21 March 2016

Revolymer plc
Preliminary Results for the 12 month period to 31 December 2015

Business Highlights

Deals executed in 2015:

- As announced on 3 June 2015, Revolymer closed a global licence to its encapsulation technology with the international chemicals group Solvay in the field of Sodium Percarbonate ("SPC") for liquid product formulations. Solvay has exclusive rights to apply Revolymer's encapsulation technology to its bleaching active ingredient SPC, commercialised currently by Solvay under the trademark Oxyper, in the field of liquid formulations of laundry and automatic dish washing. The geographic territory of the licence is global;
- As announced on 1 September 2015, Revolymer closed a licence to its encapsulation technology with OCI Alabama LLC representing the US-headquartered international chemicals group OCI Chemical Corporation ("OCI"). OCI has rights to apply Revolymer's encapsulation technology to its SPC based bleaching active ingredients, commercialised currently by OCI under the Provox C and Provox Ultra (which includes an activator) trademark families, in the field of powder and other solid formulations of laundry, automatic dish wash and other cleaning agents. The geographic territory of the Provox C-based licence is global except for the European Union. The geographic territory of the Provox Ultra-based licence is global;
- As announced after the period end on 25 January 2016, Revolymer renewed and expanded the contract to supply its nicotine gum to a Canadian retailer which was first announced in July 2013. Whilst the Board elected during the year to postpone entry to the US market with its nicotine gum while it considers ways to improve profitability and mitigate regulatory risks across the business area, the Company has nevertheless seen continuous growth in its revenue stream from its Canadian customer base. In addition, Revolymer has signed a separate contract with a distributor supplying nicotine gum into Canadian convenience outlets.

Business model: The Company has positioned itself as a specialty chemicals business focused on controlled release, responsive systems and delivery systems that improve the functional performance of its customers' products, and management believes there is significant market potential for this approach across various specialty materials markets, including home care and personal and consumer health care. Market analysis suggests that there is no single dominant competitor and that the fragmented nature of these markets creates the landscape for a small, flexible and responsive organisation to compete effectively. In addition, management remains receptive to undertaking corporate transactions as a route to developing the business in parallel with its ongoing organic growth, provided that appropriate strategic criteria are met.

Organisation: To align with the business model and effectively progress the business's product pipeline, a new organisation structure was implemented during the year designed to support a sustainable and growing specialty materials business. The technical group now comprises an externally focused opportunity identification team, a polymer development team and two customer and market focused application teams (Homecare and Industrial; and Personal and Consumer Health Care). In order to commercialise our products successfully with customers, it is vital to have a deep understanding of how our products perform in their end use formulations and the generation of this application data is the priority for these application teams. The operations team has also been strengthened so that it can manage the supply chain for multiple products to be contract manufactured. As announced on 16 March 2016, the commercial team has been supplemented with the senior management appointment of Louise Crascall as Chief Commercial Officer. Louise will lead the commercial team in the further development of customer relationships, market knowledge and the identification of market needs in the Group's specialty chemicals business. Finally, there have also been some board changes during the year that reflect the focus of the business going forward. On 18 September 2015, Mr John "Jack" Keenan, stepped down as Chairman of the Board of Directors having overseen an orderly transition process. After an externally led search that identified a number of high calibre individuals, Dr Bryan Dobson, an existing independent non executive director of Revolymer, was appointed to the role of Chairman, succeeding Mr Keenan on 18 September. Mr Keenan will remain on the Board as an independent non executive director to provide continuity until a replacement is recruited.

Funding position: The funds available at 31 December 2015 were £10.5m (2014: £13.2m), continuing to provide a funded "runway" for the business.

Financial Highlights

- Revenue for the period up 22% at £1,249k (2014: £1,022k), the largest constituent being sales of nicotine gum in Canada. On a constant currency basis, before taking into account the weakening of the Canadian Dollar against the British Pound, sales of nicotine gum were up 78% to CAD2.61m (2014: CAD1.46m);
- Gross profit of £87k (2014: £119k). 2014 included a release of £202k of deferred sales from prior periods relating to potential product returns, the deferral being deemed no longer necessary based on actual returns. There was no such release in 2015;
- Other operating income for the period of £26k (2014: £32k), being grant income from third parties;
- Administrative expenses (including research and development expenditure) reduced to £3.8m (2014: £4.6m) and included a non-cash credit in respect of equity settled share based payments of £290k (2014: a non-cash charge of £375k). Administrative expenses excluding non-cash equity settled share based payments were £4.1m (2014: £4.2m);
- Accordingly, loss before taxation reduced to £3.6m (2014: £4.3m);
- Reported loss for the year reduced to £1.8m (2014: £4.3m), after R&D tax credits of £1.8m, comprising £1.3m actually received in respect of 2012 to 2014 inclusive and £0.5m accrued in respect of 2015, but yet to be claimed (2014: nil);
- £10.5m of current cash investments, cash and cash equivalents on hand at the year end (2014: £13.2m);
- Net cash outflow from operating activities reduced to £2.6m (2014: £4.7m), including tax credit receipts in respect of 2012 to 2014 inclusive of £1.3m (2014: nil).

For further information please contact:

Revolymer plc	+44 (0) 1244 283 500
Kevin Matthews / Rob Cridland	
Panmure Gordon (UK) Limited	+44 (0) 20 7886 2500
Adam James / Fabien Holler (Corporate Finance) Charles Leigh-Pemberton (Corporate Broking)	

Chairman's Statement

I am pleased to present my first report as Chairman of Revolymer plc, and would like to thank, on behalf of the whole Board, Jack Keenan for his expert chairmanship over the past three years. In summary, 2015 was a key year in Revolymer's development during which it has clarified and begun to deliver on its strategy as a specialty materials business.

Strategy and Implementation

2015 was the first full year of Revolymer under the leadership of our CEO Kevin Matthews, who continued to refine and then implement the strategy that we began working on in late 2014 after his arrival. Following the preparation of a detailed market driven strategic plan proposal, Kevin led a Board level strategic review in September 2015 that concluded that Revolymer should evolve into a specialty materials business focused on two priority markets; home care and industrial; and personal and consumer health care. This review crystallised a reorganisation of the technical group into an opportunity identification team, a polymer development team and two application teams focused on these markets. Based on my experience gained through a career in specialty chemicals, I am convinced that a deep understanding of how our products perform in their target end use formulations is critical to commercial success with our customers, and therefore fully endorse this reorganisation that prioritises the generation of such application data for our products. Further, the technical team is now supported by a new commercial team (to be led by the recently appointed Chief Commercial Officer who has highly relevant specialty chemicals expertise), and an operations group currently equipping itself to manage multiple supply chains.

Business Performance

During the year the business has continued to expand and progress its product pipeline, and deliver commercial milestones. In particular, in June 2015 we announced a licence of our encapsulation platform to Solvay for liquid formulations of SPC, and in September 2015 we closed a further licence to OCI for solid formulations of SPC. Deals in the personal and consumer health care market (likely to be structured as product supply contracts rather than licences), as well as further deals in homecare and industrial, are being worked on and I look forward to their announcement in due course.

Our financial performance improved during the year, with revenues (primarily from nicotine gum sales in Canada) growing to £1.2m (2014: £1.0m) and annual losses reducing to £1.8m (2014: £4.3m), including in particular £1.8m in R&D tax credits for the years 2012 to 2015. A key challenge for the business going forward is to grow revenues from the specialty materials business areas, and I believe we now have the organisational platform for this.

Shareholder Engagement

Revolymer is privileged to have a high quality and supportive institutional shareholder base, supplemented by smaller holders, that together have financed its operations to date. Our investor relations objective for the near term is to build on this platform and diversify our investor base, including attracting additional institutions and other investors to the register. As we work to deliver on the commercial strategy outlined above, we expect to be able to progress this target in parallel.

The Notice of Annual General Meeting (AGM) that will accompany the Annual Report will, once published, set out the business for our fourth AGM and we encourage all our shareholders, large or small, to attend and participate.

Corporate governance

The Board continues to monitor and, where appropriate, amend governance and control structures, including for example a comprehensive business risk assessment and mitigation process, and a medium term strategic planning cycle.

The Board meets regularly during the year to monitor business performance and is provided with timely and relevant information by the Company Secretary before each meeting. My appointment to the role of Chairman during the year was the result of a search process managed by a separate committee of the Board, constituted for the purpose, chaired by Julian Heslop and also comprising Jack Keenan, Mike Townend and Kevin Matthews. This committee used an external search resource that enrolled into the process external candidates as well as myself.

Although full compliance with the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council is not compulsory for AIM companies, the Board has chosen to apply those principles of the Code considered appropriate, taking into consideration Revolymer's size, stage of operations and the recommendations contained in the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 ("QCA guidelines"). We intend to move towards full compliance over time, as the business grows and matures.

The performance of the Board of Directors was reviewed in the first quarter of 2015. It was concluded that the size of, and range of experience and expertise across, the Board was appropriate; communication amongst Board members and between the business and the Board was good; and the business strategy, while to an extent work in progress, was commercially justified and clearly articulated. Points forward included creating visibility of, and appropriate lines of communication between, the Board and the tiers of management beneath the executive Directors; and continued implementation of the strategy.

Conclusion

Whilst 2015 has been a continued period of change and evolution for the business, I and the rest of the Board firmly believe that, under the leadership of Kevin Matthews, Revolymer is well placed to deliver on its strategy.

Dr Bryan Dobson
Chairman

Chief Executive Officer's Review

Business review

Overview

I am pleased to report that 2015 was a year of continued commercial progress for Revolymer, thanks to the sustained efforts of its employees. As evidenced by the signing of licences with the international chemicals groups Solvay and OCI during the year, we have continued to close deals with commercial partners in the specialty chemicals part of our business. Revenue continued to grow to £1.2m (2014: £1.0m), primarily Canadian nicotine gum sales. On a constant currency basis, this business grew 78% to CAD2.61m (CAD1.46m in 2014). Two additional Canadian customers have also recently been announced after the period end.

The Company has further refined its business model, positioning itself clearly as a specialty chemicals business focused on controlled release, responsive systems and delivery systems that improve the functional performance of its customers' products. Management believes that Revolymer either has or can secure the core capability to deliver this strategy and that there is significant market potential across various specialty materials markets. Market analysis suggests that there is no single dominant competitor and that the fragmented nature of these markets, with a large number of opportunities, creates the landscape for a small, flexible and responsive organisation to compete effectively. In parallel, we are receptive to the potential to accelerate commercial progress and value growth by means of increased investment in the business and/or M&A opportunities.

In line with the business model described above, during the second half of 2015 we implemented a new structure designed to support a sustainable and growing specialty materials business. The technical group has been structured into an externally focused opportunity identification team, a polymer development team and two customer and market focused application teams (Homecare and Industrial; and Personal and Consumer Health Care). In order to commercialise our products successfully with customers, it is vital to have a deep understanding of how our products perform in their end use formulations and the generation of this application data is the priority for these application teams. The operations team has also been strengthened so that it can manage the supply chain for multiple products to be contract manufactured. As announced on 16 March 2016, the commercial team has been supplemented with the senior management appointment of Louise Crascall as Chief Commercial Officer. Louise will lead the commercial team in the further development of customer relationships, market knowledge and the identification of market needs in the Group's specialty chemicals business.

The cash resources of the business at the period end of £10.5m (2014: £13.2m) include the receipt of R&D tax credits during the year of £1.3m (2014; nil) in respect of the three years 2012 to 2014 inclusive, and are sufficient to fund Revolymer's continuing operations. We will continue to claim R&D tax credits in respect of 2015 and future years, if eligible.

Finally, there have been some board changes during the year that also reflect the focus of the business going forward. On 18 September 2015, Mr John "Jack" Keenan, stepped down as Chairman of the Board of Directors, having overseen an orderly transition process. After an externally led search process that identified a number of high calibre individuals, Dr Bryan Dobson, an existing independent non executive director of Revolymer, was appointed to the role of Chairman, succeeding Mr Keenan on 18 September. Mr Keenan will remain on the Board as an independent non executive director to provide continuity until a replacement is recruited.

Mr Keenan has been a non executive director of the business since January 2008, and Chairman since the flotation on the AIM Market in July 2012. He played a significant role throughout this period, applying his considerable experience to guiding the commercial development of the business as well as providing advice on corporate governance.

Dr Dobson has extensive expertise in the specialty chemicals industry which is highly relevant to Revolymer's business plan. Specifically, he has over 30 years' experience in the chemicals industry, including with ICI plc and Croda International plc. He was a member of the executive management teams in Croda and has extensive management experience running regional and global business units in the UK, US, Belgium and The Netherlands.

Target Markets

Revolymer conducted a broad ranging market analysis during the year, scoring potential target markets for attractiveness based on a number of parameters including time to market, barriers to entry, growth potential, competition, price sensitivity and customer bargaining power. From this work it was clear that a number of potential addressable market areas exist. In order to maintain a clear focus for the business, Revolymer has prioritised two high value strategic markets (outlined below) in which its capabilities and existing products are well positioned to generate growth in the short to medium term. At the same time Revolymer aims to continue to grow the nicotine gum business and evaluate strategic and investment initiatives to expand the addressable market beyond Canada and improve profitability.

Personal and Consumer Health Care

This is a highly fragmented market space with a large opportunity for innovation and differentiation through high margin products, which is well suited to a product based approach.

Home Care and Industrial

Revolymer has already developed an effective encapsulation system that has been licensed to Solvay for two products, SPC and PAP, and OCI for SPC. It is intended that this encapsulation platform be extended to other actives used in laundry. Depending on the market for the active, a licence model (for higher volume, relatively lower margin products) or a product supply model (for lower volume higher margin products) may be deployed.

Nicotine Gum

Nicotine Gum is the only business area where Revolymer sells a finished product direct to the retail market; in contrast its specialty materials are all business-to-business products. Whilst growing revenue streams have been generated, profitability is limited by the current market positioning, sourcing product from a contract manufacturer and selling into the private label "Over The Counter" (OTC) market. Accordingly, management is investigating ways to improve the return and reduce the risk from this business area before seeking to expand into new territories (which is why developing products for the US market was postponed during the year), and will report on progress as necessary.

Products

Revolymer's specialty chemical products work to improve the function of actives or other ingredients that are formulated into our customers' end consumer products in order to improve their performance. Existing products fall into the following categories.

RevCare

Revcare is a family of specialty polymers for the personal care market:

- RevCare Skin Sense is a novel film former. Film-forming agents leave a pliable, cohesive, and continuous covering over the skin when applied to its surface. This film has strong hydrophilic properties and leaves a smooth feel. RevCare Skin Sense has been shown to offer good sensorial feel, long lasting moisture management properties and improved fragrance retention. It has application in skin care and colour cosmetics.
- RevCare Natural Effects is a film former derived from 100% naturally sourced feedstock and has application in hair care as a hair fixative polymer, offering a range of benefits including styling hold even in adverse environmental conditions such as high humidity, occlusive moisturisation and active retention.

RevCoat

RevCoat is a family of specialty polymers that enhance the performance of a range of industrial products. Depending on the target application, the polymers can improve adhesion, receptivity to printing ink, or surface barrier qualities reducing contamination risk:

- RevCoat Bond is an adhesion promoter used in construction adhesives and sealants that is safe and easy to handle, active at low inclusion levels and REACH compliant.

RevCap

RevCap is a family of specialty polymers used in the encapsulation of actives:

- RevPerox is a specific use of the RevCap technology developed for oxygen bleaches in the home care markets, specifically laundry and automatic dish wash. Such actives are effective cleaning agents but are incompatible with many existing home care formats due to their reactive nature in the formulation, or their incompatibility with other ingredients, leading to reduced performance or shelf life, or even their exclusion from the product. RevPerox provides protection of the active in the formulation so that it is stable, and release is achieved by the use of responsive polymer systems triggered by changes in ionic strength on dilution in the wash cycle. RevPerox has already been applied to the stabilization of PAP and SPC both already licensed by Revolymer.

Nicotine Gum
Revolymer has developed a finished OTC consumer product for the retail market. Its nicotine gum has a softer and more confectionery-like chew compared to other marketed nicotine gums. As at the year end, the business was supplying 22 SKU's of 2mg and 4mg strength nicotine gums to Canada, and earlier in 2015 the product was nominated for an innovation award due to its strong sales performance at a major retail customer.

Pipeline & Technology Development
We are pleased with the continued progress of the product development pipeline and the generation of new products during, and since the end of, the year; as summarised in the table below that shows the status of the product pipeline at a number of quarter ends since the start of the year (as previously disclosed in published company presentations).

PERIOD ENDING	DEVELOPMENT	LAUNCHED PRODUCTS	CONTRACT NEGOTIATION	DEALS CLOSED	REVENUE GENERATION
Q1 2015	**6**	**1**	**4**	**3** HI – Solvay PAP PCHC NG – PLD	**1** NG1
Q2 2015	**5**	**2**	**5**	**3** HI – Solvay PAP PCHC NG - PLD	**1** NG1
Q4 2015	**5**	**3**	**5**	**5** HI – Solvay PAP PCHC NG – PLD HI – Solvay SPC HI – OCI SPC	**2** NG1 NG2
Q1 2016	**5**	**4**	**4**	**5** HI – Solvay PAP PCHC NG – PLD HI – Solvay SPC HI – OCI SP	**3** NG1 NG2 NG3

Key: PCHC – A discrete Personal & Consumer Health Care product; HI – A discrete Homecare & Industrial product; NG – A discrete Nicotine Gum product

With respect to further technology development, a key focus is on RevCap which is an encapsulation platform for a range of solid and liquid functional actives allowing them to be stabilized in customers' applications and delivered in response to specific stimuli. Potential applications exist in a number of product areas including personal care, healthcare, fragrances, textiles, agrochemicals, adhesives and sealants. RevCap may afford the incorporation of reactive or volatile actives that would otherwise not be stable in customer formulations, or may extend the range of conditions (e.g. pH) in which an existing active is stable. Triggers for controlled release include pressure, pH, temperature and ionic strength (i.e. dilution), and release rates can also be titred for immediate or longer lasting benefits. RevCap offers precise control of particle size and the encapsulate shell wall can be tailored (composition and thickness) to achieve the required performance. These polymer systems are manufactured under non hazardous mild conditions, are formaldehyde-free and REACH compliant.

Business Area Update - Homecare and Industrial

This business area combines our home care products with other industrial applications of our encapsulation systems, and covers their application to "non-natural" or "non-biological" systems. During the year, Revolymer reported two deals in this business area.

As announced on 3 June 2015, Revolymer closed a global licence to its encapsulation technology with the international chemicals group Solvay in the field of Sodium Percarbonate (SPC) for liquid product formulations. Under the terms of the deal, Solvay has exclusive rights to apply Revolymer's encapsulation technology to its bleaching active ingredient SPC, and commercialised currently by Solvay under the trademark Oxyper, in the field of liquid formulations of laundry and automatic dish washing. Accordingly it is intended that, after final qualification, the encapsulated SPC will have improved stability enabling expansion of its application into liquid product formulations which currently do not contain such active ingredients. The geographic territory of the licence is global

As announced on 1 September 2015, Revolymer signed a further licence in its Consumer Specialties business area with OCI Alabama LLC, representing the US-headquartered international chemicals group OCI Chemical Corporation (OCI). Under the terms of the deal, OCI has rights to apply Revolymer's encapsulation technology to its SPC based bleaching active ingredients, commercialised currently by OCI under the Provox C and Provox Ultra (which includes an activator) trademark families, in the field of powder and other solid formulations of laundry, automatic dish wash and other cleaning agents. It is intended that the resultant formulations of SPC will be more stable than existing Provox C and Provox Ultra formats marketed by OCI, thereby expanding OCI's market for these products. The geographic territory of the Provox C-based licence is global except for the European Union. The geographic territory of the Provox Ultra-based licence is global. As consideration for these licences, OCI will make royalty payments to Revolymer on net sales of licensed products incorporating Revolymer technology.

Since the above deals relate to relatively high volume markets that Revolymer is not currently resourced to service directly, they have been structured as licences rather than product supply deals (there are however a number of other projects in this business area that may be structured as agreements for the supply of Revolymer polymer systems or encapsulated actives to our customers). Management believes that the Solvay and OCI SPC deals are of significant commercial importance to the business, as illustrated by the market summary below.

SPC has a wide range of uses as a bleaching agent in the household cleaning market with the main segments being domestic laundry, institutional cleaning and automatic dish wash.

It is estimated that the global demand for SPC currently consumes around 90% of the installed capacity of around 1.1 million tonnes (i.e. 1 million tonnes), with average pricing in the range of $500-650 per tonne (although there is significant country and regional variation – e.g. higher in the US and lower in the Far East). Solvay is the largest manufacturer with an estimated capacity of 150,000 Tonnes (a 13.6% share) and OCI the third largest with an estimated capacity of 120,000 Tonnes (a 10.9% share). Other global players include the Evonik and Kemira groups, as well as a number of Chinese manufacturers.

The most significant use of SPC is in powder laundry products where it is typically used at addition levels of 8-15%. However, the instability of percarbonate bleach currently prevents its use in liquid laundry products which accordingly do not contain any bleaching active ingredients. Notwithstanding this, western markets in particular have readily adopted liquid formulations (due to reasons such as their convenience). Indeed the impact on SPC demand due to the migration of the European laundry market to liquid products was the main reason given by Solvay in 2014 for the closure of its 50,000 tonnes pa capacity plant in Warrington, UK. Powder detergents still represent the largest global market estimated to be over 13 million tonnes with a growth rate of 2.5%, while liquid volumes are estimated at 6 million tonnes with a growth rate of 4.1%. However, there is significant regional variation, with North America being predominantly a liquid market and Central and Western Europe evenly split between liquid and powder.

If a stable SPC technology was introduced for use in liquid laundry products, assuming the threshold utilisation rate in powder (i.e. 8%) a new premium-priced market of potentially 480,000 tonnes pa would be created (i.e. the current 6 million tonne liquid market x 8%), before any conversion of the powder market to liquid (which might also be expected). Clearly, the rate of uptake of bleach in liquid laundry would depend on a number of factors including consumer views and cost considerations. However, despite its convenience, the performance of liquid laundry products is known to be inferior (e.g. in stain removal, as reported by the UK consumer group "Which?"). The availability of improved performance liquid products is therefore likely to be a significant driver for the adoption of a stable SPC technology, especially in Europe and North America.

Business Area Update - Personal and Consumer Health Care

This business area comprises our personal care and consumer healthcare products and covers their application to "natural" or "biological" systems by being formulated into consumer products that have activity on, for example, skin, hair, lips and nails. As well as conventional polymer systems Revolymer has also developed products derived from 100% biorenewable naturally sourced feedstock.

As described in more detail above, a range of benefits are available including:

- Moisture management;
- Substantivity (maintaining a key ingredient at a surface or interface);
- Film forming (improving longevity of the formulation performance);
- Sensorial feel (improving texture).

Revolymer's objective is to establish a range of framework supply agreements for its products with personal and consumer health care formulators, and this process began with the first of such deals at the end of 2014. The development of Revolymer's personal care business is likely to be accelerated by two key hires. In November the business was joined by a senior formulation scientist, from a major player in the personal care and consumer healthcare space, to head up the applications team. The business also recently announced that Louise Crascall has agreed to join as Chief Commercial Officer. Louise has a strong background in the personal care market, with an established network and a good understanding of what it takes to launch and grow personal care and household products.

Business Area Update* - *Nicotine Gum

Whilst the Board decided during the year to postpone the development of nicotine gum products for the US market taking into account the associated cost, margin and risk (including that related to regulatory approvals), Canadian nicotine gum sales continued to grow to £1.2m (2014: £1.0m). On a constant currency basis, the underlying business grew 78% to CAD2.61 million (CAD1.46 in 2014), before taking into account the weakening of the Canadian Dollar against the British Pound during the year.

On 25 January 2016, after the period end, Revolymer announced that it has renewed and expanded the contract to supply its nicotine gum to a Canadian retailer which was first announced in July 2013. During the two and a half years since the initial contract was signed, the Company has seen continuous growth in its revenue stream from this business. In addition, Revolymer has signed a separate contract with a distributor supplying nicotine gum into Canadian convenience outlets.

Financial review

Cash flow

Net cash outflow from operating activities was £2.6m (2014: £4.7m), including R&D tax credit receipts of £1.3m in respect of 2012 to 2014 inclusive (2014: nil). Operating cash outflow excluding the tax credits was £3.9m (2014: £ 4.7m). Excluding existing funds withdrawn from or placed on term deposits, investing activity cash flows were limited to interest actually received of £107k (2014: £98k) and purchase of capital (plant and equipment) of £196k (2014: £121k). Net cash inflow from financing activities was £18k (2014: £224k), reflecting the proceeds of vested share options exercised during the year. As a result, the balances on hand at the year end were cash and cash equivalents of £3.5m (2014: £1.7m) and short term deposits of £7.0m (2014: £11.5m); in total £10.5m (2014: £13.2m).

Operations

Revenue for the period increased by 22% to £1,249k (2014: £1,022k), the majority of which was accounted for by net sales of nicotine gum in Canada of £1,219k (2014: £1,007k). The net sales of nicotine gum are stated after a deferral of £50k (2014: £50k) relating to our Canadian customer's contractual right to return product if it is unsold at its time expiry, provided this relates to sales in excess of minimum customer purchase obligations; such arrangements being customary in distribution agreements of this type. To date there have been no sales returns. The net sales in 2014 also include a release of sales deferred from prior periods of £202k. Sales for 2014 before this release were £820k. There was no such release in 2015.

Gross profit of £87k was achieved (2014: £119k), after charging cost of sales of £1,162k (2014: £903k). Other operating income for the period was £26k (2014: £32k), comprising grant income received from third parties.

Reduced administrative expenses of £3.8m were incurred in the year (2014: £4.6 m), of which research and development expenditure on Revolymer's product pipeline was £1.5m (2014: £1.9m). Administrative expenses also included a non-cash credit to equity settled share based payments of £290k (2014: a non-cash charge of £375k). Administrative expenses excluding non-cash equity settled share based payments were £4.1m (2014: £4.2m).

Finance income

Interest receivable on bank deposits and investments was £88k (2014: £110k), the reduction reflecting the reduced balance of cash and cash equivalents compared to the prior period.

Loss before taxation

The loss before tax reduced to £3.6m (2014: £4.3m), reflecting the increased revenue and reduced costs (including non-cash items such as equity settled share based payments) described above.

Taxation
During the year R&D tax credits were claimed and received in respect of 2012, 2013 and 2014 totaling £1.3m, and £0.5m has been accrued as the expected R&D tax credit for 2015, making the total tax credit for the year £1.8m, (2014: nil).

Loss for the year
Overall the loss for the year reduced to £1.8m (2014: £4.3m), and the basic and diluted loss per share was 3.2p (2014: 7.7p).

Outlook
Financial performance during 2015 has improved over prior years and the business remains well funded, with £10.5m of current cash investments, cash and cash equivalents on hand at the year end (2014: £13.2m), expected to fund operations at least to the end of 2017. Management will continue to deploy these resources prudently, allowing time to provide clarity on future revenue streams and any refinancing requirements. In addition, management remains receptive to executing corporate transactions as a route to developing the business in parallel with its ongoing organic growth, provided that appropriate strategic criteria are met.

Dr Kevin Matthews

Chief Executive Officer 18 March 2016.

Consolidated income statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Revenue	2	**1,249**	1,022
Cost of sales		**(1,162)**	(903)
Gross profit		**87**	119
Other operating income		**26**	32
Administrative expenses		**(3,786)**	(4,556)
Group operating loss		**(3,673)**	(4,405)
Finance income		**88**	110
Loss for the year before tax		**(3,585)**	(4,295)
Taxation credit	3	**1,793**	–
Loss for the year		**(1,792)**	(4,295)
Basic loss per share	4	**3.2p**	7.7p
Diluted loss per share	4	**3.2p**	7.7p

All results relate wholly to continuing activities.

There were no recognised income and expenses other than the loss for the year and the previous year. Accordingly a separate consolidated statement of comprehensive income has not been presented.

Consolidated balance sheet

At 31 December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Property, plant and equipment		**340**	314
		340	314
Current assets			
Inventories	5	**164**	207
Trade and other receivables		**1,017**	496
Investments	6	**7,000**	11,500
Cash and cash equivalents		**3,514**	1,686
		11,695	13,889
Total assets		**12,035**	14,203
Financed by			
Equity shareholders' funds			
Equity share capital	7	**567**	566
Equity share premium		**23,220**	23,203
Own shares reserve		**(5)**	(5)
Merger reserve		**17,626**	17,626
Share based payment reserve		**6,084**	6,374
Retained earnings		**(37,168)**	(35,376)
Total equity		**10,324**	12,388
Current liabilities			
Trade and other payables		**1,711**	1,815
Non-current liabilities		**–**	–
Total liabilities		**1,711**	1,815
Total equity and liabilities		**12,035**	14,203

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Equity share capital £'000	Equity share premium £'000	Own shares reserve £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2014	542	22,987	(7)	17,626	5,999	(31,063)	16,084
Retained loss for the year	–	–	–	–	–	(4,295)	(4,295)
Exercise of share options	24	216	2	–	–	(18)	224
Share based payments	–	–	–	–	375	–	375
At 1 January 2015	566	23,203	(5)	17,626	6,374	(35,376)	12,388
Retained loss for the year	–	–	–	–	–	(1,792)	(1,792)
Exercise of share options	1	17	–	–	–	–	18
Share based payments	–	–	–	–	(290)	–	(290)
At 31 December 2015	**567**	**23,220**	**(5)**	**17,626**	**6,084**	**(37,168)**	**10,324**

The reserves described above have the purposes described below:

Own shares reserve

The reserve records the nominal value of shares purchased and held by the Employee Benefit Trust to satisfy the future exercise of options under the Group's share option schemes.

Merger reserve

This reserve arose as a result of a common control business combination on the formation of the Group.

Share based payment reserve

This reserve records the credit to equity in respect of the share based payment cost.

Consolidated statement of cash flow

For the year ended 31 December 2015

	Notes	**2015** **£'000**	2014 £'000
Net cash (outflow) from operating activities	8	**(2,601)**	(4,697)
Cash flows from investing activities			
Interest received		**107**	98
Purchase of property, plant and equipment		**(196)**	(121)
Funds withdrawn from term deposits		**4,500**	4,000
Net cash inflow from investing activities		**4,411**	3,977
Cash received from issue of shares		**18**	224
Net cash inflow from financing activities		**18**	224
Net inflow / (outflow) in cash and cash equivalents		**1,828**	(496)
Cash and cash equivalents at beginning of year		**1,686**	2,182
Cash and cash equivalents at end of year		**3,514**	1,686

Notes to preliminary results

For the year ended 31 December 2015

1. Basis of preparation

European law requires that the Group's consolidated financial statements for the year ended 31 December 2015 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 31 December 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2014 and 2015.

2. Revenue

Revenue recognised in the Group income statement is analysed as follows:

	2015	2014
	£'000	£'000
Sale of goods	**1,249**	820
Release for sales returns*	**–**	202
Revenue	**1,249**	1,022

Geographical information

	2015	2014
	£'000	£'000
United Kingdom	**7**	–
Germany	**–**	1
Canada	**1,219**	1,007
Italy	**3**	14
United States	**20**	–
	1,249	1,022

The revenue information is based on the location of the customer.

Segmental information

The revenue information is derived from one segment (i.e. gum, both confectionery and nicotine) and net assets are attributable solely to the UK.

*: The company estimates potential sales returns based on its actual experience of returns from customers. In those cases where it has no such history it makes estimates by reference to minimum sales commitments in the relevant contract or reference, where available, to customer retail sales data or customer inventory levels at the financial year end.

3. Taxation

	2015 £'000	2014 £'000
Corporation tax		
Prior years corporation tax	**(1,343)**	–
Current year corporation tax	**(450)**	–
UK corporation tax	**(1,793)**	–

During the year ended 31 December 2015, the company had a taxation credit of £1,793k (2014: £nil) which relates to R&D tax credits claimed on qualifying expenditure for the four years ended 31 December 2015. The amount of R&D tax credits actually received in the year of £1,343k relates to submitted R&D tax claims for the three years ended 31 December 2014, and the amount to be received of £450k relates to the R&D tax claim to be submitted for the year ended 31 December 2015. The company applies consistently a policy of recognising tax credits when reasonably certain. Therefore, these have been recognised for the first time in 2015 and not in prior years, when no claims had been made.

4. Loss per share

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

	2015 £'000	2014 £'000
Loss		
Loss for the purposes of basic and diluted loss per share (£'000)	**1,792**	4,295
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	**56,603**	56,092
Basic and diluted loss per share	**3.2p**	7.7p

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share for the period to 31 December 2015 are identical to those used for the basic earnings per share. This is because the outstanding share options and warrants (note 7) would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

5. Inventories

Group	2015 £'000	2014 £'000
Raw materials	**70**	28
Work in progress	**14**	45
Finished goods	**100**	127
Goods in transit	**-**	37
Provisions	**(20)**	(30)
	164	207

6. Investments

	2015	2014
	£'000	£'000
Term deposits maturing within one year	**7,000**	11,500

7. Share capital

	£'000
At 1 January 2014 (54,166,180 1p shares in issue)	542
Issued as a result of an exercise of options	
29/01/14-22,500, 25/02/14-417,120, 15/04/14- 1,535,160 30/06/14-70,000, 09/10/14-326,180, 19/12/14-24,000	24
At 31 December 2014 (56,561,140 1p shares in issue)	566
Issued as a result of an exercise of options	
01/09/15-3,000, 07/10/15- 44,000 09/10/15-3,000, 21/10/15-16,500, 27/11/15-3,000	1
New share issued	
08/05/15-36,036	
At 31 December 2015 (56,666,676 1p shares in issue)	567

In addition, at 31 December 2015 there were outstanding warrants in respect of the ordinary shares as follows:

Holder	No. of shares	Exercise Price	Expiry date
XCAP Securities plc	316,290	£0.92	31 May 2016

8. Notes to the cash flow statement

	2015	2014
	£'000	£'000
Operating loss	**(3,673)**	(4,405)
Depreciation of property, plant and equipment	**170**	171
Share based payments charge	**(290)**	375
Taxation	**1,433**	–
Operating cash flows before movements in working capital	**(2,450)**	(3,859)
Decrease / (increase) in inventories	**43**	(40)
(Increase) / decrease in receivables	**(90)**	51
(Decrease) / increase in payables	**(104)**	(849)
Net cash (outflow) from operating activities	**(2,601)**	(4,697)