

**Revolymmer (U.K) Limited (formerly Revolymmer Limited
until 2 July 2012)**

Report and Financial Statements

31 December 2011

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
One London Wall
London EC2Y 5AB

Registered Office

One London Wall
London EC2Y 5AB

Directors' report

The directors present their report and financial statements for the year ended 31 December 2011.

Results and dividends

The group loss for the year after taxation amounted to £3,925k (2010 – loss of £4,307k). The directors do not recommend a final dividend (2010 – £nil).

Principal activities and review of the business

Revolymmer 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 2011 Revolymmer continued to invest in the development of products across all the markets listed above, and progressed business discussions with potential and existing commercialisation partners.

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.

Going concern

The financial statements have been prepared on a going concern basis which the Directors believe continues to be appropriate. The group meets its day to day working capital requirements through existing cash resources which, at 31 December 2011, amounted to £3.1 million. The Directors have prepared projected cash flow information for the period ending twelve months from the date of approval of these financial statements following an application to the AIM market. The Directors acknowledge that whilst there is a material uncertainty that casts doubt over the group to continue as a going concern they are confident in their underlying cash flow projection assumptions that the raising of funds through a successful initial placement offering will negate this uncertainty and as such they believe that the group will be able to continue to trade for the foreseeable future.

Research and development

The majority of the group's expenditure in 2011 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 2011.

Directors' report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being 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

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Post balance sheet events

On 2 July 2012 the Group's entire share capital was acquired by Revolymmer PLC and the company was renamed as Revolymmer (U.K.) Limited.

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



R J S Cridland
Secretary

4 July 2012

Directors' responsibilities statement

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

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the group and company for that period. In preparing those 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 as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's and company's financial position and financial performance;
- state that the group and company has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and 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 (U.K) Limited (formerly Revolymer Limited until 2 July 2012)

We have audited the financial statements of Revolymer (U.K) Limited (formerly Revolymer Limited until 2 July 2012) for the year ended 31 December 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statement of Cash Flows and the related notes 1 to 25. 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.

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 auditor

As explained more fully in the Director's Responsibilities Statement, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the 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 2012 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of Revolymer (U.K) Limited (formerly Revolymer Limited until 2 July 2012)

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 by the parent undertaking or returns adequate for our audit have not been received from branches not visited by us; or
- the parent undertaking financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.

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Gary Harding (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester
4 July 2012

Group income statement

for the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> £000	<i>2010</i> £000
Revenue	4	150	5
Cost of sales		(66)	(6)
Gross profit/(loss)		84	(1)
Other operating income	5	505	190
Administrative expenses		(4,521)	(4,602)
Group operating loss	6	(3,932)	(4,413)
Finance income	9	7	106
Loss for the year before tax		(3,925)	(4,307)
Taxation expense	10	-	-
Loss for the year		(3,925)	(4,307)

All amounts relate to continuing activities.

Group statement of comprehensive income

for the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> £000	<i>2010</i> £000
Loss for the year		(3,925)	(4,307)
Total recognised income and expense for the year attributable to equity holders		(3,925)	(4,307)

Group statement of financial position

at 31 December 2011

	<i>Notes</i>	<i>2011</i> £000	<i>2010</i> £000
Non-current assets			
Property, plant and equipment	11	739	254
		<u>739</u>	<u>254</u>
Current assets			
Inventories	13	770	75
Trade and other receivables	14	441	462
Cash and cash equivalents	15	3,083	1,995
		<u>4,294</u>	<u>2,532</u>
Total assets		<u>5,033</u>	<u>2,786</u>
Non-current liabilities			
Finance lease obligations	17	(156)	-
Current liabilities			
Trade and other payables	16	(928)	(700)
Total liabilities		<u>(1,084)</u>	<u>(700)</u>
Net assets		<u>3,949</u>	<u>2,086</u>
Equity			
Equity share capital	20	-	-
Equity share premium		17,906	12,327
Foreign currency retranslation reserve		2	-
Other reserves		1,748	1,541
Retained earnings		(15,707)	(11,782)
Total equity		<u>3,949</u>	<u>2,086</u>

The financial statements were approved by the Board on 4 July 2012 by



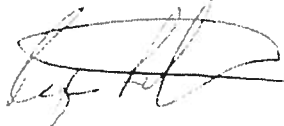
R B Pettman
Director

Company statement of financial position

at 31 December 2011

	Notes	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	11	714	229
Investment in subsidiary	12	1	1
		<u>715</u>	<u>230</u>
Current assets			
Inventories	13	293	75
Trade and other receivables	14	874	483
Cash and cash equivalents	15	3,055	1,969
		<u>4,222</u>	<u>2,527</u>
Total assets		<u>4,937</u>	<u>2,757</u>
Non-current liabilities			
Finance lease obligations	17	(156)	-
Current liabilities			
Trade and other payables	16	(861)	(676)
Total liabilities		<u>(1,017)</u>	<u>(676)</u>
Net assets		<u>3,920</u>	<u>2,081</u>
Equity			
Equity share capital	20	-	-
Equity share premium		17,906	12,327
Other reserves		1,748	1,541
Retained earnings		(15,734)	(11,787)
Total equity		<u>3,920</u>	<u>2,081</u>

The financial statements were approved by the Board on 4 July 2012 by



R B Pettman
Director

Group statement of changes in equity

	<i>Equity share premium*</i>	<i>Foreign currency retranslation reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>
	£000	£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 1 January 2011	12,327	-	1,541	(11,782)	2,086
Retained loss for the year	-	-	-	(3,925)	(3,925)
Retranslation gain for the year	-	2	-	-	2
Share options	-	-	207	-	207
Issue of shares	5,832	-	-	-	5,832
Transaction costs	(253)	-	-	-	(253)
At 31 December 2011	17,906	2	1,748	(15,707)	3,949

* Equity share capital has been excluded from the above statement due to rounding. Detail of the Group's equity share capital is given in note 20.

Company statement of changes in equity

	<i>Equity share premium*</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>
	£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 1 January 2011	12,327	1,541	(11,787)	2,081
Retained loss for the year	-	-	(3,947)	(3,947)
Share options	-	207	-	207
Issue of shares	5,832	-	-	5,832
Transaction costs	(253)	-	-	(253)
At 31 December 2011	17,906	1,748	(15,734)	3,920

* Equity share capital has been excluded from the above statement due to rounding. Detail of the Company's equity share capital is given in note 20.

Group statement of cash flows

for the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> £000	<i>2010</i> £000
Net cash outflow from operating activities	21	<u>(3,851)</u>	<u>(3,615)</u>
Cash flows from investing activities			
Interest received		7	106
Purchase of property, plant and equipment		<u>(647)</u>	<u>(132)</u>
Net cash outflow from investing activities		<u>(640)</u>	<u>(26)</u>
Cash received from issue of shares		5,832	-
Transaction costs of issuing shares		<u>(253)</u>	-
Net cash inflow from financing activities		<u>5,579</u>	-
Net inflow/(outflow) in cash and cash equivalents		1,088	(3,641)
Cash and cash equivalents at beginning of year		<u>1,995</u>	<u>5,636</u>
Cash and cash equivalents at end of year	15	<u>3,083</u>	<u>1,995</u>

Company statement of cash flows

	<i>Notes</i>	<i>2011</i> £000	<i>2010</i> £000
Net cash outflow from operating activities	22	<u>(3,865)</u>	<u>(3,667)</u>
Cash flows from investing activities			
Interest received		7	106
Purchase of property, plant and equipment		<u>(635)</u>	<u>(106)</u>
Net cash outflow from investing activities		<u>(628)</u>	-
Cash received from issue of shares		5,832	-
Transaction costs of issuing shares		<u>(253)</u>	-
Net cash inflow from financing activities		<u>5,579</u>	-
Net inflow/(outflow) in cash and cash equivalents		1,086	(3,667)
Cash and cash equivalents at beginning of year		<u>1,969</u>	<u>5,636</u>
Cash and cash equivalents at end of year	15	<u>3,055</u>	<u>1,969</u>

Notes to the financial statements

at 31 December 2011

1. Statement of compliance with IFRS and company information

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. The Group 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. Revolymmer (U.K.) Limited is a private limited company incorporated and domiciled in England and Wales.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the years ended 31 December 2010 and 31 December 2011. No profit and loss account is presented by the company as permitted by section 408 of the Companies Act 2006. The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000) unless otherwise indicated.

The financial statements have been prepared on a going concern basis which the Directors believe continues to be appropriate. The group meets its day to day working capital requirements through existing cash resources which, at 31 December 2011, amounted to £3.1 million. The Directors have prepared projected cash flow information for the period ending twelve months from the date of approval of these financial statements following an application to the AIM market. The Directors acknowledge that whilst there is a material uncertainty that casts doubt over the group to continue as a going concern they are confident in their underlying cash flow projection assumptions that the raising of funds through a successful initial placement offering will negate this uncertainty and as such they believe that the group will be able to continue to trade for the foreseeable future.

Changes in accounting policy

The accounting policies adopted in the 2011 financial year are consistent with those adopted during the year ending 31 December 2010 except for the following new and amended standards and interpretations introduced during the financial year ending 31 December 2011.

Adoption of these revised standards and interpretations introduced in the 2011 financial year did not have any effect on the financial statements of the Group for the financial year ending 31 December 2011.

- IAS 24 Related Party Disclosures (Revised)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The principal effects of these changes are as follows:

IAS 24 Related Party Disclosures (Revised)

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. For these entities, the general disclosure requirements of IAS 24 will not apply. Instead alternative disclosures will be included. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment to IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset permitting an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this amendment did not have any impact on the financial position or performance of the Group

2. Accounting policies (continued)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In the case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is immediately recognised in the income statement. The adoption of this amendment did not have any impact on the financial position or performance of the Group as the Group has no such arrangements.

New standards and interpretations not yet applied:

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Where applicable, the Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to the income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

2. Accounting policies (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected during 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the Group's financial statements in the period of initial application.

Consolidation

The Group financial statements comprises the financial statements of Revollymer (U.K.) Limited and its subsidiary as at 31 December 2010 and 31 December 2011. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be Group until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent undertaking, 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.

2. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which ownership passes.

Revenue from the rendering of services is recognised in full once the contract has been fully completed and all obligations are satisfied.

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.

2. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the year-end date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of comprehensive income, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the year end date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the 'Foreign currency retranslation reserve' in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

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:

Short leasehold equipment	–	5 years
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

2. Accounting policies (continued)

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.

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 assets 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, whether 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, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

2. Accounting policies (continued)

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 undiscounted 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. Instruments which are legally share capital containing such obligations are classified as financial liabilities.

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.

2. Accounting policies (continued)

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 preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Inventory provisions

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Share based payment cost

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 23).

4. Revenue

Revenue recognised in the group income statement is analysed as follows.

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Sale of goods	150	5
	<u>150</u>	<u>5</u>

Geographical information

	Revenues from external customers	
	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Denmark	1	5
United States	149	–
	<u>150</u>	<u>5</u>

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

5. Other operating income

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Research income	459	190
Government grants	46	–
	<u>505</u>	<u>190</u>

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 and Regulatory Reform (BERR).

6. Group operating loss

This is stated after charging:

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration		
— audit services	14	14
— other services relating to taxation	18	8
— all other services	6	5
Depreciation:		
Owned assets	<u>162</u>	<u>118</u>
Minimum operating lease payments:		
— land and buildings	56	66
— motor vehicles	8	8
Research and development expenditure	<u>1,288</u>	<u>1,693</u>

7. Directors' remunerations

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	330	305
Directors' fees invoiced by third parties	133	115
	<u>463</u>	<u>420</u>

Remunerations of the highest paid director consist of:

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	330	287
	<u>330</u>	<u>287</u>

8. Staff costs

Staff costs, including directors, consist of:

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	2,068	1,865
Invoiced by third parties	145	188
Equity settled share based payment expense	207	720
	<u>2,420</u>	<u>2,773</u>

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

	<i>No.</i>	<i>No.</i>
Executive directors	2	2
Non-executive directors	4	4
Research and development	24	21
Finance and administration	4	3
Sales	6	5
Contract Staff	1	2
	<u>41</u>	<u>37</u>

9. Finance income

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Interest receivable on bank deposits	7	106
Finance income	<u>7</u>	<u>106</u>

10. Tax

(a) Tax on loss on ordinary activities

Tax charge in the income statement:

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Current income tax:		
UK corporation tax on the loss for the year	-	-
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax charge in the income statement	<u>-</u>	<u>-</u>

10. Tax (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is differs from the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are reconciled below:

	2011 £000	2010 £000
Loss on ordinary activities before tax	<u>(3,925)</u>	<u>(4,307)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	(1,040)	(1,206)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(44)	48
Capital allowances in excess of depreciation	(16)	9
Other timing differences	1	-
Unrelieved tax losses carried forward	<u>1,099</u>	<u>1,149</u>
Total tax expense reported in the income statement	<u>-</u>	<u>-</u>

(c) Deferred tax

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

	2011 £000	2010 £000
Accelerated capital allowances	(37)	(12)
Other timing differences	2	-
Tax losses carried forward	3,847	3,079
Share-based payments	467	236
	<u>4,279</u>	<u>3,303</u>

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.

10. Tax (continued)

(d) Tax rate changes

In the budget of 21 March 2012, the Chancellor of the Exchequer announced certain tax changes which will have an effect on the Group's future tax position. The main rate of corporation tax reduced from 26% to 24% from 1 April 2012 and is then set to reduce to 23% from 1 April 2013 and 22% from 1 April 2014.

As at 31 December 2011, only the reduction in the tax rate to 24% has been 'substantively enacted' and this has been reflected in the Group's unrecognised deferred tax asset as at 31 December 2011.

The effect of the reduction of the UK corporation tax rate to 23% on the Group's unrecognised deferred tax asset would be to reduce it tax asset by approximately £178,000.

The effect on the Group of the proposed changes to the UK tax system will be reflected in the financial statements of the Group in future years, as appropriate, once the proposals have been substantially enacted.

11. Property, plant and equipment

<i>Group</i>	<i>Computer and office equipment £000</i>	<i>Plant and equipment £000</i>	<i>Short leasehold equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2011	145	425	-	570
Additions	55	378	214	647
At 31 December 2011	200	803	214	1,217
Accumulated depreciation:				
At 1 January 2011	82	234	-	316
Charge	44	98	20	162
At 31 December 2011	126	332	20	478
Net book value:				
At 31 December 2011	74	471	194	739
At 1 January 2011	63	191	-	254

Included within Plant and equipment and Short leasehold equipment are amounts held under finance lease contracts. At 31 December 2011 the net book value of these assets was £180,000 (2010 & 2009 – No assets were held under finance leases).

11. Property, plant and equipment (continued)

<i>Company</i>	<i>Computer and office equipment</i> £000	<i>Plant and equipment</i> £000	<i>Short leasehold equipment</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2011	119	425	-	544
Additions	45	376	214	635
At 31 December 2011	164	801	214	1,179
Accumulated depreciation:				
At 1 January 2011	81	234	-	315
Charge	33	97	20	150
At 31 December 2011	114	331	20	465
Net book value:				
At 31 December 2011	50	470	194	714
At 1 January 2011	38	191	-	229

Included within Plant and equipment and Short leasehold equipment are amounts held under finance lease contracts. At 31 December 2011 the net book value of these assets was £180,000 (2010 & 2009 – No assets were held under finance leases).

12. Investment in subsidiary

During 2010 Revolymmer (U.K.) Limited established a newly incorporated US company, Revolymmer (US) Inc, acquiring 100% of the share capital for \$1,000.

13. Inventories

	2011		2010	
	<i>Group</i> £000	<i>Company</i> £000	<i>Group</i> £000	<i>Company</i> £000
Raw materials	25	13	46	46
Work in progress	280	280	29	29
Finished goods	510	-	-	-
Goods in transit	9	-	-	-
Provisions	(54)	-	-	-
	770	293	75	75

14. Trade and other receivables

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Trade receivables	265	253	160	160
Amounts owed from group companies	-	457	-	23
Other receivables	176	164	302	300
	<u>441</u>	<u>874</u>	<u>462</u>	<u>483</u>

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 2011, no trade and other receivables were considered to be impaired and no provision for impairment has been recognised (2010 – £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	
						> 120 days £000	> 120 days £000
2011	265	-	95	94	76	-	-
2010	160	-	-	131	29	-	-

As at 31 December, the analysis of company 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	
						> 120 days £000	> 120 days £000
2011	253	-	83	94	76	-	-
2010	160	-	-	131	29	-	-

15. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the group and 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:

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Cash at bank and in hand	<u>3,083</u>	<u>3,055</u>	<u>1,995</u>	<u>1,969</u>

16. Trade and other payables

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Current liabilities:				
Trade payables	287	248	309	299
Lease purchase	82	82	-	-
Amounts due to related parties (note 24)	17	17	9	9
Other payables	542	514	382	368
	<u>928</u>	<u>861</u>	<u>700</u>	<u>676</u>

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.

17. Obligations under non-current finance leases

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Finance lease obligations	156	156	-	-
	<u>156</u>	<u>156</u>	<u>-</u>	<u>-</u>

The Group has purchased £306,000 of capital equipment from a contract manufacturer over a period of 3 years starting on 1 July 2011. The repayment is based on a capital element added to the cost of the supplies purchased from the manufacturer. There is a three year supply contract in place to ensure the liability is paid. There is no interest chargeable on the transaction. The current element of the finance lease arrangement is disclosed within note 16 and detail of the maturity profile of this financial liability is made within note 18.

18. 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.

18. Financial instruments (continued)

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 (2010 – nil). The group has no non-monetary assets or liabilities denominated in foreign currencies. At 31 December 2011 the balance of foreign currency bank financial statements was \$43,065 (2010 – \$40,233).

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 2011:

	<i>On demand</i> £000	<i>Less than 3 months</i> £000	<i>3 to 12 months</i> £000	<i>1 to 5 years</i> £000	<i>> 5 years</i> £000	<i>Total</i> £000
Trade and other payables	-	746	182	156	-	1,084
	-	746	182	156	-	1,084

31 December 2010:

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

18. Financial instruments (continued)

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

31 December 2011:

	<i>On demand</i> £000	<i>Less than</i> <i>3 months</i> £000	<i>3 to 12</i> <i>months</i> £000	<i>1 to 5 years</i> £000	<i>> 5 years</i> £000	<i>Total</i> £000
Trade and other payables	-	679	182	156	-	1,017
	-	679	182	156	-	1,017

31 December 2010:

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

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 2010 and 31 December 2011.

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 2011:

	<i>Within</i> <i>1 year</i> £000	<i>1-2years</i> £000	<i>2-3years</i> £000	<i>3-4years</i> £000	<i>4-5years</i> £000	<i>Over 5</i> <i>years</i> £000	<i>Total</i> £000
Cash and cash equivalents	3,083	-	-	-	-	-	3,083
	3,083	-	-	-	-	-	3,083

18. Financial instruments (continued)

31 December 2010:

	<i>Within</i>					<i>Over</i>	
	<i>1 year</i>	<i>1-2years</i>	<i>2-3years</i>	<i>3-4years</i>	<i>4-5years</i>	<i>5 years</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash and cash equivalents	1,995	-	-	-	-	-	1,995
	1,995	-	-	-	-	-	1,995

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

The maturity profiles of the Company's cash and cash equivalents were all within 1 year for the financial years ending 31 December 2010 and 31 December 2011.

Committed facilities

The company has no floating rate committed borrowing facilities as at 31 December 2011 (2010 – 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 financial statements. 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.

19. Operating lease arrangements

The group and company leases certain assets on an operating lease basis.

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

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Within one year	78	34
In two to five years	316	-
Over five years	-	-
Total future minimum lease payments	<u>394</u>	<u>34</u>

The group has no sub-leases.

20. Share capital

Group and Company:

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2011</i>		<i>2010</i>	
		<i>£</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £0.00008 each	933,839	<u>75</u>	722,986	<u>58</u>	

On 28 April 2011, the issued share capital of the Company was increased by the issue of 210,853 ordinary shares of 0.008p each for a total of £5,832,194.

Other reserves detailed within the Group and Company statements of changes in equity 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 23 for further details of these plans.

21. Reconciliation of group cash flow from operating activities

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Operating loss	(3,932)	(4,413)
Adjustments for:		
Depreciation of property, plant and equipment	162	118
Foreign currency retranslation reserve gain	2	-
Share option charge	207	720
(Increase) in inventories	(686)	(75)
Decrease/(increase) in receivables	20	(168)
Increase in payables	376	203
Net cash outflow from operating activities	<u>(3,851)</u>	<u>(3,615)</u>

22. Reconciliation of company cash flow from operating activities

	2011	2010
	£000	£000
Operating loss	(3,956)	(4,419)
Adjustments for:		
Depreciation of property, plant and equipment	150	117
Foreign currency retranslation reserve gain	2	-
Share option charge	207	720
(Increase) in inventories	(218)	(75)
(Increase) in receivables	(391)	(177)
Increase in payables	341	167
Net cash outflow from operating activities	<u>(3,865)</u>	<u>(3,667)</u>

23. 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 2011 is £206,957 (2010 – £720,190) as disclosed in note 8.

The fair value of equity-settled share options granted is 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:

<i>Grant date</i>	2011	2010
Share price at grant date	£27.66	£27.66
Exercise price	£7.85	£7.85
Expected volatility	50%	50%
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 year and outstanding at the end of the year was £20.03 (2010 – £26.76). The range of exercise prices for options outstanding at the end of the year was £6.00 – 7.85 (2010 – £6.00 – 7.85).

23. Share based payments (continued)

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 6,218 ordinary shares were granted under this plan (“the EMI plan”) up to 31 December 2011 (2010 – nil 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.

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 year:

	2011		2010	
	<i>Number of shares</i>	<i>WAEP</i>	<i>Number of shares</i>	<i>WAEP</i>
Balance at beginning of year	42,880	£7.80	56,086	£7.81
Awarded during year	6,218	£7.85	-	-
Vested during year	-	-	-	-
Lapsed during year	(200)	£7.85	(13,206)	£7.85
Forfeited during year	-	-	-	-
Exercised during the year	-	-	-	-
Balance at end of year	48,898	£7.80	42,880	£7.80

The lapses during the year relate to options held by an employee who resigned effective from 31 March 2011.

The lapses during 2010 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 1 year (2010 – 2.0 years), on the basis that management expects a vesting event in accordance with the option scheme rules by the end of 2012 or early 2013.

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 Revolymmer (U.S.) Inc.. During the year options over nil ordinary shares were granted under this plan (“the Unapproved plan”) up to 31 December 2011 (2010 – 27,762 ordinary shares).

23. Share based payments (continued)

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 year:

	2011		2010	
	<i>Number of shares</i>	<i>WAEP</i>	<i>Number of shares</i>	<i>WAEP</i>
Balance at beginning of year	45,430	£7.05	58,011	£6.72
Awarded during year	-	-	27,762	£4.22
Vested during year	-	-	-	-
Lapsed during year	-	-	-	-
Surrendered during year	-	-	(27,507)	£6.79
Forfeited during year	-	-	-	-
Exercised during the year	-	-	12,836	£0.00
Balance at end of year	45,430	£7.05	45,430	£7.05

The options awarded during 2010 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 Tammillo, the first employee of Revolymmer (U.S.) Inc.

The options surrendered during 2010 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.

The options exercised during 2010 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 year is estimated at 1 year (2010 – 2.00 years), on the basis that management expects a vesting event in accordance with the option scheme rules by the end of 2012 or early 2013.

24. 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'.

	2011	2010
	£000	£000
Wages and salaries	330	305
Directors' fees invoiced by third parties	133	115
Equity settled share based payment expense	124	124
	<u>587</u>	<u>544</u>

24. Related party transactions (continued)

Other related party transactions

The Group entered into the following related party transactions during the current and prior 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 in 2010. Mr L de Smedt is a related party by virtue of his shareholding in the Group.

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. Prof T Cosgrove is a related party by virtue of his position as a director of the Group.

The Group was invoiced by IP2IPO Services Limited, a company which is a director, and therefore related party of Revolymmer (U.K.) 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, and therefore related party of Revolymmer (U.K.) 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 and therefore related party of the Group) 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.

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. Mr J Keenan is a related party by virtue of his position as a director of the Group.

<i>2011</i>	<i>Receipts from related parties £000</i>	<i>Payments to related parties £000</i>	<i>Amounts due to related parties £000</i>	<i>Amounts due from related parties £000</i>
Innotune BVBA	-	-	-	-
ColloidScience Limited	-	37	5	-
IP2IPO Services Limited	-	15	4	-
Swarraton Partners Limited	-	13	3	-
Naxos Limited	-	15	-	-
Grand Cru Consulting Limited	-	53	5	-

24. Related party transactions (continued)

<i>2010</i>	<i>Receipts from related parties £000</i>	<i>Payments to related parties £000</i>	<i>Amounts due to related parties £000</i>	<i>Amounts due from related parties £000</i>
Innotune BVBA	–	73	–	–
ColloidScience Limited	–	21	–	–
IP2IPO Services Limited	–	15	4	–
Swarraton Partners Limited	–	13	–	–
Naxos Limited	–	15	–	–
Grand Cru Consulting Limited	–	53	5	–

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 year 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.

25. Post balance sheet events

On 2 July 2012 the Group's entire share capital was acquired by Revolymer PLC and the company was renamed as Revolymer (U.K.) Limited.