Revolymer Limited

Report and Financial Statements

31 December 2010

Directors
T Cosgrove
IP2IPO Services Limited
J Keenan
S M D Oliver
R B Pettman
Swarraton Partners Directors Limited

Secretary
R J S Cridland

Auditors
Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Bankers
HSBC plc
Vista
St David's Park
Ewloe
Flintshire CH5 3RX

Solicitors
Maclay Murray & Spens
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London EC2Y 5AB

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One London Wall
London EC2Y 5AB

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2010.

Results and dividends

The Group's loss for the year after taxation amounted to £4,307k (2009 – loss of £3,533k). The directors do not recommend the payment of a dividend for the year.

Principal activities and review of the business

Revolymer Limited is a Fast Moving Consumer Goods (FMCG) polymer company. It designs, develops and formulates novel polymers for improving existing consumer products, in markets that include: confectionery and medicated chewing gum, personal care, household products and coatings and adhesives. In 2010 Revolymer continued to invest in the development of products across all the markets listed above, and progressed business discussions with potential and existing commercialisation partners.

In August 2010, Revolymer Limited purchased 100% of the share capital of Revolymer (US) Inc, a US company for $1,000. As a result, group financial statements are now being prepared.

Future developments

In 2011 and beyond, the directors expect to continue to progress the Group's products towards commercialisation, and remain confident about the Group's commercial prospects. In order to continue to fund these activities, a share offering to new and existing investors netting proceeds of £5.6m was completed on 4 May 2011.

Research and development

The majority of the Group's expenditure in 2010 was directed towards supporting the development of the above product areas, including increasing the number of employees, primarily in product and business development.

Directors

The directors who served the company during the year were as follows:

T Cosgrove
IP2IPO Services Limited
R B Pettman
J Keenan
S M D Oliver
Swarraton Partners Directors Limited

Political and charitable contributions

No political or charitable donations were made by the Group in 2010.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving the report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors.

Directors' report

Small company exemptions

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

By order of the Board

Robin J S Cridland
Secretary

- 2 JUN 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position of the company and the financial performance and cash flows of the company for that period. In preparing the company financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8:Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;

- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance; and

- State that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

Independent auditors' report

to the members of Revolymer Limited

We have audited the financial statements of Revolymer Limited for the year ended 31 December 2010 which comprise the Group Income Statement, the Group and Company Balance Sheet, the Group Cash Flow Statement, the Group Statement of Comprehensive Income and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Revolymer Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Gary Harding (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date 13 June 2011

Group income statement
for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Revenue		5	12
Cost of sales		(6)	(15)
Gross Loss		(1)	(3)
Other operating income	4	190	271
Administrative expenses		(4,602)	(4,081)
Operating Loss	5	(4,413)	(3,813)
Finance income	8	106	280
Loss for the period before tax		(4,307)	(3,533)
Tax expense	9	-	-
Loss for the year	19	(4,307)	(3,533)

The above results for both years derive from continuing operations.

Group statement of comprehensive income

for the year ended 31 December 2010

	Note	*2010* *£000*	*2009* *£000*
Loss for the year	19	(4,307)	(3,533)
Total recognised income and expense for the period attributable to equity holders		(4,307)	(3,533)

Group balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Property, plant and equipment	10	254	240
		254	240
Current assets			
Stock and work in progress	12	75	-
Trade and other receivables	13	462	306
Cash and cash equivalents	14	1,995	5,636
		2,532	5,942
Total assets		2,786	6,182
Current liabilities			
Trade and other payables	15	(700)	(509)
Total liabilities		(700)	(509)
Net assets		2,086	5,673
Equity			
Equity share capital	19	12,327	12,327
Other reserves	19	1,541	821
Retained earnings	19	(11,782)	(7,475)
Total equity		2,086	5,673

Roger Pettman 2nd June 2011

Roger Pettman
Director

Company balance sheet
at 31 December 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Property, plant and equipment	10	229	240
Investment in subsidiary	11	1	-
		230	240
Current assets			
Stock and Work in progress	12	75	-
Trade and other receivables	13	483	306
Cash and cash equivalents	14	1,969	5,636
		2,527	5,942
Total assets		2,757	6,182
Current liabilities			
Trade and other payables	15	(676)	(509)
Total liabilities		(676)	(509)
Net assets		2,081	5,673
Equity			
Equity share capital	19	12,327	12,327
Other reserves	19	1,541	821
Retained earnings	19	(11,787)	(7,475)
Total equity		2,081	5,673

2N June 2011

Roger Pettman
Director

Group statement of cash flows

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Net cash (outflow) / inflow from operating activities	20	(3,618)	(2,710)
Cash flows from investing activities			
Interest received		106	531
Purchase of property, plant and equipment		(132)	(134)
Net cash outflow from investing activities		(26)	397
Net cash flow from financing activities		-	-
Net outflow in cash and cash equivalents		(3,641)	(2,313)
Cash and cash equivalents at beginning of period	14	5,636	7,949
Cash and cash equivalents at end of year	14	1,995	5,636

Notes to the financial statements

at 31 December 2010

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Revolymer Limited for the year ended 31 December 2010 were authorised for issue by the board of directors on 23 May 2011 and the balance sheet was signed on the board's behalf by Roger Pettman. Revolymer Limited is a private limited company incorporated and domiciled in England and Wales.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group are set out in note 2.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2010. No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Changes in accounting policy

The accounting policies are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group.

- IFRS 2 Group cash-settled share-based payment arrangements
- IFRS 3 Business Combinations (Revised)
- IAS27 (amended) Consolidated and Separate Financial Statements
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the construction of Real Estate
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers

The financial information has been prepared on a going concern basis under the historical cost convention. The Group financial information is presented in pounds sterling and all values are rounded to the nearest thousand (£'000) unless otherwise indicated.

Notes to the financial statements

at 31 December 2010

2. Accounting policies (continued)

Changes in accounting policy (continued)

The following standards and interpretations have not been applied in the financial information as, although in issue at the date of preparation, they were not effective for the periods covered by these financial statements:

IAS 24 Related Party Disclosures (Amendment)

IAS 32 Financial Instruments : Presentation – Classification of Rights Issues (Amendment)

The directors anticipate that the adoption of these standards and interpretations on or after 31 December 2010 will have no material impact on the financial statements of the Group. The Group will adopt the above standards and interpretations as and when they become effective.

Consolidation

The consolidated financial statements comprise the financial statements of Revolymer Limited and its subsidiary as at 31 December 2010. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue on the sale of goods is recognised once goods have been despatched. Revenue from the rendering of services or licence agreements is recognised in full once the contract has been fully completed and all obligations are satisfied. Deferred income is recognised for amounts invoiced for contracts not complete at year end.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Notes to the financial statements

at 31 December 2010

2. Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated to write off the cost less estimated residual value of all tangible assets over their expected useful economic life on a straight line basis. The rates generally applicable are:

Plant and equipment	–	4 years
Computer and office equipment	–	3 years

Impairment of tangible assets with finite lives

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial assets

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Notes to the financial statements

at 31 December 2010

2. Accounting policies (continued)

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undisclosed basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the Group delivering a variable number of its own equity instruments are financial liabilities. Equity containing such obligations is classified as financial liabilities.

Notes to the financial statements

at 31 December 2010

2. Accounting policies (continued)

Trade and other payables

Trade payables are recognised and carried at their original invoiced value. Where the time value of money is material, payables are carried at amortised cost.

Inventory valuation

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Share based payments

IFRS 2 requires the recognition of equity settled share based payments at fair value at the date of the grant and the recognition of liabilities for cash settled share based payments at the current fair value at each balance sheet date. All equity settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to 'other reserves'.

If vesting periods or other non market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs for previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate, share premium.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

3. Critical accounting assumptions and key sources of estimation uncertainty

The estimation of share based payment costs requires the selection of an appropriate valuation model, considerations as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees (see note 21).

In the process of applying the Group's accounting policies, which are described in note 2, management has not made any judgements that have a significant effect on the amounts recognised in the financial statements.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the financial statements
at 31 December 2010

4. Other operating Income

	2010	*2009*
	£000	*£000*
Research income	190	60
Government grants	-	211
	190	271

Research income relates to scientific research projects and testing undertaken on behalf of other entities.

Government grants relate to research and development grants received from the South West Regional Development Agency (SWRDA) and Welsh Assembly Government. SWRDA is an Executive Non-Departmental Public Body sponsored by the Department for Business Enterprise & Regulatory Reform (BERR), formerly known as the Department of Trade and Industry (DTI).

5. Operating Loss

Operating loss before taxation is stated after charging/(crediting):

	2010	*2009*
	£000	*£000*
Auditors' remuneration :		
- Audit services	14	12
- Other services relating to taxation	8	16
- All other services	5	2
Depreciation:		
Owned assets	118	103
Minimum operating lease payments:		
– Land and buildings	66	65
– Motor vehicles	8	8
Research and development expenditure	1,693	1,596

6. Directors' emoluments

	2010	*2009*
	£000	*£000*
Wages and salaries	305	333
Directors' fees invoiced by third parties	115	114
Equity settled share based payment expense	124	247
	544	694

Notes to the financial statements
at 31 December 2010

6. Directors' emoluments (continued)

Emoluments of the highest paid director consist of:

	2010	*2009*
	£000	*£000*
Wages and salaries	287	298
Equity settled share based payment expense	60	120
	347	418

7. Staff costs

Staff costs, including directors, consist of:

	2010	*2009*
	£000	*£000*
Wages and salaries	1,865	1,523
Invoiced by third parties	188	259
Equity settled share based payment expense	720	666
	2,773	2,448

The average monthly number of employees during the year was as follows:

	2010	*2009*
	No.	*No.*
Executive directors	2	2
Non-executive directors	4	4
Research and development	21	21
Finance and administration	3	3
Sales	5	-
Contract Staff	2	2
Other Staff	-	1
	37	33

8. Finance income

	2010	*2009*
	£000	*£000*
Interest receivable on bank deposits	106	280
	106	280

Notes to the financial statements

at 31 December 2010

9. Tax

(a) Tax on loss on ordinary activities

The charge for tax on the loss for the year comprises:

	2010	2009
	£000	£000
Current tax:		
UK corporation tax	-	-
Adjustment in respect of prior periods	-	-
	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax charge in the income statement	-	-

(b) Reconciliation of the total income tax charge

The income tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 28% (2009 – 28%). The differences are reconciled below:

	2010	2009
	£000	£000
Loss for the year before taxation	(4,307)	(3,533)
Loss for the year before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2009 – 28.0%)	(1,206)	(989)
Effects of:		
Expenses not deductible for tax purposes	48	90
Capital allowances in excess of / (less than) depreciation	9	3
Unrelieved tax losses carried forward	1,149	896
Total tax expense reported in the income statement	-	-

Notes to the financial statements

at 31 December 2010

9. Tax (continued)

(c) Deferred tax

The Group has the following net deferred tax asset which is not recognised:

	2010	*2009*
	£000	*£000*
Accelerated capital allowances	(12)	(19)
Tax losses carried forward	3,079	1,947
Share-based payments	236	311
	3,303	2,239

The net deferred tax asset is not recognised as there is insufficient evidence of future taxable profits against which the asset will be available for offset.

(d) Tax rate changes

In his budget of 22 June 2010 the Chancellor of the Exchequer announced Budget tax changes, which have a significant effect on the Group's future tax position. As at 31 December 2010, the change in the tax rate from 28% to 27% which was to take effect from 1 April 2011, was "substantively enacted" and as such, in accordance with accounting standards this change has been reflected in the Group's financial statements as at 31 December 2010.

More recently in his budget as of 24 March 2011, the Chancellor of the Exchequer proposed further decreases in the rate of corporation tax from 27% to 23%. The UK corporation tax rate is to reduce to 26% on 1 April 2011 and then by a further 1% each year from 1 April 2012. As the rate change to 26% was "substantively enacted" on 29 March, this will impact the amount of unprovided deferred tax asset disclosed. As a result of this rate change, the deferred tax asset would reduce by £122k to £3,181k.

Notes to the financial statements
at 31 December 2010

10. Property, plant and equipment
Group

	Computer and office equipment £000	*Plant and Equipment £000*	*Total £000*
Cost:			
At 1 January 2009	78	226	304
Additions	19	115	134
At 1 January 2010	97	341	438
Additions	48	84	132
At 31 December 2010	145	425	570
Accumulated depreciation:			
At 1 January 2009	20	75	95
Charge	30	73	103
At 1 January 2010	50	148	198
Charge	32	86	118
At 31 December 2010	82	234	316
Net book value:			
At 31 December 2010	63	191	254
At 31 December 2009	47	193	240

Notes to the financial statements

at 31 December 2010

10. Property, plant and equipment (continued)

Company

	Computer and office equipment £000	*Plant and Equipment £000*	*Total £000*
Cost:			
At 1 January 2009	78	226	304
Additions	19	115	134
At 1 January 2010	97	341	438
Additions	22	84	106
At 31 December 2010	119	425	544
Accumulated depreciation:			
At 1 January 2009	20	75	95
Charge	30	73	103
At 1 January 2010	50	148	198
Charge	31	86	117
At 31 December 2010	81	234	315
Net book value:			
At 31 December 2010	38	191	229
At 31 December 2009	47	193	240

11. Investment in subsidiary

During the year Revolymer Limited purchased 100% of the share capital of Revolymer (US) Inc, a newly incorporated US company for $1,000.

12. Stock and work in progress

	Company 2010 £000	*Group 2010 £000*	*Company 2009 £000*	*Group 2009 £000*
Raw Materials	46	46	-	-
Work in Progress	29	29	-	-
	75	75	-	-

Notes to the financial statements

at 31 December 2010

13. Trade and other receivables

	Group 2010 £000	*Company 2010 £000*	*Group 2009 £000*	*Company 2009 £000*
Trade receivables	160	160	165	165
Amounts owed from group companies	-	23	-	-
Other receivables	302	300	141	141
	462	483	306	306

The carrying value of trade and other receivables is considered to be substantially the same as their fair value.

Trade receivables are non-interest bearing and are generally on 30 day terms.

As at 31 December 2010, no trade and other receivables were considered to be impaired and no provision for impairment has been recognised (2009 – £nil).

As at 31 December, the analysis of group trade receivables that were past due but not impaired is as follows:

	Total £000	*Neither past Due nor impaired £000*	*< 30 days £000*	*30 – 60 days £000*	*60 – 90 days £000*	*90 – 120 days £000*	*> 120 days £000*
2010	160	-	-	131	29	-	-
2009	165	-	147	18	-	-	-

Notes to the financial statements

at 31 December 2010

13. Trade and other receivables (continued)

As at 31 December, the analysis of company trade receivables that were past due but not impaired is as follows:

	Total	*Neither past Due nor impaired*	*< 30 days*	*30 – 60 days*	*60 – 90 days*	*90 – 120 days*	*> 120 days*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
2010	160	-	-	131	29	-	-
2009	165	-	147	18	-	-	-

14. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short term bank deposits. The carrying amount of these assets approximates their fair value.

Analysis of cash and cash equivalents disclosed in the cash flow statement:

	Group 2010 £000	*Company 2010 £000*	*Group 2009 £000*	*Company 2009 £000*
Cash at bank and in hand	1,995	1,969	5,636	5,636

15. Trade and other payables

	Group 2010 £000	*Company 2010 £000*	*Group 2009 £000*	*Company 2009 £000*
Current liabilities:				
Trade payables	309	299	76	76
Amounts due to related parties (note 22)	9	9	7	7
Other payables	382	368	426	426
	700	676	509	509

The directors consider that the carrying amount of trade and other payables approximate their fair value. Trade payables are non-interest bearing and are normally settled on 30 day terms.

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16. Financial instruments

Financial risk management objectives and policies

The Group finances its operations by raising finance through equity. No speculative treasury transactions and no derivatives are entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, receivables and payables.

Interest rate risk

The Group finances its operations principally from equity funding and therefore risk associated to changes in interest rates is minimal.

No sensitivity analysis has been presented for changes in interest rates as these do not have a material impact on loss before tax.

Currency risk

The Group makes most of its purchases in Great British Pounds and therefore does not have a significant exposure to foreign currency fluctuations. Although some supplies are sourced from overseas companies and payments required in foreign currencies, primarily Euros, the timescales and value levels involved are not felt to result in significant exposure to foreign currency risk. No forward foreign exchange contracts were entered into during the period (2009: Nil). The Group has no non-monetary assets or liabilities denominated in foreign currencies. At 31 December 2010 the balance of foreign currency bank accounts was Nil (2009 – Nil).

No sensitivity analysis has been presented for changes in currency exchange rates as these do not have a material impact on the loss before tax.

Liquidity risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company's policy through the periods has been to ensure continuity of funding by equity.

The table below summarises the maturity profile of the Group's financial liabilities at the year-end based on contractual undiscounted payments.

31 December 2010:

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Trade and other payables	-	700	-	-	-	700
	-	700	-	-	-	700

31 December 2009:

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Trade and other payables	-	509	-	-	-	509
	-	509	-	-	-	509

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The table below summarises the maturity profile of the Company's financial liabilities at the year-end based on contractual undiscounted payments.

31 December 2010:

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Trade and other payables	-	676	-	-	-	676
	-	676	-	-	-	676

31 December 2009:

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*> 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Trade and other payables	-	509	-	-	-	509
	-	509	-	-	-	509

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16. Financial instruments (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. To manage its capital structure the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended 31 December 2009 and 31 December 2010.

Interest rates and maturity profiles of financial assets and liabilities

The interest rates and maturity profiles of the Group's financial assets and liabilities, after the effect of derivatives is as follows:

31 December 2010:

	Within 1 year £000	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*Over 5 years £000*	*Total £000*
Cash and cash equivalents	1,995	-	-	-	-	-	1,995
	1,995	-	-	-	-	-	1,995

31 December 2009:

	Within 1 year £000	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*Over 5 years £000*	*Total £000*
Cash and cash equivalents	5,636	-	-	-	-	-	5,636
	5,636	-	-	-	-	-	5,636

In May 2010 a deposit of £2.5m matured which had a gross interest rate of 4.00% and a further deposit of £1.0m was established with a maturity of 3 months at a gross interest rate of 2.50%. Other cash and cash equivalents earned interest at the Bank of England base rate minus 0.25%. All other financial assets and liabilities are non-interest bearing.

Committed facilities

The Company has no floating rate committed borrowing facilities as at 31 December 2010 (2009 –nil).

Fair values

There are no material differences between the fair value of financial instruments and the amount at which they are stated in the accounts. This is due to the fact that they are of short maturity and if payable on demand the fair value is not materially different from the carrying value.

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17. Operating lease arrangements

The Group leases certain assets on an operating lease basis.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010	*2009*
	£000	*£000*
Within one year	34	74
In the second to fifth years inclusive	-	1
After five years	-	-
Total future minimum lease payments	34	75

The Group has no sub-leases.

18. Issued share capital

	2010	*2010*	*2009*	*2009*
Authorised, allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	722,986	58	710,150	57

19. Reserves

Group	*Equity Share capital*	*Other reserves*	*Retained earnings*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 January 2010	12,327	821	(7,475)	5,673
Retained loss for the year	-	-	(4,307)	(4,307)
Share options	-	720	-	720
At 31 December 2010	12,327	1,541	(11,782)	2,086

Company	*Equity Share capital*	*Other reserves*	*Retained earnings*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 January 2010	12,327	821	(7,475)	5,673
Retained loss for the year	-	-	(4,312)	(4,312)
Share options	-	720	-	720
At 31 December 2010	12,327	1,541	(11,787)	2,081

Other reserves are used to record the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 21 for further details of these plans.

Notes to the financial statements

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20. Reconciliation of cash flow from operating activities

	2010	*2009*
	£000	*£000*
Operating loss	(4,413)	(3,813)
Adjustments for:		
Depreciation of property, plant and equipment	118	103
Share option charge	720	666
(Increase) in stock	(75)	-
(Increase) / decrease in receivables	(168)	108
Increase/(decrease) in payables	200	226
Net cash flow from operating activities	(3,618)	(2,710)

21. Share based payments

An expense is recognised for share based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award. The charge for share based payments for the period to 31 December 2010 is £720,190 (2009: £666,341) as disclosed in Note 7.

Other than for equity-settled share options that were exercised immediately following grant (which have been valued at £27.66), the fair value of equity-settled share options granted has been estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Grant Date	*2010*	*2009*
Share price at grant date	£27.66	£37.03
Exercise price	£7.85	£7.85
Expected volatility	50%	30 %
Risk free rate	0.5%	0.5%
Expected dividend yield	0%	0%
Expected option life	2 years	2 years

Expected volatility is determined with reference to the volatility of comparable companies' share prices. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The risk free rate is calculated based on Bank of England base rate.

The weighted average fair value of all new options granted during the period was £26.76 (2009 – £29.26). The range of exercise prices for options outstanding at the end of the year was £6.00 – 7.85 (2009 – £6.00 – 7.85).

Employee share option plan

During the year the Company operated an employee share option plan for the benefit of certain employees of the Company. Options over nil ordinary shares were granted under this plan ("the EMI plan") up to 31 December 2010 (2009 – 28,760 ordinary shares).

All options granted in the year are subject to the employee completing a specified period of service. All options lapse when the employee ceases to be employed by the Company. All options will have an exercise price per ordinary share of £7.85.

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21. Share based payments (continued)

Employee share option plan (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options granted under the ("EMI plan") during the period:

	2010 Number of shares	*2010 WAEP*	*2009 Number of shares*	*2009 WAEP*
Balance at beginning of year	56,086	£7.81	27,826	£7.77
Awarded during year	-	-	28,760	£7.85
Vested during year	-	-	-	-
Lapsed during year	(13,206)	£7.85	(500)	£7.64
Forfeited during year	-	-	-	-
Exercised during the year	-	-	-	-
Balance at end of year	42,880	£7.80	56,086	£7.81

The lapses during the year relate to options held by Prof T Cosgrove that lapsed when he ceased to be an employee and became a consultant of the Company.

The weighted average remaining contractual life of the options outstanding at the end of the year is estimated at 2.0years (2009 – 2.0 years), on the basis that management expects a vesting event in accordance with the option scheme rules by the end of 2012.

Unapproved share option plan 2006

During the year, the Company operated a share option plan for the benefit of consultants and non executive directors who are not employees, and for employees of Revolymer (U.S.) Inc.. During the year options over 27,762 ordinary shares were granted under this plan ("the Unapproved plan") up to 31 December 2010 (2009 – nil ordinary shares).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options granted under the Unapproved plan during the period:

	2010 Number of shares	*2010 WAEP*	*2009 Number of shares*	*2009 WAEP*
Balance at beginning of year	58,011	£6.72	78,865	£6.89
Awarded during year	27,762	£4.22	-	-
Vested during year	-	-	-	-
Lapsed during year	-	-	-	-
Surrendered during year	(27,507)	£6.79	(20,854)	£7.37
Forfeited during year	-	-	-	-
Exercised during the year	(12,836)	£0.00	-	-
Balance at end of year	45,430	£7.05	58,011	£6.72

The options awarded during the year relate to (i) options awarded to L de Smedt which were immediately exercisable (Mr de Smedt ceased to provide consultancy services to the Company during the year), (ii) options awarded to Prof T Cosgrove when he became a consultant, and (iii) options awarded to C Tamillo, the first employee of Revolymer (U.S.) Inc..

The options surrendered during the year relate to options granted in previous years to L de Smedt and, not being exercisable, surrendered when he ceased to provide consultancy services to the Company.

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The options exercised during the year relate to those granted in the year to L de Smedt, all of which were exercised.

The weighted average remaining contractual life of the options outstanding at the end of the period is estimated at 2.00 years (2009 – 2.00 years), on the basis that management expects a vesting event in accordance with the option scheme rules by the end of 2012.

22. Related party transactions

Transactions with key management personnel

Remuneration of key management personnel

The remuneration of the directors, who are considered to be the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2010	*2009*
	£000	*£000*
Wages and salaries	305	333
Directors' fees invoiced by third parties	115	114
Equity settled share based payment expense	124	247
	544	694

Other related party transactions

The Group entered into the following related party transactions during the year:

The Group was invoiced by InnoTune BVBA, a company under the control of Mr L de Smedt for consultancy fees and other expenses in respect of Mr de Smedt's services.

The Group was invoiced by ColloidScience Limited, a company of which Prof T Cosgrove is a director, for consultancy fees and other expenses in respect of Prof T Cosgrove's services. Such invoicing started from 1 March 2010 when Prof Cosgrove ceased to be an employee.

The Group was invoiced by IP2IPO Services Limited, a company which is a director of Revolymer Limited, for consultancy fees in respect of its services. During the year Mr M Townend participated in Board of Director meetings on behalf of IP2IPO Services Limited.

The Group was invoiced by Swarraton Partners Limited on behalf of Swarraton Partners Directors Limited, a company which is a director of Revolymer Limited, for consultancy fees in respect of its services. During the year Mr S Brooke participated in Board of Director meetings on behalf of Swarraton Partners Directors Limited.

The Group was invoiced by Naxos Limited, a company acting on behalf of Naxos Capital Partners SCA SICAR (a shareholder of the Company) for consultancy fees in respect of services provided by Mr S. M. D. Oliver as a Director participating in Board of Director meetings on behalf of Naxos Capital Partners SCA SICAR.

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22. Related party transactions (continued)

The Company was invoiced by Grand Cru Consulting Limited, a company of which Mr J Keenan is a director, for consultancy fees and other expenses in respect of Mr Keenan's services.

	Receipts from related parties £000	*Payments to related parties £000*	*Amounts due to related parties £000*	*Amounts due from related parties £000*
2010:				
Innotune BVBA	-	73	-	-
Innotune LLC	-	-	-	-
ColloidScience Limited	-	21	-	-
IP2IPO Services Limited	-	15	4	-
Swarraton Partners Limited	-	13	-	-
Naxos Limited	-	15	-	-
Grand Cru Consulting Limited	-	53	5	-

	Receipts from related parties £000	*Payments to related parties £000*	*Amounts due to related parties £000*	*Amounts due from related parties £000*
2009:				
Innotune BVBA	-	162	-	-
Innotune LLC	-	-	-	-
ColloidScience Limited	-	44	-	-
IP2IPO Services Limited	-	18	4	-
Swarraton Partners Limited	-	14	3	-
Grand Cru Consulting Limited	-	56	-	-

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. There have been no write-offs of related party balances during the period and there are no provisions against any related party balances. The terms and conditions of related party transactions are the same as those for other debtors and creditors.