

Company Registration Number: 08082567 (England and Wales)

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2-DTECH LIMITED

ANNUAL REPORT

31 MARCH 2020

2-DTECH LIMITED

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For the Year Ended 31 March 2020**

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2-DTECH LIMITED

Company Information

DIRECTORS:	Mr N Ricketts Mr C M Leigh
COMPANY SECRETARY:	Mr C M Leigh
REGISTERED OFFICE:	Versarien PLC Unit 2, Chosen View Road Cheltenham Gloucestershire GL51 9LT
REGISTERED NUMBER:	08082567 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR United Kingdom
BANKERS:	Santander UK PLC Bristol Corporate Business Centre One Glass Wharf Avon Street Bristol BS2 0ZX

2-DTECH LIMITED

Report of the Directors for the Year to 31 March 2020

The directors present their report with the audited financial statements of the company for the year ended 31 March 2020

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review was that of the development, manufacture and supply of 2 dimensional materials and the provision of consultancy services in connection with such materials.

REVIEW OF BUSINESS

The results for the year are on page 8 of the financial statements. The position at the year ended 31 March 2020 was satisfactory.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £ 1,592,270 (2019 - £1,071,152)

FUTURE DEVELOPMENTS

The Company will continue its efforts to develop graphene using a process founded upon an agreement with the Universities of Manchester and Ulster and will also be able to scale up production of graphene using an exfoliation process. Patents have been granted in the USA and the Company will pursue its market there.

RESEARCH AND DEVELOPMENT

Investing in research and development delivers product innovation and manufacturing improvements. £185,882 (2019: £259,085) of expenditure on research and development in the period has been capitalised.

GOING CONCERN

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate as the Company meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities. Versarien PLC own 85% of the company's shares and the University of Manchester owns 15%.

The projections contain certain assumptions about the sales performance as a result of the Covid-19 pandemic. There is therefore a risk that trading performance could be below expectations, however the company is part of the Versarien Group which has confirmed in writing its intention to provide ongoing support to the company for a period of at least 12 months from the date of signature of these financial statements. Having considered the ability of the Versarien Group to provide that support, and based on the confirmation received, the directors believe that the company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statement.

2-DTECH LIMITED

Report of the Directors for the Year to 31 March 2020 (continued)

DIRECTORS

The directors who have held office during the year to the date of this report are as follows:

Mr N Ricketts
Mr C M Leigh

FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. There were no changes in the Group's approach to capital management during the year.

(b) Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies. The Company is exposed to the changes in foreign currency exchange rates between a number of different currencies but the Company's primary exposures relate to the Euro.

The Company's policy is not to hedge its exposure using financial instruments, but to mitigate exposure by natural hedges as far as possible.

(c) Interest rate risk

The Company currently uses some invoice discounting advances to fund working capital requirements. Interest rate risks are not hedged.

(d) Credit risk

The Company's credit risk is primarily attributable to its trade receivables and other current assets. The amounts recognised in the balance sheet are net of expected credit losses. Trade receivables are subject to credit limits. Credit risk associated with cash balances is managed by transacting with financial institutions of high quality.

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount.

(e) Liquidity risk

The Company seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure there are sufficient resources for working capital requirements and to meet the Company's financial commitments.

At 31 March 2020 and 31 March 2019 all amounts shown in the Statement of Financial Position under current assets and current liabilities mature for payment within one year.

2-DTECH LIMITED

Report of the Directors for the Year to 31 March 2020 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:


- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS'

The Independent Auditors, PricewaterhouseCoopers LLP, who were appointed by the Board for the year have indicated their willingness to be reappointed for another term.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

BY ORDER OF THE BOARD



Mr C M Leigh

Company secretary

16 November 2020

**Independent auditors' report to the members of 2-DTech Limited
Report on the audit of the financial statements**

Opinion

In our opinion, 2-DTech Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

2-DTECH LIMITED

Independent auditors' report to the members of 2-DTech Limited Report on the audit of the financial statements (continued)

Reporting on other information (*continued*)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

2-DTECH LIMITED

Independent auditors' report to the members of 2-DTech Limited Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (*continued*)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption in preparing the Report of the Directors; and take advantage of the small companies exemption from preparing a strategic report.

We have no exceptions to report arising from this responsibility.



Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 November 2020

2-DTECH LIMITED

Statement of Comprehensive income for the year ended 31 March 2020

	Note	31 March 2020	31 March 2019
		£	£
CONTINUING OPERATIONS			
Revenue	3	80,399	21,169
Cost of Sales		(564,276)	(241,619)
Gross profit/(loss)		<u>(483,877)</u>	<u>(220,450)</u>
Administrative expenses	5	(1,110,838)	(856,780)
Exceptional items included within administrative expenses	5	(239,290)	(135,446)
OPERATING LOSS	5	<u>(1,594,715)</u>	<u>(1,077,230)</u>
Finance costs		(39,302)	(8,016)
LOSS BEFORE TAXATION		<u>(1,634,017)</u>	<u>(1,085,246)</u>
Tax on loss	6	<u>41,747</u>	<u>14,094</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR		<u>(1,592,270)</u>	<u>(1,071,152)</u>

The notes on pages 11 to 26 form part of these financial statements

2-DTECH LIMITED

REGISTERED NUMBER: 08082567

STATEMENT OF FINANCIAL POSITION AS AT 31 March 2020

	Note	31 March 2020 £	31 March 2019 £
ASSETS			
FIXED ASSETS			
Intangible assets	8	703,695	550,317
Property, plant and equipment	7	<u>1,034,776</u>	<u>705,489</u>
		1,738,471	1,255,806
CURRENT ASSETS			
Inventories	9	273,251	226,513
Trade and other receivables	10	181,535	159,654
Cash and cash equivalents	11	<u>14,054</u>	<u>9,427</u>
		468,840	395,594
TOTAL ASSETS		<u>2,207,311</u>	<u>1,651,400</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	660,000	660,000
Accumulated losses		<u>(4,860,215)</u>	<u>(3,267,945)</u>
TOTAL EQUITY		<u>(4,200,215)</u>	<u>(2,607,945)</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	12	5,792,579	3,761,499
NON-CURRENT LIABILITIES			
Creditors: Amounts falling due after more than one year	13	<u>614,947</u>	<u>497,846</u>
TOTAL LIABILITIES		<u>6,407,526</u>	<u>4,259,345</u>
TOTAL EQUITY AND LIABILITIES		<u>2,207,311</u>	<u>1,651,400</u>

The financial statements on pages 8 to 26 were approved by the Board of Directors on 16 November 2020 and signed on its behalf by:



Mr N Ricketts
Chief Executive Officer



Mr C M Leigh
Chief Financial Officer

The notes on pages 11 to 26 form part of these financial statements

2-DTECH LIMITED**STATEMENT OF CHANGES IN EQUITY for the Year Ended 31 March 2020**

	Called up Share Capital	Accumulated losses	Total equity
	£	£	£
Balance as at 1 April 2018	660,000	(2,196,793)	(1,536,793)
Loss for the financial year and total comprehensive expense for the financial year	-	(1,071,152)	(1,071,152)
Balance as at 31 March 2019	660,000	(3,267,945)	(2,607,945)
Loss for the financial year and total comprehensive expense for the financial year	-	(1,592,270)	(1,592,270)
Balance as at 31 March 2020	<u>660,000</u>	<u>(4,860,215)</u>	<u>(4,200,215)</u>

The notes on pages 11 to 26 form part of these financial statements

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020

1 GENERAL INFORMATION

General information

2-DTECH Limited is a private company limited by shares. The company is domiciled and incorporated in the United Kingdom under the Companies Act 2006 and registered in England. The address of the registered office is Unit 2 Chosen View Road, Cheltenham, Gloucestershire, GL51 9LT.

These financial statements are presented in pounds sterling as the currency of the primary economic environment in which the company operates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and have been applied consistently other than where new policies have been adopted. The financial statements have been prepared under the historical cost basis and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed later in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of the financial statements in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - i. paragraph 79(a)(iv) of IAS 1
 - ii. paragraph 73(e) of IAS 16 Plant and equipment
 - iii. paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- 10(f) (a statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
- 16 (statement of compliance with all IFRS)
- 38A (requirement for minimum of two primary statements, including cash flow statements)
- 38B-D (additional comparative information)
- 40A-D (requirements for a third statement of financial position)
- 111 (cash flow statement information), and
- 134-136 capital management disclosures
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

New standard, amendments and interpretations

The Company adopted IFRS 16 "Leases" using the modified retrospective approach from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet of 1 April 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5%.

For leases previously classified as operating leases the Company recognised the carrying amount of the lease asset and lease liability as at 1 April 2019 as the carrying amount of the right of use asset and the lease liability at the date of the initial application.

The measurement principles of IFRS 16 are only applied after that date. There is no measurement adjustment for variable leases payments related to revenue or payment increases based on an index or rate.

(I) Practical Expedients Applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonable similar characteristics; and
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

2-DTECH LIMITED**Notes to the Financial Statements for the Year to 31 March 2020
(continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New standard, amendments and interpretations (continued)****(I) Measurement of Lease Liabilities**

	£
Operating lease commitments disclosed as at 31 March 2019	210,850
Increase to lease commitments based on updated leases	348,316
Updated commitments	559,166
Discounted using the lessee's incremental borrowing rate at the date of initial application	511,431
Lease liability recognised as at 1 April 2019	511,431
Of which are:	
Current lease liabilities	179,466
Non-current lease liabilities	331,965
	511,431

The net impact on retained earnings on 1 April 2019 was £nil.

The change in accounting policies affected the following items in the statement of the financial position on 1 April 2019:

	£
Additional recognition of right-of-use asset:	
Right of use assets – increase by	511,431
Lease liabilities – increased by	511,431
Transfer of finance lease under IAS 17 to right-of-use asset:	
Plant cost	522,313
Plant depreciation	(22,086)
	500,227

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The Company is in its development stage and relies upon its parent company for financial support. On the basis of this support the Directors consider it appropriate to prepare the financial statements on a going concern basis. The validity of this assumption depends upon the parent company continuing its support in the forthcoming financial year.

The Directors consider it appropriate to prepare the financial statements on a going concern basis. As a result of the Covid-19 pandemic, there is a risk that trading performance could be below expectations, however the company is part of the Versarien Group which has confirmed in writing its intention to provide ongoing support to the company for a period of at least 12 months from the date of signature of these financial statements.

If the Company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long-term liabilities and current assets and liabilities.

Revenue recognition

The revenue recognised in any reporting period are based on the contracted delivery of performance obligations and an assessment of when control is transferred to the customer. To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities and is shown net of value-added-tax, returns, rebates and discounts.

Revenue is recognised when the performance obligation in the contract has been performed and the control has been passed ('point in time' recognition). The customer gains the right of control at the time the product has been delivered.

Grant income recognition

Grant income relating to projects have been deferred and will be released in line with the amortisation of the corresponding asset capitalised.

Property, plant and equipment

In accordance with IAS 16, property, plant and equipment costs are recognised as a capital item in the Statement of Financial Position when it is considered the item will help generate a future economic benefit to the company.

The capitalisation of such items are based on the cost to purchase and bring the item to working condition. The depreciation rates for the relevant capital classifications are as follows

Plant & equipment	3 - 20 years
ROU asset:	
Land and Buildings	over lease term
Plant and Machinery	3-20 years

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS

Financial assets are classified into 'financial assets at FVTPL' and 'financial assets at amortised cost'. The classification is determined at the time of initial recognition and depends on the Company's business model for managing the financial assets and whether the contractual cash flow represent solely payments of principal and interest.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Financial assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Company's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For trade receivables and contract assets, the Company recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. For all other financial instruments, the Company recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Development costs

The developments costs capitalised are directly attributable to the development phase of a product and recognised as intangible assets in accordance with IAS 38. Capitalised development costs are written off over a period of four years from the point at which commercial production commences.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Trade and other receivables

Trade and other receivables are stated at cost less impairment, which approximates fair value given the short term nature of these assets and liabilities. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

These amounts represent liabilities for services provided to the company prior to the end of the financial year which are unpaid.

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development

In accordance with IAS 38, it is the Company's policy to recognise an intangible asset for development of its product once the development criteria has been met. Otherwise all costs in the research phase will be recognised in the Income Statement for the period in which they are incurred.

Costs that are directly attributable to the development phase of a product are recognised as intangible assets provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Company intends to complete the intangible asset and use or sell it;
- the Company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future benefits.
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Capitalised development costs are written off over a period of four years from the point at which commercial production of Graphene commences.

Intangible assets

In line with IAS 38 it is the Company's policy to recognise an intangible asset when:

- a) a financial instrument is deemed separable from the entity, can be sold, transferred, licenced, rented or exchanged;
- b) a financial instrument arises from a contractual or other legal rights;
- c) future economic benefits are expected from the financial instrument; and
- d) the cost of the asset can be measured reliably

The directors are of the opinion that patent and development costs meet the criteria above. The patent is recorded at amortised cost. Amortisation is applied to an intangible asset where the directors' believe the useful life of the asset is finite and, in accordance with IAS 38, the useful life shall not exceed the period of contractual or other legal rights. The patent and licence cost is amortised over 20 years on a straight-line basis.

Share capital

Ordinary shares are classified as equity. Any excess above the par value of shares received upon issuance of is credited to share premium.

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

As explained above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described in note 14. Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payment made under operating leases were charged to the profit and loss on a straight-line basis over the period of the lease. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019.

Tangible fixed assets which were acquired under finance leases and hire purchase agreements have been reclassified on adoption of IFRS 16 which has resulted in an increase to property, plant and equipment and liabilities.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Pensions

The company contributes to the state statutory pension scheme. Costs are charged to the profit and loss account as they become payable.

Exceptional items

Exceptional items are defined as items of income and expenditure which, in the opinion of the Directors, are unusual in nature or of such significance that, in order to give a full understanding of the Company's underlying financial performance, they require separate disclosure on the face of the Statement of Comprehensive Income in accordance with IAS 1 "Presentation of Financial Statements".

Key sources of estimation and uncertainty

The preparation of the financial statements requires the Company to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Useful life of plant & equipment

As described in the accounting policy, the company considers the useful life of each asset capitalised. During the year the directors determined that plant and equipment had an economic useful life of 3-20 years. See note 7 for the carrying amounts of plant and equipment.

Development costs

Development costs are capitalised on the balance sheet following an assessment of the criteria in IAS 38. They are assessed on an ongoing basis to determine whether circumstances may change and could lead to potential impairment of the carrying value of these assets.

2-DTECH LIMITED**Notes to the Financial Statements for the Year to 31 March 2020 (continued)****3 REVENUE**

Turnover and loss before taxation is wholly attributable to the principal activity of the company. An analysis of turnover by geographical location is given below:

	2020 £	2019 £
United Kingdom	12,538	9,051
Rest of Europe	470	8,694
Other	67,391	3,424
	<u>80,399</u>	<u>21,169</u>

4 EMPLOYEES AND DIRECTORS

The aggregate payroll costs were as follows:

	2020 £	2019 £
Wages and salaries	232,409	183,938
Social security costs	25,439	24,572
Other pension costs	<u>3,654</u>	<u>2,211</u>
	<u>261,502</u>	<u>210,721</u>

Of the aggregate amount, £ 9,646 (2019: £59,281) has been capitalised and shown in intangible assets.

The monthly average number of persons employed by the company (excluding directors) during the year was as follows:

	2020 No	2019 No
Research , production & sales	<u>5</u>	<u>7</u>

Directors

The total number of directors serving the company during the year amounted to two (2019: two).

The remuneration of the directors was paid by and is dealt with in the financial statements of Versarien Plc. It is not practicable to allocate their remuneration between their services as directors of Versarien Plc and their services as directors of other companies within the Versarien Plc group. The directors are considered to be the key management.

2-DTECH LIMITED
Notes to the Financial Statements for the Year to 31 March 2020 (continued)

5 OPERATING LOSS

	2020	2019
	£	£
Loss before taxation stated after charging:		
Fees payable to the auditors		
- Audit of these financial statements pursuant to legislation	14,045	15,231
Depreciation of tangible assets	270,376	34,865
Amortisation of intangible assets	32,337	32,337
Exceptional items	239,290	135,446
Research and development costs	514,000	114,000
Operating lease payments- land and building	-	83,500
	<u> </u>	<u> </u>

Exceptional items arise from costs incurred relating to expansion in China.

6 TAX ON LOSS

Analysis of the charge

No liability to UK corporation tax arose on loss before taxation for the year (2019-nil)

Factors affecting the tax charge

	2020	2019
	£	£
Loss on ordinary activities before taxation	(1,634,017)	(1,085,246)
	<u> </u>	<u> </u>
<u>Effects of:</u>		
Loss before taxation by the standard rate of corporation tax in the UK of 19 % (2019: 19%)	(310,463)	(206,197)
Depreciation in excess of capital allowances	(33,965)	(45,178)
R&D tax credit	41,747	14,094
Other adjustments	2,367	427
Losses carried forward	<u>342,061</u>	<u>250,948</u>
Total tax charge	<u>41,747</u>	<u>14,094</u>

2-DTECH LIMITED**Notes to the Financial Statements for the Year to 31 March 2020 (continued)****6 TAX ON LOSS - continued****Factors that may affect future tax charges**

No deferred tax asset has been recognised as there is currently insufficient certainty as to the precise timing of when the asset would be recovered. The unrecognised asset amounts to £862,000 (2019: £518,000) being £1,000,000 (2019: £593,000) of trading losses and capital allowance liability of £138,000 (2019: £75,000).

7 PROPERTY, PLANT AND EQUIPMENT

	ROU asset	Plant	Equipment	Total
	£	£	£	£
Cost				
At 1 April 2019	-	759,520	64,685	824,205
Adjustment on transition to IFRS 16	1,033,744	(522,313)	-	511,431
Additions	45,851	35,534	6,847	88,232
Disposals	-	(39,362)	-	(39,362)
At 31 March 2020	1,079,595	233,379	71,532	1,384,506
Accumulated depreciation				
At 1 April 2019	-	101,488	17,228	118,716
Adjustment on transition to IFRS 16	22,086	(22,086)	-	-
Charge for the year	217,241	35,143	17,992	270,376
Disposals	-	(39,362)	-	(39,362)
At 31 March 2020	239,327	75,183	35,220	349,730
Net book value				
At 31 March 2019	-	658,032	47,457	705,489
At 31 March 2020	840,268	158,196	36,312	1,034,776

Under IFRS 16 the right of use assets for the Company are as follows:

	Plant and equipment	Buildings	Total
Cost	568,164	511,431	1,079,595
Accumulated depreciation	(53,352)	(185,975)	(239,327)
Net book value	514,812	325,456	840,268

In the prior year, leases under HP were classified as plant and equipment; however under IFRS 16 they have now been classified as ROU asset with other leases.

2-DTECH LIMITED**Notes to the Financial Statements for the Year to 31 March 2020 (continued)****8 INTANGIBLE ASSETS**

Cost	Patent	Website	Development costs	IP & software development	TOTAL
	£	£	£	£	£
At 1 April 2019	27,703	10,400	601,599	143,012	782,714
Additions	1,197	-	184,518	-	185,715
At 31 March 2020	28,900	10,400	786,117	143,012	968,429
Accumulated Amortisation					
At 1 April 2019	4,087	9,064	134,243	85,003	232,397
Charge for year	2,076	1,248	-	29,013	32,337
At 31 March 2020	6,163	10,312	134,243	114,016	264,734
Net book value					
At 31 March 2019	23,616	1,336	467,356	58,009	550,317
At 31 March 2020	22,737	88	651,874	28,996	703,695

The developments costs capitalised are directly attributable to the development phase of a product and recognised as intangible assets in accordance with IAS 38. Capitalised development costs are written off over a period of four years from the point at which commercial production commences.

The yearly amortisation charge is included within administrative expenses in the statement of comprehensive income.

9 INVENTORIES

	2020	2019
	£	£
Raw materials and consumables	24,701	13,450
Finished goods	<u>248,550</u>	<u>213,063</u>
	<u>273,251</u>	<u>226,513</u>

Inventories are stated after provision for impairment of £nil (2019: £nil)

Stock recognised in cost of sales during the year as an expense was £78,038 (2019: £146,296).

2-DTECH LIMITED

Notes to the Financial Statements for the Year to 31 March 2020 (continued)

10 TRADE AND OTHER RECEIVABLES

	2020	2019
	£	£
Trade debtors	1,417	3,157
Amounts owed by group undertakings	52,605	44,436
Taxation and social security	114,068	85,822
Other debtors	<u>13,445</u>	<u>26,239</u>
	<u>181,535</u>	<u>159,654</u>

Trade debtors are stated after provision for impairment of £nil (2019: £nil). The figures reflect correctly the requirements of IFRS 9

11 CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Bank accounts and petty cash	<u>14,054</u>	<u>9,427</u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	177,811	105,281
Lease liability	187,421	-
Amounts owed to group undertakings	5,146,294	3,509,793
Taxation and social security	16,296	7,251
Other creditors	<u>264,757</u>	<u>139,174</u>
	<u>5,792,579</u>	<u>3,761,499</u>

Included within other creditors are obligations under hire purchase of £106,239 (2019: £88,393)
Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Other creditors	470,403	497,846
Lease liability	<u>144,544</u>	-
	<u>614,947</u>	<u>497,846</u>

Included within other creditors are obligations under hire purchase of £ 219,118 (2019: £282,134)

2-DTECH LIMITED**Notes to the Financial Statements for the Period to 31 March 2020 (continued)****14. LEASING**

In 2019, prior to implementation of IFRS16, the group's commitments for property leases and some plant, equipment and vehicles were accounted for as non-cancellable operating leases. All payments made for these commitments were credited to the profit and loss account as they became due.

Disclosure of the minimum lease commitments payable each year under those leases was disclosed by way of a note as below:

	Land and Buildings	
	2020	2019
	£	£
Payable within one year	-	110,850
Payable within two to five years	-	100,000

From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability.

The Company leases land and buildings on which the factories they operate are located, and assets acquired under hire purchase which have now been reclassified under IFRS16. Land and buildings lease contracts are typically for standard lease commercial periods.

Leases typically include a monthly payment. As at 1st April 2019 the Company has recognised a right to use asset and a leasing liability based on these payments.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate the individual lease would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received. The Company had a range of borrowing rates from 4% to 6%. The Company believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the Income Statement to be materially different.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the lease term on a straight line basis.

The total cash outflow for leases in 2020 was £227,200.

2-DTECH LIMITED**Notes to the Financial Statements for the Year to 31 March 2020 (continued)****14 LEASING (cont'd)**

The right of use asset recognised includes leases and hire purchase agreements. The leasing liabilities are included as follows in the statement of financial position:

	2020 £
Creditors: Amounts falling due within one year	
Lease liability	187,421
Other creditors – obligations under hire purchase	106,239
Creditors: Amounts falling due after more than one year	
Lease liability	144,544
Other creditors – obligations under hire purchase	219,118
	<u>657,322</u>

The amounts below represent the minimum future lease payments:

	2020 £	2019 £
Net obligations payable:		
Within one year	293,660	-
Between one and five years	363,662	-
	<u>657,322</u>	<u>-</u>

15 CALLED UP SHARE CAPITAL

Allotted, authorised, issued and fully paid

Number	Class	Nominal value	2020 £	2019 £
660,000 (2019: 660,000)	Ordinary	£1	<u>660,000</u>	<u>660,000</u>

16 PENSION COMMITMENTS

The company contributed to the personal pension scheme of five (2019: six) employees. Costs are charged to the profit and loss account as they become payable.

The pension charge for the year represents contributions payable by the company to the scheme and amounted to £3,654 (2019 - £2,211). There were outstanding contributions of £1,075 (2019- £504) to the scheme at the end of the financial year.

2-DTECH LIMITED**Notes to the Financial Statements for the Year to 31 March 2020 (continued)****17 ULTIMATE PARENT UNDERTAKING**

The Company's immediate and ultimate parent company is Versarien Plc which is incorporated in the United Kingdom and listed on AIM. Versarien Plc owns 85% of the share capital of the Company and is considered the company's controlling party. In the opinion of the directors' there is no ultimate controlling party. The smallest and largest group in which the results of the company are consolidated is that headed by Versarien PLC. Copies of Versarien Plc consolidated financial statements can be obtained from its registered office at Unit 2, Chosen View Road, Cheltenham, Gloucestershire, GL51 9LT.

18 RELATED PARTY TRANSACTIONS

As the Company is not a fully owned subsidiary of Versarien Plc, it is not entitled to apply the FRS 101 exemption on related party transactions. There were the following transactions with Group companies during the year:

	Recharged invoices expensed £	Recharged invoices £	Funding £	Amounts (repaid) in year £	Balance (owed)/due at Year End £
Versarien PLC	331,594 (2019: 332,692)	-	1,320,000 (2019: 1,208,910)	(6,355) (2019: (4,826))	(5,125,980) (2019: 3,480,741)
Cambridge Graphene Limited	8,101 (2019: 21,983)	15,551 (2019: (59,339))	-	-	51,886 (2019: 44,436)
AAC Cyroma Limited	2,011 (2019: 1,440)	-	-	(3,451) (2019: (1,056))	- (2019: (1,440))
Total Carbide	-	719 (2019: Nil)	-	-	719 (2019: Nil)
Versarien Technologies Limited	296,595 (2019: 198,198)	-	-	(300,494) (2019: (195,293))	(20,315) (2019: 24,660)