation of its Nanofluids applications in the energy industry and the progress of its business development activities in Water, the Group expects to continue to make significant expenditure on R&D in order to develop further its applications in the areas that have been identified in its business expansion strategy.

FINANCIAL RISK

There are a number of financial risks, which will be outside the control of the Group, and which can affect revenues and/or costs, and neither the Company nor its subsidiaries currently

hedges against such risks. These includes going concern risks (please refer to Note 2.2), varying international exchange rates, interest rates, world commodity prices, energy prices and supplies, raw materials prices and supplies, inflation and international trends in trade, tariffs and protectionism and changes in legal and regulatory framework. There can be no assurance that such variables will not have a material adverse impact on the Group's financial position or results of operations.

POLICY ON FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, borrowings, short-term debtors and creditors arising from its operations. The Group has not established a formal policy on the use of financial instruments but assesses the risks faced by the Group as economic conditions and the Group's operations develop.

APPROVAL OF STRATEGIC REPORT

Part I of this Annual Report comprises the Strategic Report for the Group which has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the Directors in connection with this Annual Report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic Report has been prepared for the Group as a whole and are deemed to form part of this report, and therefore gives greater emphasis to those matters, which are significant to Graphene NanoChem and its subsidiary undertakings when viewed as a whole.

Approved by the Board and signed on behalf of the Board.

Dato' Jespal Deol

Chief Executive Officer

Sushil Sidhu

Finance Director

27 October 2016

BOARD OF DIRECTORS



TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR (Aged 67)

APPOINTMENT | Appointed to the Board as Non-Executive Chairman in March 2013.

KEY STRENGTHS AND EXPERIENCE | Extensive years of experience and broad knowledge in the finance and petroleum sections within the Malaysian civil service. Tan Sri Abi has served with the Public Service Department, and as Deputy Director of the Petroleum Development Division under the Malaysian Prime Minister's Department. He brings strong financial knowledge from his experience as the Deputy Director in the Budget division of the Finance Ministry. He served as the Director General of the Federal Agriculture Marketing Authority and Secretary General of the Agriculture and Small Industries before retiring in September 2006. He holds an MBA from the University of Birmingham and a Bachelor's degree in Economics from the University of Malaya.

EXTERNAL APPOINTMENTS | Non-executive Chairman of Pelikan International and, Independent Non-Executive Director of HeiTech Padu Berhad.

COMMITTEE MEMBERSHIP | Chairman of the Remuneration Committee; and the Audit Committee.



DATO' JESPAL SINGH DEOL BALBIR SINGH (Aged 51)

APPOINTMENT | Appointed as Chief Executive Officer on March 2013.

KEY STRENGTHS AND EXPERIENCE | Wealth of experience in biotechnology, investments and legal experience. Dato' Jespal was the co-founder of Platinum NanoChem Group and appointed as the Managing Director of Platinum NanoChem in 2007. He co-founded Stevian Biotechnology, involved in the production of a natural based sweetener from stevia, which was admitted to trading on AIM as Pure Circle Limited in December 2007 with market capitalisation of £384 million. He was also the Executive Director of Corporate and Business Development and was instrumental in securing its development funding and closing global sales with multinational customers. He specialised in corporate mergers and acquisitions during his time with his firm Deol & Gill. Jespal holds a Bachelor of Law degree from the University of Queensland, Australia.

EXTERNAL APPOINTMENTS | Independent non-executive director and Chairman of the Audit Committee of IMU Education Sdn Bhd, which operates the International Medical University of Kuala Lumpur and is part of IHH Healthcare Berhad.



SUSHIL SINGH SIDHU JOGINDER SINGH (Aged 51)

APPOINTMENT | Appointed as Finance Director on March 2013

KEY STRENGTHS AND EXPERIENCE | Extensive and rich international experience in corporate finance, equity capital markets and venture capital management. As the co-founder of Platinum NanoChem Group, he served as the executive director of finance of the company since January 2007. As the former Finance Director of Stevian Biotechnology, Sushil Sidhu and team grew the company from its start-up position and raised its development funding. He has wide and in-depth financial experience, having served as the Chief Operating Officer of Commerce-Meridian Capital Sdn Bhd, which was a joint venture management company with the CIMB Group, Southern Bank Securities, Jardine Matheson and Nikkei Pacific Corporate Advisory Sdn. Bhd. Sushil holds an MBA (majoring in Finance) from the University of Hull and a Bachelor's degree in Business (majoring in Finance) from Deakin University, Melbourne, Australia.

EXTERNAL APPOINTMENTS | Senior Associate of the Institute of Credit Management, Australia and an Associate of the Institute of Bankers, Australia.

DATO' LARRY GAN NYAP LIOU @ GAN NYAP LIOW (Aged 62)

APPOINTMENT | Appointed to the Board as Non-Executive Director on March 2013

KEY STRENGTHS AND EXPERIENCE | Close to three decades of global leadership roles in strategic management, investments, innovation and technology. Gan was with Accenture, consulted on projects with multinational companies and worked with global innovative technologies. As Accenture's managing partner for Asia from 1999 to 2003, he managed a multibillion dollar Venture Fund in Asia Pacific, closing investments in China, Japan, Australia and Singapore. His in-depth technological experience is reflected in his appointments as Chairman of the Association of Computer Industry Malaysia (PIKOM), Vice-President of the Association of Asian Oceania Computer Industry Organisation, Member of the Minister of Science and Technology Think Tank, Copyright Tribunal, Labuan International Financial Exchange Committee, MIMOS Berhad (Government Technology Research) and the Malaysia US Business Council. Larry is a chartered accountant and a certified management consultant.

EXTERNAL APPOINTMENTS | CEO/Managing Director of Omesti Berhad, Independent Non-Executive Director of Cuscapi Berhad, Chairman of Catcha Media Berhad and Diversified Gateway Solutions Berhad, a Board Member of Rev Asia Berhad (Chairman), Tanjong Public Limited Plc, Saujana Resort (M) Berhad and Tropicana Corporation Berhad, 8Common Ltd (Australia) and Fatfish Internet Group Ltd (Australia, Chairman). He is associated with the Minority Shareholder Watchdog Group (Director), British Malaysian Chamber of Commerce (Chairman) and JC Jacobsen Foundation (Trustee).



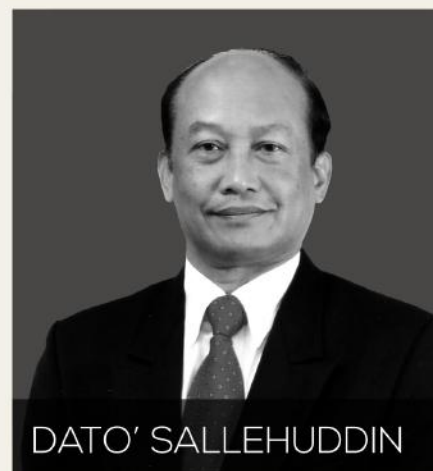
DATO' SALLEHUDDIN BIN OTHMAN (Aged 65)

APPOINTMENT | Appointed to the Board as Non-Executive Director on April 2014.

KEY STRENGTHS AND EXPERIENCE | Considerable leadership experience in the finance and corporate sector. Dato' Sallehuddin held senior roles in Permodalan Nasional Berhad and UMW Holdings Berhad, where he later served as Group Managing Director from 1994 to 2000. His strategic knowledge was instrumental in the execution of various plans as the Group Managing Director of the Malaysian Industrial Development Finance up to 2006. He holds a Master of Science Degree in Administrative Sciences from City University, London.

EXTERNAL APPOINTMENTS | Non-Executive Director at the Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad and Non-Executive Chairman of MSIG Insurance Malaysia Berhad. He is a fellow member of the Association of Chartered Certified Accountants.

COMMITTEE MEMBERSHIP | Chairman of the Audit Committee.



DR PATRICK DENNIS HOWES (Aged 62)

APPOINTMENT | Appointed to the Board as Non-Executive Director on August 2007.

KEY STRENGTHS AND EXPERIENCE | Dr Patrick brings over 25 years of experience in chemical industries, the execution and management of technology-driven projects from inception to completion. He holds a PhD in Chemistry (1981) from Salford University in the synthesis and properties of zeolite molecular sieves, a class of nanomaterials utilised in the oil and gas industry.

COMMITTEE MEMBERSHIP | Remuneration Committee and Audit Committee.



DIRECTOR'S REPORT

THE DIRECTORS PRESENT THEIR REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

PRINCIPAL ACTIVITY

Graphene NanoChem is a graphene commercialisation company that designs, formulates, manufactures and markets a range of graphene-enhanced applications, from chemicals to performance materials, with improved performance characteristics when compared to conventional products.

The Group is currently undergoing a rationalisation plan to exit the heavy low margin fuel additive and palm oil refining businesses. The Company is UK domiciled and incorporated in England and Wales. Details of the Company's principal subsidiaries are set out in Note 3 on Page 40.

The Strategic Report, which is set out on pages 2 to 16, provides a comprehensive review of the development, performance and future prospects of the business for the year ended 31 December 2015 including a description of the Company's strategy, business models and business overview.

RESULTS AND DIVIDENDS

The loss for the year was £32.9 million (2014: Loss of £6.7 million). Further details are set out on Page 26. No dividend has been paid or proposed for the year or in the prior years.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will take place on 6 December 2016 at Academy House, London Road, Camberley, Surrey GU15 3HL, commencing at 10.00 a.m. Details of the resolutions and voting procedures are set out in the Notice of Annual General Meeting on Page 66.

Shareholders can vote by completing the form of proxy sent with the Notice of Meeting. To be valid, all votes must be received no later than 48 hours before the time set for the meeting.

DIRECTORS

The names of the Directors who served during the year were:

	Appointed	Resigned
Tan Sri Abi	26 March 2013	
Dato' Larry Gan	26 March 2013	
Dato' Jespal	26 March 2013	
Sushil Sidhu	26 March 2013	
Alan Cleverly	26 March 2013	23 March 2016 (deceased)
Dr Patrick Howes	31 August 2007	
Dato' Sallehuddin	17 April 2014	

These profiles of the Directors of the Company serving at the date of issue of this report are set out on pages 17 to 18.

No Director during the year had a material interest in any contract of significance to which either the Company or any of its subsidiaries were a party.

As at 31 December 2015, no Director of the Company has any beneficial interest in the shares of subsidiary companies.

SHARE CAPITAL

The Company's issued share capital comprises a single class, which is divided into ordinary shares of 20 pence each, details of which are set out in Note 21 of the financial statements. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects.

As at 31 December 2015, there are 116,536,536 ordinary shares in issue. The rights and obligations attached to these shares are detailed in the Articles of Association of the Company, copies of which can be obtained from the Companies House in the UK, or by writing to the Company Secretary, at the registered office of the Company.

SUBSTANTIAL INTEREST

As at 27 October 2016, the shareholders of the Company holding interest amounting to 3% or more of the ordinary share capital of the Company are as follows:

	Number of ordinary shares	Percentage of issued ordinary shares
Platinum Energy Global Sdn Bhd	28,736,563	24.66%
Rampai Teknologi Sdn Bhd	9,181,857	7.88%
Dato' Foong Choong Heng ¹	7,913,754	6.79%
Dato' Larry Gan	6,011,720	5.16%
Green Ethics Capital Sdn Bhd	4,595,524	3.94%
MSG Commercial Ltd	4,393,906	3.77%
Plug & Play Technology Holdings Sdn Bhd	4,346,906	3.73%

Notes

¹ Dato' Foong Choong Heng holds 50 percent legal and beneficial interest in Rampai Teknologi Sdn Bhd.

DIRECTORS AND THEIR INTERESTS

As at 31 December 2015, the Directors have the beneficial interests in the shares and share options as set out below:

	Shareholding interest		Share options	
	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2015	As at 31 Dec 2014
Dato' Larry Gan	6,011,720	6,011,720	-	-
Tan Sri Abi	2,757,314	2,757,314	-	-
Dato' Jespal ¹	1,167,263	1,167,263	-	-
Sushil Sidhu	1,020,206	1,020,206	-	-
Dr Patrick Howes ²	24,500	24,500	-	17,500
Dato' Sallehuddin	45,373	45,373	-	-

Notes

¹ Dato' Jespal Singh Deol also has an indirect interest in 28,736,563 ordinary shares in the Company held by Platinum Energy Global Sdn Bhd through his 99.9 per cent legal and beneficial interest in Total Platinum Holdings Sdn Bhd which holds a 69.3 per cent interest in Platinum Energy Global Sdn Bhd.

² The option right for the option shares expired on 5 May 2015.

RESEARCH AND DEVELOPMENT

The Group previously conducted research and development activities to the extent that management considers that it is required to maintain its competitive position and to enhance growth opportunity in the markets in which it operates and plan to expand into. The amount incurred by the Group for the year was nil (2014: £3.9 million). All capitalised research and development expenditure was fully impaired as at 31 December 2015.

POLITICAL CONTRIBUTION

It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2014: £ nil).

GOING CONCERN

The directors have prepared the financial statements on the going concern basis, full details of which are set out in Note 2.2 to the Financial Statements.

INDEPENDENT AUDITORS

Our auditor, Crowe Clark Whitehill LLP has indicated its willingness to continue in office as auditors of the Company. In accordance with section 489 of the Companies Act 2006, the Board has decided to re-appoint Crowe Clark Whitehill LLP as auditors and a resolution concerning their re-appointment will be tabled to the members at the forthcoming Annual General Meeting.

STATEMENT OF DECLARATION OF INFORMATION TO AUDITORS

In accordance with the Companies Act 2006, all Directors in office as at the date of this report have confirmed, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all reasonable steps necessary in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) for the Group and United Kingdom Generally Accepted Accounting Practice Standards (UK Accounting Standards) for the parent company and applicable law.

Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group.

In preparing these financial statements, the Directors are required to:

- ▶ Select suitable accounting policies and then apply them consistently;
- ▶ Make judgements and estimates that are reasonable and prudent;
- ▶ State whether applicable IFRSs (Group) and UK Accounting Standards (Company) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Group's website in accordance with Rule 26 of the AIM Rules for Companies. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that, to the best of his knowledge and belief:

- ▶ The financial statements, prepared in accordance with IFRSs as adopted by the EU (Group) and UK Accounting Standards (Company), give a true and fair view of the assets, liabilities and financial position of the Group and the Company; and
- ▶ The Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

APPROVAL

The Report of the Directors' was approved by the Board on 27 October 2016 and signed on its behalf by:

Sushil Sidhu

Finance Director

CORPORATE GOVERNANCE STATEMENT

The Board supports the principles of good corporate governance although as an AIM listed company it is not required to apply the UK Corporate Governance Code ('the Code'). However, the Board believes that application of the Code is in the best interests of the Company and its stakeholders and has sought to apply the spirit of the Code in a manner, which is appropriate for the size of the Group. This report sets out the way in which the principles are currently being applied.

THE BOARD

The Board of Directors currently comprises a Non-Executive Chairman, a Chief Executive Officer, a Finance Director and three Non-Executive Directors. The Group is controlled through its Board of Directors. The Directors, together with their brief biographies, are identified on pages 17 and 18.

The Board of Directors considers that its size and composition are currently appropriate and that the balance of skills and experience is correct for the current requirements of the business to enable the members of the Board to discharge their respective duties and responsibilities effectively. The Board is responsible for the long term success of the Group. The Board's main roles are to create value for shareholders, provide entrepreneurial leadership of the Group, approve the Group's strategic objectives and ensure that the necessary financial and other resources are made available to enable those objectives to be met.

The Executive Directors meet regularly and are in continuous discussion with the operational management to ensure that the business objectives of the Group are achieved. Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are constructively challenged.

The Company's Non-Executive Directors are considered by the Board to be independent of management and they bring a breadth of knowledge and experience to the Board's deliberations.

The Board receives appropriate and timely information prior to each meeting with a formal agenda and Board papers are distributed in advance of Board meetings. Any Director may challenge Group proposals, and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board and then followed up by management.

SHAREHOLDER RELATIONSHIPS

The Company uses a number of processes for communicating with shareholders, including stock exchange announcements, the annual and half-year reports and the Annual General Meeting where all shareholders are invited. In addition, the Chief Executive or the Finance Director either meet on a one-on-one basis or hold telephone conferences with principal shareholders at least twice a year, following the Group's half and full year results to address any questions that they may have, or when requested to update them on the Group's performance and strategy.

INTERNAL CONTROLS

The Board acknowledges its responsibility for monitoring the quality of internal controls, for reviewing its effectiveness and putting into place processes for risk management to ensure that the financial performance of the Company is properly measured and reported on.

Such systems are designed to manage rather than eliminate the risk of failure in order to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Executive Directors have a close involvement with all day-to-day operations and also meet with Company's personnel on a regular basis to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place. Business risks are monitored and updated regularly. Some of the current key procedures in place are summarised below:

- ▶ Annual budgets for each operating entity are prepared in detail, reviewed by executive management and formally adopted by the Board;
- ▶ Management of operating companies are charged with the ongoing responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks;
- ▶ Regular discussions between management of the subsidiaries and the Group Executive Directors. Each operating company has at least one of the Group's Executive Directors on its board;
- ▶ The Company has well established financial reporting and approval systems and procedures which cover all key transactional processes and Company's commitment; and
- ▶ Daily cash monitoring and monthly cash forecasting and treasury reporting to the Group finance function.

AUDIT COMMITTEE

The Audit Committee is comprised of Tan Sri Abi and Dr Patrick Howes, and is chaired by Dato' Sallehuddin, who has relevant and extensive financial experience. The Committee reviews the effectiveness of financial reporting and internal financial controls and monitors the integrity of the financial statements of the Group and any significant reporting judgments contained therein.

The Committee, and other board members, by invitation, meets with the independent external auditor to review the Group's annual accounts and at other times, as appropriate during the year. The Audit Committee keeps under review the nature and extent of non-audit work carried out by the external auditor with a view to maintaining the auditor's objectivity and independence.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of Dr Patrick Howes and is chaired by Tan Sri Abi.

The Remuneration Committee is responsible for determining and reviewing the policy for the remuneration of the Executive Directors as well as determines the remuneration and terms of service of the Executive Directors including incentive arrangements and duration of notice period. No Director or other employee plays a part in any discussions regarding their own remuneration.

The Remuneration Committee also approves the design of, and determines targets for, any performance-related pay schemes, review the design of any share incentive plans and the awards for each Executive Director and other members of the executive management.



03 | FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GRAPHENE NANOCHEM PLC

We have audited the financial statements of Graphene Nanochem plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the Parent Company Balance Sheet, Parent Company Statement of Changes in Equity, Parent Company Statement of Cash Flows and the related notes 1 to 30 and 1 to 15 for the Group and Company, respectively.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

BASIS FOR DISCLAIMER OF OPINION ON FINANCIAL STATEMENTS

The Group has become unable to meet its current loan obligations which stood at £24,927,000 as at 31 December 2015 and which are secured on the property, plant and equipment of the Company's subsidiaries. Subsequent to the balance sheet date, one of the Group's lenders agreed to restructure the terms of secured borrowings amounting to £14,463,000 and the Group is in discussion with its other lenders to dispose of property, plant and equipment to settle the borrowings due to them.

The restructured borrowings of £14,463,000 are secured by a second charge on the property, plant and equipment subject to disposal and a guarantee given by the parent company and are repayable in installments or otherwise on demand. The directors have provided us with evidence to support the current position with regard to the debt restructure plans but

discussions with the lenders are not sufficiently advanced for us to form an opinion on the possible outcome which is outside the control of the Group. Consequently, the carrying amount of property, plant and equipment of £20,631,000 disclosed in the financial statements at a forced sale value estimated by the directors may require a material adjustment and/or the lenders may take a different course of action than proposed by the Group to recover their outstanding borrowings.

In addition, there is an uncertainty with respect to the Group's future operations which are expected to be funded via joint ventures, specialist water treatment funds, private equity and an anticipated equity fundraise. The directors have provided us with evidence to support their fund raising plans, however we are unable to determine if these will be successful or if the Group's planned new business will be profitable or provide sufficient funds to enable the Group and the Company to continue in operation for the foreseeable future.

The continuation of the Group's and the Company's operations is therefore dependent on the support from the lenders and the discussions which are being held regarding an appropriate solution to a restructuring of the Group. The continuity of the Group is also dependent on its ability to secure profitable future contracts and to successfully dispose of assets.

These events indicate material uncertainties as to the potential value of assets and liabilities presented in the Statement of Financial Position and cast significant doubt on the Group's and the Company's ability to continue as a going concern. Notwithstanding the fact that management have provided all information presently available, the existence and scope of multiple uncertainties are such that we have been unable to obtain sufficient appropriate audit evidence regarding the effect of these uncertainties.

DISCLAIMER OF OPINION ON FINANCIAL STATEMENTS

Because of the significance of the matters set out above, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements. Accordingly we do not express an opinion on the group or parent company financial statements.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Arising from the limitation of our work referred to above:

- ▶ We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- ▶ We were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ Returns adequate for our audit have not been received from branches not visited by us; or
- ▶ The financial statements are not in agreement with the accounting records and returns; or
- ▶ Certain disclosures of directors' remuneration specified by law are not made.

Leo Malkin

Senior Statutory Auditor

For and on behalf of:
Crowe Clark Whitehill LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London EC4Y 8EH

28 October 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
	Notes	£'000	£'000
Continuing operations			
Revenue	6	7,971	48,324
Cost of sales		(8,618)	(46,741)
Gross (loss)/profit		(647)	1,583
Other Income	7	252	181
Selling and distribution expenses		(114)	(889)
Administrative expenses	8	(3,399)	(2,738)
Impairment of fixed assets	13	(13,840)	-
Impairment of goodwill	14	(2,039)	-
Impairment of intangible assets	14	(9,815)	-
Finance income	10	2	10
Finance costs	10	(1,840)	(2,474)
Depreciation and amortisation		(2,665)	(2,438)
Operating loss		(34,105)	(6,765)
Share of loss in a joint venture	4	(20)	(22)
Loss before tax		(34,125)	(6,787)
Income tax credit	11	1,202	96
Loss for the year attributable to the owners of the parent		(32,923)	(6,691)
Other comprehensive loss: items that may be subsequently reclassified to profit or loss			
Net exchange differences on translating foreign operations		(360)	(121)
Total other comprehensive loss, net of tax		(360)	(121)
Total comprehensive loss		(33,283)	(6,812)
(Loss) per share			
- Basic and diluted	12	(28.56)p	(5.74)p

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

Assets	Notes	2015 £'000	2014 £'000
Non-current assets			
Property, plant and equipment	13	20,631	39,354
Goodwill	14	-	3,171
Intangible assets	14	41	11,284
Investment in a joint venture	4	19	56
		20,691	53,865
Current assets			
Inventories	15	249	1,486
Trade and other receivables	16	922	5,641
Cash and cash equivalents	17	558	2,227
		1,729	9,354
Total assets		22,420	63,219
Liabilities			
Current liabilities			
Trade and other payables	18	3,369	3,861
Borrowings	19	24,932	18,884
		28,301	22,745
Non-current liabilities			
Borrowings	19	12	11,557
Deferred tax liability	20	-	1,202
		12	12,759
Total liabilities		28,313	35,504
Net (liabilities)/assets		(5,893)	27,715
Equity			
Share capital	21	23,307	23,307
Share premium account	22	139,639	139,639
Reverse acquisition reserve	22	(99,305)	(99,305)
Translation reserve	22	(4,151)	(3,791)
Irredeemable convertible preference shares	23	1,924	2,249
Accumulated losses		(67,307)	(34,384)
Shareholders' (deficiency) /equity		(5,893)	27,715

The financial statements were approved and authorised for issue by the Board of Directors on 27 October 2016 and signed on its behalf by:

Sushil Sidhu

Dato' Jespal Deol

The accompanying accounting policies and notes form an integral part of these financial statements

Company Registration No: 05712979

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Accumulated losses £'000	Equity component of preference shares £'000	Total equity £'000
At 1 January 2014	23,307	139,639	(99,305)	(3,670)	(27,693)	2,265	34,543
<u>Total comprehensive income</u>							
Loss for the financial year	-	-	-	-	(6,691)	-	(6,691)
Foreign currency translation differences	-	-	-	(121)	-	(16)	(137)
	-	-	-	(121)	(6,691)	(16)	(6,828)
At 31 December 2014	23,307	139,639	(99,305)	(3,791)	(34,384)	2,249	27,715
<u>Total comprehensive income</u>							
Loss for the financial year	-	-	-	-	(32,923)	-	(32,923)
Foreign currency translation differences	-	-	-	(360)	-	(325)	(685)
	-	-	-	(360)	(32,923)	(325)	(33,608)
At 31 December 2015	23,307	139,639	(99,305)	(4,151)	(67,307)	1,924	(5,893)

All reserves are attributable to the equity holders of the parent company.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Loss before taxation	(34,125)	(6,787)
Adjustments for:		
Depreciation of property, plant and equipment	1,811	1,907
Amortisation of intangible assets	8554	531
Loss/(gain) on disposal of property, plant and equipment	5	(8)
Inventory written off	693	-
Bad debts written off	146	-
Interest income	(2)	(10)
Property, plant and equipment written off	2,350	129
Impairment of goodwill	2,039	-
Impairment of intangible assets	9,815	-
Impairment of tangible fixed assets	13,840	-
Share of loss in a joint venture	20	22
Finance costs	1,840	2,474
Operating loss before working capital changes	(713)	(1,742)
(Increase)/decrease in:		
Trade and other receivables	4,769	(1,007)
Inventories	592	1,584
Increase/(decrease) in:		
Trade and other payables	(492)	1,842
Cash generated from operations	4,156	677
Net interest paid	(1,840)	(2,464)
Income tax refund	72	-
Net cash used in operating activities	(2,388)	(1,787)
Cash flows from investing activities		
Purchase of intangible assets	-	(3,859)
Purchase of property, plant and equipment, net	(2,577)	(4,720)
Proceed from disposal of property, plant and equipment	-	8
Subscription of shares in a joint venture	-	(78)
Net cash used in investing activities	(2,577)	(8,649)
Cash flows from financing activities		
Net proceeds from/(repayment of) borrowings	(1,336)	5,088
Net cash generated from/(used in) financing activities	(1,336)	5,088
Net (decrease) in cash and cash equivalents	(1,525)	(5,348)
Cash and cash equivalents at beginning of year	2,227	7,368
Effect of exchange rate differences on cash and cash equivalents	(144)	207
Cash and cash equivalents at end of year (Note 17)	558	2,227

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 General information

Graphene Nanochem Plc is a public limited company incorporated and domiciled in England.

In 2013, the Company was formed through the reverse takeover of Platinum Nanochem Sdn Bhd ('PNC') by Biofutures International plc ('Biofutures') where £32.5 million was raised through a placing of 23.2 million ordinary shares with new investors. The enlarged group's shares were readmitted to the AIM market on 26 March 2013 under the name of Graphene Nanochem plc.

The consolidated financial statements are presented as a continuation of the financial statements of Platinum Nanochem Sdn Bhd. The consideration transferred was calculated after determining the fair value of the assets and liabilities of Biofutures at the transfer date. The consideration comprises the value of the additional shares that would need to have been purchased in Biofutures to acquire the entire share capital. The consideration transferred was not calculated based on the share price of the listed shell at the date of the acquisition as trading in the shares of the listed shell was suspended at that time. All other transaction costs have been treated as post transaction costs in profit or loss. The consideration transferred was calculated after determining the fair value of the assets and liabilities of Biofutures at the transfer date. The consideration comprises the value of the additional shares that would need to have been purchased in Biofutures to acquire the entire share capital.

The share capital and share premium at the period end represent the equity structure of the legal parent including the equity instruments issued by the legal parent to effect the transaction. This has been effected by the creation of another reserve to reflect the reverse acquisition.

The Company and its subsidiaries were involved in the design, formulation and manufacturing of intermediate and performance chemicals and advanced nano-materials. During the year ended 31 December 2015 and subsequent to the balance sheet date, the Group commenced a restructuring of its business.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 October 2016.

2 Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements of the Group are for the year ended 31 December 2015. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention except where accounting standards require the use of fair values.

The financial statements of the Company have been prepared using FRS 102—The Financial Reporting Standard applicable in the UK and Republic of Ireland ('new UK GAAP').

These consolidated financial statements are presented in Pounds Sterling (£) which is the functional and presentation currency of the parent, and rounded to the nearest thousand (£'000). The functional currency of the subsidiaries is the Malaysian Ringgit as that is the currency of their primary economic environment. The directors have chosen to present these financial statements in Pounds Sterling due to the international exposure and shareholders of the entity.

The significant accounting policies set out below have been consistently applied, except where stated.

2.2 Going concern

Faced with the challenges of a global downturn in the oil and gas markets, the Group has taken decisive action to improve operating efficiencies, reduce its cost base and recalibrate and streamline its portfolio of businesses to maximize growth opportunities.

As part of the execution of its rationalisation plan, the Group is in the process of exiting the low margin fuel additive and palm oil refining businesses, which are not expected to have any significant growth in margins. In view of the proposed structured exit, the directors deemed it prudent to impair the assets of those businesses that resulted in the Group incurring a loss for the year ended 31 December 2015 of £33,283,000 after impairment charges of £25,694,000 and as at that date the Group and Company had net current liabilities of £26,572,000 and £117,000, respectively, and the Group and Company had a shareholders' deficiency of £5,893,000 and £76,000, respectively.

During the year ended 31 December 2015, the Group has been in discussions with its financiers on outstanding loan repayment obligations and as at that date the Group had total secured borrowings of £24,927,000 which have been reported in the consolidated statement of financial position as being repayable on demand (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.2 Going concern (Continued)

Subsequent to the balance sheet date, the Group successfully negotiated the restructure of borrowings amounting to £14,463,000 repayable in instalments to 2021 with a two year repayment moratorium and a pay down in the aggregate amount of £315,000 for 2016 and 2017 respectively. The pay down of £315,000 has been made for 2016.

The Group remains in discussion with its other major lenders to dispose of property plant and equipment ("PPE") used in the Group's palm oil refining and biodiesel businesses, in order to settle the remaining borrowings of £10,464,000. The PPE has been recorded at an estimated forced sale value as disclosed in Note 13 to the financial statements the value of which is in excess of the borrowings due. The carrying amount of PPE of £20,613,000 disclosed in the financial statements are at a forced sale value estimated by the directors that are based on independent valuation of the assets undertaken by independent valuers approved by the lenders.

The status of the Group's current borrowings are as follows:

	Lender 1	Lender 2	Lender 3
Borrowings as per Audited Accounts at 31 December 2015	£14.5m	£8.9m	£1.6m
Borrowings as per Audited Accounts at 31 December 2015 and interest accumulated till 30th June 2016 (less principal paid)	£14.6m	£9.2m	£1.7m
Borrowings Restructured	Yes	No	No
Is there a corporate guarantee against the parent company Graphene Nanochem plc?	Yes	No	Yes
Assets pledged (written down to forced sale value during the year)	-	£13.1m	£5.1m
Asset cover ratio	-	1.4x	3.0x
Borrowings post sale of PPE at forced sale value	£7.3m*	Nil	Nil

*Assuming that PPE from Lender 2 and Lender 3 are realised at forced-sale value to settle outstanding loans from Lender 2 and Lender 3 and the balance used to reduce Lender 1 borrowings.

Upon completion of the rationalisation plan, the Group's plans to realise the sale of its non-core assets at its carrying value to fully repay Lenders 2 and 3 with excess funds to be utilised to reduce the liabilities of Lender 1. If this is successfully achieved the Group should see a carrying value of a single debt going forward in the range of £7.3 mil depending on additional costs that would be deducted for the restructuring.

As part of the restructuring exercise as per the announcement made on 11 April 2016, a receiver and manager has been appointed by Lender 2 to manage the sale of the non-core assets. The Directors recognise the uncertainty over the value of the assets subject to disposal, even though these assets have been written down to forced sale value. Furthermore, Lender 2, does not have a corporate guarantee from the parent company limiting recourse to the parent company and its effects to the Group as a Going Concern.

The Group is confident that the 3.0x asset cover over borrowings of Lender 3 of £1.6m is sufficient to fully settle the borrowings upon sale of the PPE.

The business will be carried on in a new wholly-owned subsidiary, Platinum Techsolve Sdn Bhd, and will leverage on the Group's proprietary nanotechnology platforms and joint venture with SCOMI to provide performance enhancing solutions within the oilfield chemicals and water treatment sectors that have higher margins and longer term opportunities. The Group is continuing its chemicals sales through SCOMI that are providing the Group with working capital through payment upon order. The Group also has a pipeline of water treatment projects in Asia, Africa and the Middle East, funding for which is expected to be met via joint ventures, specialist water treatment funds, private equity, and a proposed equity offering in the coming months.

The implementation of the rationalisation plan, which management believes will be successful, is expected to significantly reduce the Group's debt balance and interest rate expense, which will have a positive impact of strengthening the Group's balance sheet. Further, the utilisation of operating cash flows in the near term for advancement of the recalibrated business plan rather than repayment of debt, bodes well for the Group as it focuses on available resources and growth strategies on long term, higher margin business opportunities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.2 Going concern (Continued)

In view of the net current liabilities and shareholders' deficiency of the Group, the ongoing discussions with the Group's financiers and the rationalization plan also being dependent upon the Group having access to sufficient funds, the directors consider there is a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern. However the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary, if the going concern basis of preparing the financial statements of the Group and of the Company is not appropriate.

2.3 Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning on or after the effective date of the pronouncement.

The Group has not early adopted amended standards and interpretations which are currently in issue but not effective for accounting periods commencing on 1 January 2015 as adopted by EU. The Directors do not anticipate that the adoption of standards and interpretations will have a material impact on the Group's financial statements in the periods of initial application, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 as their detailed review of these standards is still ongoing.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2015.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

The consolidated financial statements have been issued in the name of the legal parent (i.e. the accounting acquiree), but presented as a continuation of the financial statements of the legal subsidiary (i.e. the accounting acquirer).

The following principles have been applied:

- (i) The assets and liabilities of the legal subsidiary shall be recognised and measured in the consolidated financial statements at their pre-combination carrying amounts;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(a) Business combinations (Continued)

- (ii) The assets and liabilities of the legal parent shall be recognised and measured in the consolidated financial statements at their fair values at the acquisition date;
- (iii) The retained profits and other equity balances (such as revaluation reserves and foreign exchange reserves) recognised in the consolidated financial statements shall be the retained profits and other equity balances of the legal subsidiary immediately before the business combination;
- (iv) The amount recognised as issued equity instruments (i.e. share capital and share premium) in the consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination the fair value of the legal parent (i.e. the deemed cost of the business combination); and
- (v) The equity structure appearing in the consolidated financial statements shall reflect the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the combination.

(b) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are reclassified and accounted for as follows:

- ▶ A joint arrangement is classified as 'joint operation' when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- ▶ A joint arrangement is classified as 'joint venture' when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

2.5 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of each individual entity using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the year end date are reported at the rate of exchange prevailing at that date. All exchange gains arising on retranslation of assets and liabilities are dealt with in the profit or loss.

(c) Consolidation of overseas subsidiaries

Income and expenditure for overseas subsidiaries are included based upon monthly average exchange rates to give a fair approximation to the transaction rate. Items of statement of financial position are included at the year-end exchange rate. All other differences are included within the translation reserve, including related goodwill and intangible assets, which are translated at the rate ruling at the year-end date.

2.6 Property, plant and equipment

All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method so as to allocate the cost of each asset less its residual value over its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

The principal annual depreciation rates used to depreciate other assets are as follows:

Leasehold land	Over the lease period of 65 and 99 years
Buildings	2%
Motor vehicles	20%
Furniture, fittings and equipment	10-40%
Plant and machinery	5-20%
Renovations	10-20%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put in use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

2.7 Goodwill and intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing.

Identifiable intangible assets are recognised separately from goodwill on all acquisitions. Such assets are carried at fair value at the date of acquisition (i.e. as deemed cost). Such intangible assets are reviewed for impairment on an annual basis. Intangible assets are tested annually for impairment along with the goodwill.

Intangible assets comprise the following:

(a) Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits.

Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:

- (i) Its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) The product or process is technically and commercially feasible;
- (iii) Its future economic benefits are probable;
- (iv) Its intention to complete and the ability to use or sell the developed asset; and
- (v) The availability of adequate technical, financial and other resources to complete the asset under development.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.7 Goodwill and intangible assets (Continued)

(a) Research and development expenditure (Continued)

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 8 to 15 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(b) Licences

Separately acquired licence is shown at historical cost. Licence has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licence over its estimated useful lives of 10 years.

(c) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of five years.

2.8 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

2.10 Trade and other receivables

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount plus transaction costs, and subsequently carried at amortised cost using the effective interest method less provisions made for impairment of receivables.

2.11 Trade and other payables

Trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.12 Borrowing costs

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

2.13 Cash and cash equivalents

Cash and cash equivalents (readily convertible into a known amount of cash) include cash in hand and deposits held at call with banks with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

2.14 Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial assets at fair value through profit or loss

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity investments

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and receivables financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Available-for-sale financial assets

As at the end of the reporting period, there were no financial assets classified under this category except for loan and receivables.

(b) Financial liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

(c) Equity instruments

(i) Ordinary shares

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Redeemable convertible cumulative preference shares ('RCCPS')

The redeemable convertible cumulative preference shares are regarded as compound instruments, consisting of a liability component and an equity component. The component of redeemable convertible cumulative preference shares that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest method. On issuance of the redeemable convertible cumulative preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the Group's accounting policy.

The residual amount, after deducting the fair value of the liability component, is the equity component and is included in equity, net of transaction costs. The equity component is not remeasured subsequent to initial recognition.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible cumulative preference shares in proportion to their initial carrying amounts.

(iii) Irredeemable convertible preference shares ('ICPS')

Preference shares are classified as equity if they are non-redeemable, or are redeemable but only at the Company's option, and any dividends are discretionary. Dividends on preference shares are recognised as distributions within equity.

Preference shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the preference shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of goods

Sales of refined palm oil, biofuels and nanofluids are recognised when the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Rendering of services

Palm oil tolling services are recognised when services are performed in accordance with the service contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.15 Revenue recognition (Continued)

(c) Finance income

Interest income is recognised on an accrual basis using the effective interest method

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.17 Employee benefits

(a) Pension obligations

Group companies do not operate defined contribution schemes but contribute to individual personal pension plan for certain employees by way of paying 12% of their gross salary costs in lieu of a scheme contribution as required by Malaysian law, which is accounted for as salary when payable.

(b) Share-based payments

The fair value of previous share options is calculated by the Company using the Black Scholes option pricing model, as the Directors believe that the options are likely to be exercised nearer to their expiry dates. The expense is recognised in the profit and loss on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest. A credit is recognised on the same basis in the share-based payment reserve.

2.18 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

2.19 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Summary of significant accounting policies (Continued)

2.20 Judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill and intangible assets have been allocated. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. (see note 14 for details). In view of the Group's planned exit from the palm oil refining and biodiesel businesses, goodwill and intangible assets have been fully impaired at the balance sheet date.

(b) Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated, which requires management judgement. As disclosed in Note 13, management has impaired property, plant and equipment to its estimated forced sale value based on independent valuations arranged by the Group.

(c) Impairment of trade receivables

An impairment loss is recognised when there is objective evidence that a trade receivable is impaired. Management has specifically reviewed trade receivables having specific regard to; historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. See Note 25 (b) for details regarding the groups trade receivables)

(d) Borrowings

As disclosed in Note 19, the Group has defaulted on its borrowings during the year. Subsequent to the balance sheet date, borrowings of £14,463,000 were restructured into a new facility but negotiations with other lenders are ongoing. The carrying values of outstanding borrowings in Note 19 include accrued interest to date but exclude any penalties that the Group may incur once settlement has been reached with other lenders involving disposal of property, plant and equipment held by the banks as security.

(e) Discontinued operations

As disclosed in Note 2.2, the Group is undertaking a restructure of its debt and is in the process of exiting the palm oil refining and biodiesel businesses and refocusing on higher margin and longer term opportunities. As at the balance sheet date, the criteria set out in IFRS 5 for these businesses to be disclosed as discontinued or held for sale in the financial statements had not all been met. Accordingly, they are presented as continuing operations in the financial statements.

(f) Contingent liabilities

As disclosed in Note 24 to the financial statements, the Group has received a claim from a supplier and based on legal advice no provision for damages has been made as the case is not yet resolved and the outcome uncertain.

(g) Going concern

Management of the Group has made a number of significant judgments about the applicability of the going concern basis of presentation of the financial statements. These are set out in note 2.2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3 Subsidiaries

Graphene Nanochem plc has the following subsidiaries:

Name of subsidiaries	Effective equity interest		Principal activities
	2015	2014	
	%	%	
Platinum Nanochem Sdn Bhd	100	100	Investment holding and provision of management services
Platinum Performance Chem Sdn Bhd	100	100	Refining of crude palm oil

Platinum Nanochem Sdn Bhd has the following subsidiaries and joint venture:

Name of subsidiaries	Effective equity interest		Principal activities
	2015	2014	
	%	%	
Platinum Green Chemicals Sdn Bhd	100	100	Manufacturing of advanced chemicals and biofuels
Platinum Nano G Sdn Bhd	100	100	Manufacturing of advanced nano-materials

All the above subsidiaries are incorporated in Malaysia.

Following the Reverse Acquisition on 26 March 2013, Platinum Nanochem Sdn Bhd is the accounting acquirer and Graphene Nanochem plc is the legal parent.

4 Investment in a joint venture

	2015	2014
	£'000	£'000
Investment in a joint venture	78	78
Share of post-acquisition reserve	(20)	(22)
Foreign exchange adjustment	(28)	-
	30	56

Scomi Platinum Sdn Bhd, a 50% owned joint venture in the Group which is principally engaged in manufacturing of speciality chemicals and other graphene-enhanced green chemicals. The group accounted for the joint venture by using the equity method. Summarised financial information in respect of the Group's joint venture are set out below:

	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
Revenue	-	-
Loss after tax	(40)	(44)
Group's share of results for the year	(20)	(22)
Total assets	158	112
Total liabilities	(120)	-
Net assets	38	112
Group's share of joint venture net assets	19	56

5 Operating segments

Management has determined the operating segments based on the reports reviewed by The Board that are used to make strategic decisions.

Management has determined that the Group has one operating segment, which is refining and manufacturing of palm oil and biofuels as well as production of oil field products which is wholly operated in Malaysia. The financial information contained in these financial statements therefore relates solely to this segment. The Group's non-current assets consist of property, plant and equipment, goodwill and intangible assets, and are located entirely in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6 Revenue

	2015 £'000	2014 £'000
Revenue from sales of second generation biofuels and refined palm oil	6,546	43,837
Revenue from sales of oil field products	1,425	4,487
	7,971	48,324

7 Other income

	2015 £'000	2014 £'000
Compensation from supplier	-	83
Gain on disposal of property, plant and equipment	-	8
Miscellaneous income	-	28
Realised gain on foreign currency exchange	242	59
Rental income	10	3
	252	181

8 Administrative expenses

	2015 £'000	2014 £'000
Included within administrative expenses are:		
Employee benefit expenses	835	780
Rental of premises	62	74
Rental of equipment	28	3
Rental of motor vehicle	4	-
Rental of office equipment	2	-
Property, plant and equipment written off	-	129
Bad debts written off	146	-
Inventory written off	694	-
Auditors remuneration:		
Fees payable to the Group's auditor for the audit of the Group's annual accounts	32	25
Fees payable to the subsidiaries' auditor for the audit of the subsidiaries' annual accounts	24	25

9 Directors and employees

The employee benefit expense during the year was as follows:

	2015 £'000	2014 £'000
Salary and wages	766	701
Pension costs-defined contribution	69	75
Social security cost	-	4
	835	780

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

9 Directors and employees (Continued)

The number of employees inclusive of executive directors at year end was 45 (2014: 131).

	2015 Number	2014 Number
Managerial	9	22
Administrative	11	36
Operational	25	73
	45	131

Remuneration in respect of Directors was as follows:

Director	Basic salary and fees £'000	Pension-defined contribution schemes £'000	Total 2015 £'000	Total 2014 £'000
Tan Sri Abi Musa	12	-	12	12
Dato Jespal Deol	12	-	12	286
Sushil Sidhu	12	-	12	99
AM Cleverly Esq & Mrs JCM Cleverly	12	-	12	12
Dato' Larry Gan	12	-	12	12
Patrick Dennis Howes	24	-	24	24
Dato' Mohamed Sallehuddin	12	-	12	8
	96	-	96	453

The number of Directors who accrued benefits under Company pension schemes was as follows:

	2015 Number	2014 Number
Defined contribution schemes	2	2

10 Finance income/costs

	2015 £'000	2014 £'000
Finance cost		
Interest on bank borrowings	1,803	2,447
Interest paid to suppliers	37	27
Finance income	1,840	2,474
Interest income	2	10
	2	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

11 Income tax

	2015 £'000	2014 £'000
Current income tax	-	-
Deferred tax		
Origination or recognition of temporary differences	(1,202)	(96)
	(1,202)	(96)

The tax on the Group's loss before tax differs from the loss before taxation multiplied by the standard rate of corporation tax in Malaysia due to the following:

	2015 £'000	2014 £'000
Loss before tax	(33,278)	(6,787)
Tax calculated at the standard rate of corporation tax in Malaysia: 25%	(8,320)	(1,697)
Expenses not deductible for tax purposes	3,547	299
Deferred tax credit not recognised during the year	3,571	1,302
	(1,202)	(96)

The temporary differences attributable to the deferred tax assets and deferred tax liabilities which are not recognised in the financial statements are as follows:

	2015 £'000	2014 £'000
Deferred tax assets		
Unabsorbed capital allowances	20,934	28,073
Unutilised tax losses	28,999	20,815
Allowances for doubtful debts	459	-
	50,392	48,888
Deferred tax liabilities		
Accelerated capital allowances	(13,782)	(21,454)
	36,610	27,434

The net deferred tax assets are not provided in view of the uncertainty on the timing of their recoverability. The tax rate applied is reflecting the average tax rate weighted in proportion to accounting profit earned in each geographical territory.

12 Loss per share

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Loss attributable to equity holders of the Company	£33,283,000	£6,691,000
Weighted average number of ordinary shares in issue	116,536,536	116,536,536
Basic loss per share in pence	(28.56)p	(5.74)p

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all contracted dilutive potential ordinary shares. The Company does not have any dilutive potential ordinary shares at the reporting date. Accordingly, the diluted loss per share is the same as the basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

13 Property, plant and equipment

	Leasehold land	Leasehold buildings	Furniture, fittings and equipment	Plant and machinery	Motor vehicles	Renovation	Capital work-in-progress	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2014	2,752	1,219	288	33,855	400	243	4,446	43,203
Additions	-	7	62	162	34	8	4,447	4,720
Disposal	-	-	-	-	(28)	-	-	(28)
Transfer	-	-	-	-	-	92	(92)	-
Written off	-	-	-	-	-	-	(129)	(129)
Foreign exchange adjustment	(19)	(9)	(2)	(237)	(3)	(3)	(73)	(346)
As at 31 December 2014	2,733	1,217	348	33,780	403	340	8,599	47,420
Additions	-	-	29	2,201	345	-	2	2,577
Disposal	-	-	-	(5)	-	-	-	(5)
Written off	-	-	(150)	(2,077)	(449)	-	-	(2,676)
Impairment	(69)	(378)	(7)	(6,030)	-	(65)	(7,291)	(13,840)
Foreign exchange adjustment	(396)	(176)	(42)	(2,535)	(41)	(44)	(1,310)	(4,555)
As at 31 December 2015	2,268	663	178	25,334	258	231	-	28,932
Accumulated depreciation								
As at 1 January 2014	264	96	218	5,286	157	229	-	6,250
Additions	36	25	37	1,733	61	15	-	1,907
Disposal	-	-	-	-	(28)	-	-	(28)
Foreign exchange adjustment	(2)	(1)	(2)	(55)	(1)	(2)	-	(63)
As at 31 December 2014	298	120	253	6,964	189	242	-	8,066
Additions	50	5	30	1,669	38	19	-	1,811
Written off	-	-	(121)	(89)	(116)	-	-	(326)
Foreign exchange adjustment	(47)	(17)	(31)	(1,098)	(21)	(36)	-	(1,250)
As at 31 December 2015	301	108	131	7,446	90	225	-	8,301
Net book value as at 31 December 2015	1,967	555	47	17,888	168	6	-	20,631
Net book value as at 31 December 2014	2,435	1,097	95	26,816	214	98	8,599	39,354

The leasehold land, buildings, plant and machinery have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 19.

The title of the leasehold land at Lahad Datu, Sabah, Malaysia is yet to be transferred to the subsidiary company as it is held under master title.

The Group's property, plant and equipment, including capital work in progress, was subject to independent valuations during the year which assessed both their current market value and forced sale value. The valuations were performed in accordance with Malaysian Valuation Standards and The Royal Institution of Surveyors, Malaysia. As disclosed in Note 19, the Group has defaulted on its bank loans and is in discussions with its lenders to dispose of the secured fixed assets to settle the loans. Accordingly, fixed assets have been impaired to their estimated forced sale values, as determined by the valuations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14 Goodwill and Intangible assets

Cost	Licenses £'000	Development costs £'000	Patent £'000	Goodwill £'000	Total £'000
As at 1 January 2014	7,528	2,589	3	3,176	413,296
Addition during the year	-	3,859	-	-	3,859
Foreign exchange adjustment	(4)	(57)	-	(5)	(66)
As at 31 December 2014	7,524	6,391	3	3,171	17,089
Disposal	-	-	(3)	-	(3)
Impairment	(4,942)	(4,873)	-	(3,108)	(12,923)
Transfer	-	(24)	24	-	-
Foreign exchange adjustment	(62)	(620)	-	(63)	(745)
As at 31 December 2015	2,520	874	24	-	3,418
Accumulated amortisation					
As at 1 January 2014	1,695	412	-	-	2,107
Addition during the year	392	138	1	-	531
Foreign exchange adjustment	-	(4)	-	-	(4)
As at 31 December 2014	2,087	546	1	-	2,634
Addition during the year	421	433	-	-	854
Elimination of depreciation	-	-	(1)	-	(1)
Foreign exchange adjustment	(5)	(105)	-	-	(110)
As at 31 December 2015	2,503	874	-	-	3,377
Net book value as at 31 December 2015	17	-	24	-	41
Net book value as at 31 December 2014	5,437	5,845	2	3,171	14,455

Goodwill

The carrying amount of goodwill is allocated to each operational cash-generating unit as follows:

	2015 £'000	2014 £'000
Manufacturing of advanced chemicals and biofuels	-	522
Manufacturing of advanced nano-materials	-	192
Refining of palm oil	-	2,457
	-	3,171

Licenses

- (i) License for the usage of development, exploitation and commercialisation of graphite nano-fibres and its derivatives; and
- (ii) License for the manufacture of palm oil biodiesel and the linked refinery license subsequently obtained. A useful economic life of 20 years has been assumed as the license has no termination date and the Group has full rights to the land. The production of palm oil is also such an important commodity in Malaysia that its production and demand is expected to continue indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14 Goodwill and Intangible assets (Continued)

Development costs

The details of the development costs are:

	2015 £'000	2014 £'000
Biofuels	-	799
Graphite nano-fibres	-	803
Plat Drill	-	3,790
Plat Quartz	-	545
Graph Eat	-	272
Plat Surf	-	182
	-	6,391

Included in the development costs are:

	2015 £'000	2014 £'000
Biofuels production costs	-	159
Employee benefit expenses	-	1,542
Material used	-	3,769
Plat Drill production costs	-	921
	-	6,391

The goodwill and intangible assets are tested for impairment annually at the statement of financial position date, the Group evaluates, among other factors, the duration and extent to which their carrying amount is less than its cost and the recoverable amounts. This including factors such as market conditions, changes in business, operational strategies and significant changes expected to take place in the near future.

15 Inventories

	2015 £'000	2014 £'000
At cost,		
Raw material	8	1,031
Finished goods	192	-
Consumable goods	31	21
	231	1,052
At net realisable value,		
Finished goods	18	434
	249	1,486

The amount of inventories recognised as an expense during the year to 31 December 2015 was £8,493,000 (2014: £41,948,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

16 Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	511	4,587
Other receivables	-	348
Deposits	164	195
Prepayments	535	511
	1,210	5,641

The normal trade credit term is 30-90 days (2014: 30-90 days).

Included in prepayments, there are advances paid to trade creditors for the purchase of raw materials amounting to approximately £106,000 (2014: £505,000).

17 Cash and cash equivalents

	2015 £'000	2014 £'000
Fixed deposits with licensed banks	3	-
Cash and bank balances	555	2,227
	558	2,227

The deposits with licensed banks at the end of the reporting period bore an effective interest rate of 3% (2014: 3%) per annum. The deposits have a maturity period of 30 days (2014: 30 days).

18 Trade and other payables

	2015 £'000	2014 £'000
Trade payables	2,132	2,435
Other payables	606	1,099
Accruals	919	327
	3,657	3,861

The trade and other payables of the group for this and the prior year are due for payment within 30-60 days.

Included in other payables is an amount owing by Platinum Energy Global Sdn Bhd of £20,000 (2014: £20,000). Platinum Energy Global Sdn Bhd is a related party which hold ordinary shares in Graphene Nanochem Plc and their director, Dato' Jespal Deol is also the director of Graphene Nanochem Plc.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

19 Bank borrowings

	2015 £'000	2014 £'000
The details of bank borrowings are:		
Term loans	10,464	13,697
Finance lease	16	26
Revolving credits	14,463	16,718
	24,943	30,441
The bank borrowings are repayable as follows:		
<i>Shown as current liabilities</i>		
Term loans	10,464	2,160
Finance lease	5	6
Revolving credits	14,463	16,718
	24,932	18,884
<i>Shown as non-current liabilities</i>		
Term loans		
Between one and two years	-	2,177
Between two and five years	-	8,601
More than five years	-	759
	-	11,537
Finance lease		
Between one and two years	11	20
	24,943	11,557

Term loans and revolving credits

The term loans and revolving credits are secured as follows:

- (a) First party first fixed charge over the leasehold land, buildings, plant and machinery of certain subsidiaries as disclosed in Note 13;
- (b) Fixed and floating charge over all present and future assets of certain subsidiaries; both movable and immovable;
- (c) Assignment of all the subsidiaries' right under the relevant contract/agreements related to the capital work-in-progress assignable to the bank, applicable insurance, permits and liquidated damages, performance bonds/guarantees and licenses;
- (d) Deed of assignment of contract proceeds over executed sales off-take agreements between the borrower and the buyer; and
- (e) Irrevocable joint and several guarantees by the Company, all directors of a subsidiary and certain directors of the Company.

Term loans bear weighted average effective interest rates ranged from 7.25% to 8.10% (2014: 7.25% to 8.10%) per annum and revolving credits bear weighted average effective interest rates ranged from 7.25% to 8.0% (2014: 7.25% to 8.0%) per annum.

Finance lease bears a weighted average effective Interest rate of 4.46% (2013: 6.96%) per annum.

During the year, the Group was unable to continue to pay installments on its borrowings and was in default. Accordingly, all bank loans have been disclosed as current liabilities at the balance sheet date.

Subsequent to the balance sheet date, the Group successfully negotiated the restructure of borrowings amounting to £14,463,000 into a non-revolving project finance facility repayable on demand or otherwise by installments up to 2021. The Group remains in discussion with its other lenders to dispose of property, plant and equipment in order to settle the remaining borrowings of £10,464,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

20 Deferred tax liability

The movement on the deferred tax liability are as follows:		£'000
As at 1 January 2014		1,298
Recognised in statement of comprehensive income		(96)
As at 31 December 2014		1,202
Recognised in statement of comprehensive income		(1,202)
As at 31 December 2015		-
	2015	2014
The deferred tax liability is attributable to:	£'000	£'000
The fair value of the intangible assets arising from the reverse takeover exercise in previous financial year	-	1,202
	-	1,202

21 Share capital and options

	2015	2014	2015	2014
Issued and fully paid-up:	Number of shares	Number of shares	£'000	£'000
At 1 January and 31 December	116,536,536	116,536,536	23,307	23,307

There was no share option movement during the year and options outstanding at 31 December 2014 and 2015 were exercisable as follows:

Date of grant	Type of arrangement	Number granted	Exercise price	Expiry date
5 February 2010	Option	56,500	80.92p	5 May 2015

All the share options expired on 5 May 2015.

22 Description and purpose of reserves

The reserves included in the Consolidated Statement of Changes in Equity are as follows:

Share capital	Represents the nominal value of the shares issued.
Share premium	Represents the premium over nominal value paid for the shares issued, less costs of issuing shares.
Translation reserve	Represents the differences arising on translation of foreign operations into the presentational currency.
Reverse acquisition reserve	Represents the premium on shares issued as consideration for the reverse acquisition of Platinum Nanochem Sdn Bhd which was acquired by way of share for share exchange.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

23 Preference shares

<i>Irredeemable convertible preference shares</i>	2015 £'000	2014 £'000
As at 1 January	2,249	2,359
Foreign exchange adjustment	(325)	(110)
	1,924	2,249

Irredeemable convertible preference shares

In the year ended 31 December 2013, the subsidiary of the Company issued 12,250,000 irredeemable convertible preference shares of RM1 each as consideration for the acquisition of plant and machinery.

The rights attached to the irredeemable convertible preference shares ('ICPS') are as follows:

- (a) The ICPS shall not carry any fixed rate of dividend. The ICPS holder shall be entitled, on an As If Converted Basis, to such dividend and at such rate as may be declared over the ordinary shares of the subsidiary from time to time. 'As If Converted Basis' means the notional conversion of all the ICPS held by a holder on the date falling immediately prior to the record date for the dividends on the ordinary shares of the subsidiary.
- (b) The ICPS holder does not have the right to vote at any liquidation, dissolution, winding up or other repayment of capital of the subsidiary. The holder of the ICPS shall participate rateably with the holders of ordinary shares of the subsidiary in any surplus assets.
- (c) All of the outstanding ICPS shall be converted on a one to one basis by the subsidiary into fully paid new ordinary shares in the share capital of the subsidiary within fourteen (14) days from the successful commissioning of a 50 tonne per annum facility for the production of various forms of carbonaceous materials.
- (d) The holder of the ICPS shall carry no right to vote at any general meeting of the subsidiary except with regard to the following circumstances:
 - (i) Upon any resolution which directly varies the rights attached to the ICPS; and
 - (ii) Upon any resolution for the winding up of the subsidiary.
- (e) The new ordinary shares will rank pari passu in all respects with the then existing ordinary shares of the subsidiary.

The ICPS had matured since June 2013, has yet to be converted during the financial year.

24 Contingent liabilities

At the date of the report, the Company provided a corporate guarantee for banking facilities granted to its subsidiary amounting to £15,905,000 (2014: £1,983,000).

During the year, several of the Group's suppliers lodged a claim against Platinum Nanochem Sdn Bhd, a subsidiary company, for unpaid amounts of MYR1,068,500 (approximately £168,000) plus damages. Platinum Nanochem is counterclaiming for the sum of MYR 21,355,383 (approximately of £3,355,000). Based on legal advice, management are of the opinion the outcome of this case should be in the Group's favour, however provision has been made in these financial statements for estimated costs of MYR1,130,139 (£177,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25 Financial instruments

The Group's activities expose it to a variety of financial risks: market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury policy is set by the Board and is reviewed regularly.

Further detail regarding risk exposure and risk management policies is provided below.

	2015 £'000	2014 £'000
Current assets		
Trade and other receivables	922	5,641
Cash and bank balances	558	2,227
Loans and receivables carried at amortised cost	1,480	7,868
Current liabilities		
Trade and other payables	3,370	3,861
Borrowings	24,932	18,884
	28,302	22,745
Non-current liabilities		
Borrowings	11	11,557
Other financial liabilities carried at amortised cost	28,313	34,302

Risk management is carried out centrally under policies approved by the Board.

(a) Market risk

Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pound Sterling. The currencies giving rise to this risk are primarily United States Dollar and Malaysian Ringgit. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	United States Dollar £'000	Malaysian Ringgit £'000	Total £'000
2015			
Trade and other receivables	106	804	910
Fixed deposits with licenced banks	-	3	3
Cash and bank balances	-	407	407
Trade and other payables	(2)	(2,601)	(2,603)
Borrowings	-	(24,944)	(24,944)
Net exposure	104	(26,331)	(26,227)
2014			
Trade and other receivables	3,397	2,243	5,640
Cash and bank balances	3	1,402	1,405
Trade and other payables	(96)	(3,765)	(3,861)
Borrowings	-	(30,441)	(30,441)
Net exposure	3,304	(30,561)	(27,257)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25 Financial instruments (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

For the year ended 31 December 2015, if the Malaysian Ringgit had strengthened or weakened by 5% against the Sterling with all other variables held constant, the impact on the loss before tax would have been increased and decreased by £1,315,000 (2014: £1,528,000).

For the year ended 31 December 2015, if the United States Dollar had strengthened or weakened by 5% against the Sterling with all other variables held constant, the impact on the loss before tax would have been increased and decreased by £5,000 (2014: £165,000).

Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from money market deposits and bank borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from money market deposits and bank borrowings. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Bank borrowings bear a variable rate of interest which expose the Group to cash flow interest rate risk. The Group does not consider the risk to be significant in view of the nature of the Group's current activities. A 100 basis point change represents management's estimate of a possible change in interest rates at the reporting date. If interest rates had been 100 basis points higher and all other variables remained constant, the impact on the Group's profit and loss would have been £249,000 (2014: £304,000).

(b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three (3) customers which constituted approximately 81% (2014: 97%) of its trade receivables at the end of the reporting period.

The revenue generated by the three customers were as follows:

Customer 1	£727,352 [9%] (2014: £1,661,023 Percentage of revenue [3%])
Customer 2	£595,715 [7%] (2014: Nil Percentage of revenue [0%])
Customer 3	£85,162 [1%] (2014: Nil Percentage of revenue [0%])

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25 Financial instruments (Continued)

(b) Credit risk (Continued)

(iii) Ageing analysis

	Gross amount £'000	Individual impairment £'000	Collective impairment £'000	Carrying value £'000
2015				
Not past due	285	-	-	285
Past due				
3 to 6 months	226	-	-	226
Over 6 months	146	(146)	-	-
	657	(146)	-	511
2014				
Not past due	3,449	-	-	3,449
Past due				
1 to 3 months	1,099	-	-	1,099
3 to 6 months	39	-	-	39
	4,587	-	-	4,587

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial obligations that are settled with cash or another financial asset. The Directors' objective is to maintain, as much as possible, a level of its cash and bank balances adequate enough to ensure that there will be sufficient liquidity to meet its liabilities when they fall due. The following set forth the remaining contractual maturities of financial liabilities as at:

	On demand £'000	< 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
31 December 2015	3,370	-	-	-	3,370
Trade and other payables and accruals	24,927	5	11	-	24,943
Borrowings	28,297	5	11	-	28,313
31 December 2014	3,861	-	-	-	3,861
Trade and other payables and accruals	-	18,884	2,197	9,360	30,441
Borrowings	3,861	18,884	2,197	9,360	34,302

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25 Financial instruments (Continued)

(d) Fair value information

As at the end of the reporting period, there were no financial instruments carried at fair values. The fair values of the financial assets and financial liabilities approximated their carrying amounts due to relatively short-term maturity of the financial instruments (maturing within the next 12 months). The fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary.

Set out below is a comparison by class of the carrying amounts of fair value of the Group's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

	Type	Carrying value £'000	Fair value £'000
31 December 2015			
<i>Financial assets</i>			
Property, plant and equipment	Level 3	20,631	20,631
Goodwill	Level 3	-	-
Intangible assets	Level 3	41	41
		20,672	20,672
31 December 2014			
<i>Financial assets</i>			
Property, plant and equipment	Level 3	39,354	39,354
Goodwill	Level 3	3,171	3,171
Intangible asset	Level 3	11,284	11,284
		53,809	53,809

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers capital to be its equity reserves as shown in the consolidated statement of financial position plus net debt. At the current stage of the Group's life cycle, the Group's objective in managing its capital is to ensure that funds raised meet the cash requirements. Capital at 31 December 2015 and 31 December 2014 was as follows:

	2015 £'000	2014 £'000	2013 £'000
Total borrowings (Note 19)	24,943	30,441	25,353
Less: Cash and cash equivalents (Note 17)	(558)	(2,227)	(7,368)
Net debt	24,385	28,214	17,985
Total equity	(5,895)	27,715	34,543
	18,490	55,929	52,528

Breach of loan agreements

Interest and principal payments of £ 5.08 million on the Groups loans with a carrying amount of £24.93 million was overdue on 31 December 2015.

In 2016, out of the total debt, £ 14.45 million of debt has been restructured with repayments of principal and interest rescheduled from 2016 to 2021.

For the balance of debt totalling £ 10.49 million management is in negotiations with lenders for repayment via the sale of the Groups non-core assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

26 Capital commitments

	2015 £'000	2014 £'000
Contracted but not provided for in the financial statements:		
Purchase of property, plant and equipment	-	308

27 Operating lease commitments

Leases as lessee

The Group leases two office premises and office equipment under operating leases. The lease period of office premises is two (2) years with an option to renew after that date and office equipment is five (5) years.

	2015 £'000	2014 £'000
Not more than one year	28	66
Later than one year and not later than five years	3	7
	31	73

28 Related party transactions

Identities of related parties

- (a) In relation to the information detailed elsewhere in the financial statements, the Group has a controlling related party relationship with its subsidiary as disclosed in Note 3 to the financial statements.
- (b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

	2015 £'000	2014 £'000
Key management personnel:		
Salaries and other benefits	308	415
Defined contribution plan	34	38

29 Control

The Company is under the control of its shareholders and not any one party.

30 Subsequent events

During the year the Group defaulted on its loans (Note 19), and subsequent to the balance sheet date the Group restructured part of its debt and entered into discussion with other lenders to sell its non-core fixed assets in order to settle loan liabilities (Notes 13 and 19). Subsequent to the balance sheet date, the Group incorporated a new subsidiary, Platinum Techsolve Sdn Bhd., which will hold the Group's restructured operations.

31 Subsequent changes in composition of the Group

Post the financial period, in line with the business rationalisation plan announced on 11 April 2016, to date the following changes were effected:

(i) Platinum Green Chemicals Sdn Bhd

Platinum Green Chemicals Sdn Bhd is a wholly owned subsidiary of Platinum Nanochem Sdn Bhd, which in turn is a wholly owned subsidiary of Graphene Nanochem Sdn Bhd. The Company's core operations are in the discontinued fuel additive business.

On 11 July 2016, KPMG Deal Advisory Sdn Bhd was appointed as receivers and managers of Platinum Green Chemicals Sdn Bhd. The appointment was made by Bank Pembangunan Malaysia Berhad vide the Security Deed and Debenture held and pursuant to Sections 188(1), 189(1) and 189(2) of the Malaysian Company Act 1965. Subsequent to this appointment, a winding up order for Platinum Green Chemicals Sdn Bhd via Section 218 of the Malaysian Companies Act 1965 was received on 1 August 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31 Subsequent changes in composition of the Group (continued)

(i) Platinum Nanochem Sdn Bhd

Platinum Nanochem Sdn Bhd a wholly owned subsidiary of Graphene Nanochem Sdn Bhd and parent company of Platinum Green Chemicals Sdn Bhd and Platinum Nano G Sdn Bhd. The Company's core operations are in the discontinued fuel additive business.

On 15 July 2016, a winding up order was received for Platinum Nanochem Sdn Bhd pursuant to Section 218 of the Malaysian Companies Act 1965.

STATEMENT OF FINANCIAL POSITION

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments in subsidiaries	3	-	21,268
Amounts owed by subsidiaries	5	-	28,600
Intangible assets	4	41	-
		41	49,868
Current assets			
Other debtors	5	12	16
Cash at bank and in hand		-	821
		12	837
Current liabilities			
Bank overdraft		12	-
Creditors: amounts falling due within one year	6	(117)	(55)
		(129)	(55)
Net current liabilities		117	782
Net assets / (liabilities)	9	(76)	50,650
Capital and reserves			
Share capital	7	23,307	23,307
Share premium account	8	37,639	37,639
Profit and loss account	8	(61,022)	(10,296)
Shareholders' funds	8	(76)	50,650

The financial statements were approved and authorised for issue by the Board of Directors on 27 October 2016 and signed on its behalf by:

Sushil Sidhu

Dato' Jespal Deol

The accompanying accounting policies and notes form an integral part of these financial statements

Company Registration No: 05712979

STATEMENT OF CHANGES IN EQUITY

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2014	23,307	37,639	(678)	60,268
Total comprehensive loss				
Loss for the financial year	-	-	(9,618)	(9,618)
	-	-	(9,618)	(9,618)
At 31 December 2014	23,307	37,639	(10,296)	50,650
Total comprehensive loss				
Loss for the financial year	-	-	(50,726)	(50,726)
	-	-	(50,726)	(50,726)
At 31 December 2015	23,307	37,639	(61,022)	(76)

STATEMENT OF CASH FLOWS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Loss before taxation	(50,726)	(9,618)
Adjustments for:		
Amortisation of intangible assets	1	-
Impairment of investment in subsidiaries	21,268	9,257
Provision against amount owed by group undertakings	26,759	-
Interest expense	-	180
Interest income	(168)	(1,233)
Operating loss before working capital changes	(2,866)	(1,414)
Decrease in :		
Trade and other receivables	4	37
Increase in :		
Trade and other payables	62	43
Cash generated from/(used in) operations	(2,800)	(1,334)
Net interest received	168	1,233
Net interest paid	-	(180)
Net cash used in operating activities	(2,632)	(281)
Cash flows (for)/from investing activities		
Purchase of intangible assets	(42)	-
Investment in subsidiaries	-	(12,513)
Repayment by subsidiaries	1,841	12,569
Net cash (used in)/generated from investing activities	1,799	56
Net decrease in cash and cash equivalents	(833)	(225)
Cash and cash equivalents at beginning of year	821	1,046
Cash and cash equivalents at end of year	(12)	821

NOTES TO THE FINANCIAL STATEMENTS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

General information

Graphene Nanochem Plc ('the Company') is the UK holding company of a group of companies which are involved in the design, formulation and manufacturing of intermediate and performance chemicals and advanced nano-materials. The registered address of the company is Academy House, London Road, Camberley, Surrey, GU15 3HL.

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and using UK financial reporting standards and applicable law which together comprise with FRS 102—The Financial Reporting Standard applicable in the UK and Republic of Ireland. ('new UK GAAP'). The consolidated financial statements of the Group have been shown separately and are prepared using IFRS as adopted by the European Union.

Information on impact of first-time adoption of FRS 102 is given in note 15.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account (see Note 13).

The Company is entitled to the merger relief offered by Section 612 of the Companies Act 2006 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Platinum Performance Chem Sdn Bhd (formerly known as Zurex Corporation Sdn Bhd).

The principal accounting policies of the Company are set out below. There were no recognised gains or losses for the year other than the loss for the year.

The financial statements have been prepared on the going concern basis as explained in Note 2.2 to the consolidated financial statements

Income from investments

Investment income comprises interest receivable from the licensed banks and is recognised on an accrual basis using the effective interest method.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- ▶ Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- ▶ Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- ▶ Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Investment in subsidiary

Investments in subsidiary companies are stated at cost less provision for any impairment where the underlying business does not support the carrying value of the investment.

NOTES TO THE FINANCIAL STATEMENTS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

Principal accounting policies (Continued)

Share-based payments

Pursuant to Reverse acquisition exercise, all existing long term incentive plans granted have been superseded by new long term incentive plans.

Financial instruments

Financial assets and liabilities are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

The Company's financial assets and liabilities are initially measured at fair value plus any directly attributable transaction costs. The carrying value of the Company's financial assets, primarily cash and bank balances, and liabilities, primarily the Company's payables and other accrued expenses, approximate their fair values.

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

▶ *Trade and other receivables*

Trade and other receivables (including deposits and prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as other receivables, deposits, and prepayments. Other receivables, deposits, and prepayments are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities and equity instruments

Financial liabilities are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial liabilities are reported in profit or loss. Distributions to holders of financial liabilities are classified as equity and charged directly to equity.

▶ *Financial liabilities*

Financial liabilities comprise long-term borrowings, short-term borrowings, trade and other payables and accruals, measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

▶ *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the Financial statements:

NOTES TO THE FINANCIAL STATEMENTS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

Critical accounting judgments and key sources of estimation uncertainty (Continued)

Carrying value of investment in and loans due from subsidiaries

Management's assessment for impairment of investment and long term loans in subsidiaries is based on the estimation of value in use of the cash generating unit (CGU) by forecasting the expected future cash flows for a period of up to five years, using a suitable discount rate in order to calculate the present value of those cash flows.

As the Company's subsidiaries have ceased operations and are in negotiations with various banks to dispose of fixed assets to settle overdue loans, management has fully impaired the carrying values of investments in subsidiaries and loans due from subsidiaries.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

1 Administrative expenses

	2015 £'000	2014 £'000
Included within administrative expenses are:		
Amortisation of intangible assets	1	-
Auditors remuneration		
Fees payable to the company's auditor for the audit of the annual accounts	32	25

2 Directors and employees

The employee benefit expense during the year was as follows:

	2015 £'000	2014 £'000
Salary and wages including gratitude	96	93

There was no employee except for the number of directors during the year was 6 (2014: 7).

Remuneration in respect of Directors was as follows:

Director	PBasic salary and fees £'000	Pension-defined contribution schemes £'000	Total 2015 £'000	Total 2014 £'000
Tan Sri Abi Musa	12	-	12	12
Dato Jespal Deol	12	-	12	12
Sushil Sidhu	12	-	12	12
AM Cleverly Esq & Mrs JCM Cleverly	12	-	12	12
Dato' Larry Gan	12	-	12	12
Patrick Dennis Howes	24	-	24	24
Dato' Mohamed Sallehuddin	12	-	12	9
	96	-	96	93

3 Investments in subsidiaries

	2015 £'000	2014 £'000
Cost		
At 1 January		
Additions	30,525	18,012
At 31 December	-	12,513
	30,525	30,525
Permanent diminutions		
At 1 January	9,257	-
Impairment for the year	21,268	9,257
At 31 December	30,525	9,257
	-	21,268
Net book value	-	21,268

In financial year of 2014, Graphene Nanochem Plc increased the shareholding in a subsidiary, Platinum Performance Chemicals Sdn Bhd via capitalisation of an amount of £12,513,000 owed by the Subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

3 Investments in subsidiaries (Continued)

Graphene Nanochem plc has the following subsidiaries:

Name of subsidiaries	Country of incorporation	Effective equity interest		Principal activities
		2015 £'000	2014 £'000	
Platinum Nanochem Sdn Bhd	Malaysia	100	100	Investment holding and provision of management services
Platinum Performance Chem Sdn Bhd	Malaysia	100	100	Refining of crude palm oil

Platinum Nanochem Sdn. Bhd. has the following subsidiaries and joint venture:

Name of subsidiaries	Country of incorporation	Effective equity interest		Principal activities
		2015 £'000	2014 £'000	
Platinum Green Chemicals Sdn Bhd	Malaysia	100	100	Manufacturing of advanced chemicals and biofuels
Platinum Nano G Sdn Bhd	Malaysia	100	100	Manufacturing of advanced nano-materials
Scomi Platinum Sdn Bhd	Malaysia	50	50	Manufacturing of speciality chemicals and other graphene-enhanced green chemicals

Investments in subsidiaries and a joint venture are shown at cost less impairment loss.

As the Company's subsidiaries have ceased operations and are in negotiations with various banks to dispose of fixed assets to settle overdue loans, management has fully impaired the carrying values of investments in subsidiaries and loans due from subsidiaries.

4 Intangible assets

Cost	Licence £'000	2015 £'000	2014 £'000
As at 1 January 2014	-	-	-
Transfer from subsidiary undertakings	18	24	42
As at 31 December 2015	18	24	42
Accumulated amortisation			
As at 1 January 2014	-	-	-
Transfer from subsidiary undertakings	1	-	1
As at 31 December 2015	1	-	1
Net book value as at 31 December 2015	17	24	41

NOTES TO THE FINANCIAL STATEMENTS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

5 Debtors

	2015 £'000	2014 £'000
Due within more than one year		
Amounts owed by subsidiaries	26,759	28,600
Less: provision allowance	(26,759)	-
Net amount owed by subsidiaries	-	28,600
Due within one year		
Other debtors	12	16
	12	28,616

6 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Accruals and deferred income	117	55
	117	55

7 Share capital and options

	2015 Number of shares	2014 Number of shares	2015 £'000	2014 £'000
Issued and fully paid-up:				
At 1 January and 31 December	116,536,536	116,536,536	23,307	23,307

All issued shares are fully paid. Details of the share options outstanding at 31 December 2015 are shown in note 21 of the consolidated financial statements.

8 Statement of reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2014	37,639	(678)
Loss for the year	-	(9,618)
At 31 December 2014	37,639	(10,296)
Loss for the year	-	(50,726)
At 31 December 2015	37,639	(61,022)

9 Capital commitments

The Company had no contracted capital commitments at 31 December 2015 (2014: £nil).

10 Contingent liability

The Company has provided a guarantee in respect of bank borrowings of its subsidiaries totaling £15,905,000 (2014: £1,983,000).

11 Transactions with Directors and other related parties

The Company has taken advantage of the exemption in FRS102 and has not disclosed transactions with wholly owned Group undertakings. There are no other related party transactions with the Company. The Company is under the control of its shareholders and not any one party.

NOTES TO THE FINANCIAL STATEMENTS

(PARENT COMPANY)
AS AT 31 DECEMBER 2015

12 Company profit and loss account

The Company has taken advantage of the exemption available under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The loss of the Company for the year was £50,726,000 (2014: loss £9,618,000).

13 Financial instruments

The carrying amounts of the Company's financial assets and liabilities as at 31 December 2015 are as follows:

	2015 £'000	2014 £'000
Financial assets		
Trade and other receivables	12	16
Cash and bank balances	-	821
	12	837
Financial liabilities carried at amortised costs		
Trade and other payables	117	55
Borrowings	12	-
	129	55

14 First time adoption of FRS 102

The accounting policies applied under the entity's previous accounting framework are not materiality difference to the accounting policies that are compliant with FRS 102 and there has been no material impact on equity or profit or loss. Accordingly, no reconciliation from the entity's previous accounting framework has been presented.

15 Subsequent events

Refer to Notes 30 and 31 of the consolidated financial statements.

04 | ANNUAL GENERAL MEETING

NOTICE OF AGM

GRAPHENE NANOCHEM PLC

(Incorporated and registered in England and Wales under the Companies Act 1965 with registered number 05712979)

NOTICE is hereby given that an Annual General Meeting ('AGM') of Graphene NanoChem Plc (the 'Company') will be held on 6 December 2016 at 10.30 a.m, for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

- 1 THAT the Company's annual report and audited financial statements, and the report of the Directors for the period ended 31 December 2015, now laid before this meeting be and is hereby approved.
- 2 THAT Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor who retires in accordance with the Articles of Association of the Company be and is hereby re-elected as a Director of the Company.
- 3 THAT Dato' Jespal Singh Deol Balbir Singh who retires in accordance with the Articles of Association of the Company be and is hereby re-elected as a Director of the Company.
- 4 THAT Crowe Clark Whitehill LLP be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, at which accounts are laid before the Company, and that the Board of Directors be and is hereby authorised to fix the remuneration of the Auditors.
- 5 THAT each of the issued ordinary shares of £0.20 each in the capital of the Company in issue at close of business on 6 December 2016 ('Existing Ordinary Shares') be and is hereby subdivided into and reclassified as one ordinary share of £0.01 each ('New Ordinary Share') and one deferred share of £0.19 each ('Deferred Share'), with the New Ordinary Shares having the same rights and be subject to the same restrictions as the Existing Ordinary Shares that are currently in issue and as set out in the Articles and each Deferred Shares having the rights and be subject to the restrictions as set out in the new Articles, including the variations set out in Resolution 8 below.
- 6 THAT in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Act) or grant rights to subscribe for or to convert any security into shares in the Company (collectively 'Relevant Securities'):
 - 6.1 Up to an aggregate nominal value of £22,393,295; or
 - 6.2 If Resolution 5 and 8 are passed, up to an aggregate nominal value of £1,119,665,

Provided that such authority shall be in substitution for and replace any previous authority given to the Directors pursuant to section 551 of the Act, and shall expire on the earlier of the conclusion of the next AGM of the Company and the date falling 15 months after the passing of this resolution save that the Company may, before such expiry, make any offer or agreement which would, or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority so conferred had not expired.

AS SPECIAL RESOLUTIONS

- 7 THAT subject to the passing of resolution 6 above, the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined by section 560 of the Act) pursuant to the authority granted by resolution 6 as if section 561 (1) of the Act does not apply to such allotment provided that this power shall be limited to:
 - 7.1 the allotment of equity securities in connection with or pursuant to an offer by way of a rights issue or any other pre-emptive offer in favour of ordinary shareholders in proportion as nearly as practicable, to their existing holding, subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territories or requirements of any recognised regulatory body or any stock exchange in any territory; and

7.2 The allotment (otherwise than pursuant to sub-resolution 7.1 above) of equity securities:

- (a) Up to an aggregate nominal value of £22,393,295; or
- (b) If Resolutions 5 and 8 are passed, up to an aggregate nominal amount of £1,119,665,

and this authority shall be in substitution for and replace any previous authority given to the Directors pursuant to section 576 of the Act, and shall expire on the earlier of the conclusion of the next AGM of the Company and the date falling 15 months after the passing of this resolution save that the Company may, before such expiry, make any offer or agreement which would, or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority so conferred had not expired.

8 THAT subject to the passing of Resolution 5, the Directors be and are hereby empowered to adopt new Articles as follows:

8.1 By the addition in Article 2 of the following definitions:

'Deferred Shares' means deferred shares of £0.19 each in the capital of the Company;

'Ordinary Shares' means ordinary shares of £0.01 each in the capital of the Company.

8.2 By the addition of a new Article 4 as follows:

4.1 The share capital of the Company shall be divided into Ordinary Shares and Deferred Shares;

4.2 The Deferred Shares shall have attached thereto, as a class, the following rights, privileges, restrictions and conditions:

(a) Dividends

The Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution.

(b) Voting

The Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the Company.

(c) Return of Capital

On a return of capital on a winding up, the holders of the Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £1,000,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company.

(d) Transfer

The Company is authorised at any time:

(i) To appoint a person to execute on behalf of the holders of the Deferred Shares a transfer and/or agreement to transfer the same, without making payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto; and

(ii) Pending any such transfer not to issue share certificates for the Deferred Shares.

(e) Variation of Rights

Neither:

(i) The passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining of by the Company or the making by the court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

(ii) the purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase;

shall constitute a variation or abrogation of the rights attaching to the Deferred Shares.

(f) Further Issues

The rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares.

BY ORDER OF THE BOARD

Sushil Singh Sidhu Joginder Singh

Director

11 November 2016

Notes

- 1 A member is entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him or her. The proxy need not be a member of the Company. Where a member appoints more than one proxy, each proxy must be appointed in respect of different shares comprised in his or her shareholding which must be identified on the proxy form. Each such proxy will have the right to vote on a poll in respect of the number of votes attaching to the number of shares in respect of which the proxy has been appointed but such proxies will only be entitled to one vote between them on a show of hands. The proxy who is to exercise the one vote on a show of hands must be identified on the appropriate proxy form. Where more than one joint shareholder purports to appoint a proxy in respect of the same shares, only the appointment by the most senior shareholder will be accepted as determined by the order in which their names appear in the Company's Register of Members. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the Chairman of the meeting and give your instructions to that proxy.
- 2 To be effective an instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the offices of Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, United Kingdom (or faxed to Share Registrars Limited on 01252 719232) so as to be received no later than 10.30 a.m. on 2 December 2016 except that (a) should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting; and (b) in the case of a poll taken more than 48 hours after it was demanded, such deposit may be made not later than 24 hours before the time appointed for the taking of the poll.
- 3 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA36) by the latest time(s) for receipt of the proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken by the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 4 Any corporation which is a member can authorise one or more person(s) to act as its representative(s) at the meeting.
- 5 An abstention (or 'vote withheld') option has been included on the Form of Proxy. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions, will however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
- 6 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 10.30 a.m. on 2 December 2016 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- 7 If you are a person who has been nominated under section 146 of the 2006 Act to enjoy information rights, you may have a right, under an agreement between you and the shareholder who has nominated you, to be appointed or to have someone else appointed for you as a proxy for the meeting. If you do not have such a right, or you do have such a right but do not wish to exercise it, you may have a right under such an agreement to give instructions to the shareholder who nominated you as to the exercise of the voting rights attached to the ordinary shares in respect of which you have been nominated.
- 8 As at 4 November 2016, being the last practicable date before the publication of this notice, the Company's issued share capital consists of 116,536,536 ordinary shares, carrying one vote each, of No shares are held as treasury shares and therefore the total number of votes at such date is 116,536,536.
- 9 Copies of Directors' service contracts and letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.
- 10 If you have any queries how to complete the proxy form, please contact the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, United Kingdom or on telephone number 01252 821 390 (Lines are open 9.00 a.m. – 5.30 p.m. Mon–Fri. The helpline cannot provide advice on the merits of the transaction nor give any financial, legal or tax advice

NOTES ON RESOLUTIONS

RESOLUTION 1

RECEIVING THE COMPANY'S ACCOUNTS

An ordinary resolution to receive and adopt the report of the Directors and accounts for the year ended 31 December 2015, together with the report of the auditors and the strategic report.

RESOLUTIONS 2 AND 3

RE-APPOINTMENT OF DIRECTORS

Resolutions 2 and 3 are ordinary resolutions to re-elect Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor and Dato' Jespal Singh Deol Balbir Singh, who each retire in accordance with the Articles and are eligible for re-election as a director of the Company.

RESOLUTION 4

AUDITORS AND AUDITORS' REMUNERATION

An ordinary resolution to approve the re-appointment of Crowe Clark Whitehill LLP as the Company's auditors to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the Directors to set the auditor's remuneration.

RESOLUTION 6

CAPITAL REORGANISATION

An ordinary resolution to approve the Capital Reorganisation of the Company.

RESOLUTION 5

AUTHORITY TO ALLOT RELEVANT SECURITIES

Under the Act, the Directors may only allot shares and grant rights to subscribe for or convert any securities into shares if authorised to do so in general meeting. This resolution will allow the Directors to act in the best interest of the Company and shareholders when opportunities arise and provide the flexibility to move quickly to raise funds as and when required by the Company.

This authority will expire at the start of the next annual general meeting of the Company.

RESOLUTION 7

DISAPPLICATION OF PRE-EMPTION RIGHTS

If shares are to be offered for cash, the Act requires that those shares be offered first to the existing shareholders in proportion to the number of shares they hold at the time of the offer. However, it may sometimes be in the interest of the Company for the Directors to allot shares other than to shareholders in proportion to their existing shareholding.

This resolution authorises the Board, subject to specified limits:

- ▶ To allot shares in connection with a rights issue or other pro rata offer to existing shareholders;
- ▶ Otherwise than in connection with a rights issue, up to a maximum nominal value of £22,393,265 or if Resolutions 5 and 8 are passed, up to a maximum nominal value of £ 1,119,665,

(‘Authorities’) in each case representing approximately 49% of the enlarged issued share capital of the Company as at the date of this Notice (assuming the Authorities were to be fully utilised) Existing Ordinary Shares or New Ordinary Shares as the case may be.

Resolutions 6 and 7 would, if passed, give the Directors the power to expeditiously take advantage of funding and/or acquisition opportunities as and when they arise. The authorities may also be used for working capital and for general corporate purposes.

If the authorities were to be used in relation to a placing of equity with investors on a non-pre-emptive basis, the Directors will seek to ensure that existing significant shareholders will receive preferential allocations in such placing.

As a UK public company, the Company is governed by the provisions of the UK City Code of Takeovers and Mergers (‘Code’). Accordingly, no issue of shares will be made which would result in a single shareholder or concert party holding 30% of more of the issued share capital of the Company without, as required by the Code, a vote of independent shareholders being sought, to waive the requirement of such shareholder or concert party to make an offer for the whole of the issued share capital of the Company.

The Directors will consult with its nominated adviser on the terms and conditions of any issue utilising the authorities. Notwithstanding the authorities being sought from shareholders to allow for a non-pre-emptive issue of shares, the Directors will keep under review the possibility of an issue of shares on a pre-emptive basis.

These authorities, if passed, will expire at the start of the next annual general meeting of the Company.

RESOLUTION 8

AMENDMENT TO THE ARTICLES

Conditional on passing Resolution 5, the Company is proposing to amend the Articles by incorporating and/or substituting the provisions below into the Articles. The principal changes to be introduced in the new Articles are summarised below:

1 By the addition in Article 2 of the following definitions:

'Deferred Shares' means deferred shares of £0.19 each in the capital of the Company;

'Ordinary Shares' means ordinary shares of £0.20 each in the capital of the Company.

2 By the addition of a new Article 4 as follows:

4.1 The share capital of the Company shall be divided into Ordinary Shares and Deferred Shares;

4.2 The Deferred Shares shall have attached thereto, as a class, the following rights, privileges, restrictions and conditions;

(a) Dividends

The Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution.

(b) Voting

The Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the Company.

(c) Return of Capital

On a return of capital on a winding up, the holders of the Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £1,000,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company.

(d) Transfer

The Company is authorised at any time:

(i) To appoint a person to execute on behalf of the holders of the Deferred Shares a transfer and/or agreement to transfer the same, without making payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto; and

(ii) Pending any such transfer not to issue share certificates for the Deferred Shares.

(e) Variation of Rights

Neither:

(i) The passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining of by the Company or the making by the court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

(ii) The purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase;

shall constitute a variation or abrogation of the rights attaching to the Deferred Shares.

(f) Further Issues

The rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares.

FORM OF PROXY

For use at the Annual General Meeting to be held on 6 December 2016 at Academy House, London Road, Camberly, Surrey GU15 3HL commencing at 10.30 a.m (the 'Annual General Meeting' or 'AGM').

Please insert full name I/We
(block letters)

And address of
(block letters)

being (an) Ordinary Shareholder(s) of the Company hereby appoint the Chairman of the AGM* /

..... of
(please insert name and address in block letters)

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 6 December 2016 at 10.30 a.m. and at any adjournment thereof.

I/We direct the proxy to vote on the resolutions set out in the Notice convening the Annual General Meeting as follows:

Please indicate how you wish your proxy to vote by placing a tick in the appropriate space. Unless otherwise indicated the proxy will exercise his discretion as to how he votes and whether or not he abstains from voting.

Ordinary Resolutions		For	Against	Vote withheld
1	To receive and adopt the 2015 Report and Accounts			
2	To re-elect Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as a Director			
3	To re-elect Dato' Jespal Singh Deol Balbir Singh as a Director			
4	To re-appoint Crowe Clark Whitehill LLP as Auditors and to authorise the Directors to fix their remuneration			
5	To authorise the Capital Reorganisation			
6	To authorise the Directors to allot Shares			
Special Resolutions		For	Against	Vote withheld
7	To dis-apply statutory pre-emption rights			
8	To authorise the amendments to the Articles			

Questions for GM

Please use the space below to detail any questions you may wish asked at the AGM

Dated..... 2016

Signature

* If you wish to appoint some other person as your proxy, please insert the name and address where indicated and delete the words 'the Chairman of the AGM'

Notes

- As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a notice of AGM with this proxy form. You can only appoint a proxy using the procedures set out in these proxy form notes and the notes to the notice of AGM.
- A proxy does not need to be a member of the Company but must attend the AGM to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name and address where indicated and delete the words 'the Chairman of the AGM' where indicated with the asterisk. If you sign and return this proxy form without indicating such other person, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
- To be effective, this proxy form must be duly completed, executed and returned, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority, so as to reach the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7LL (or faxed to Share Registrars Limited on 01252 719232) by 10.30 a.m. on 2 December 2016.
- In the case of a corporation, this proxy form must be executed either under a common seal or under the hand of an officer or attorney duly authorised in writing.
- To direct your proxy how to vote on the resolutions mark the appropriate box with a tick. To abstain from voting on a resolution, tick the relevant 'Vote Withheld' box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy may vote or abstain from voting at his or her discretion on the resolution and any other business conducted at the meeting.
- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

- 9 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Share Registrars Limited by no later than 2 December 2016 at 10.30 a.m. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
- 10 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 11 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.


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Affix stamp

Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey GU9 7DR

First fold

Second fold



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