

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the contents of this document or as to what action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (“FSMA”) who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document prepared in accordance with the AIM Rules. Application will be made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares on AIM will commence at 8.00 a.m. on 10 July 2012. **The Ordinary Shares are not dealt on any other recognised investment exchange and it is emphasised that no application has been, or is being, made for the Ordinary Shares to be admitted to any such exchange.**

This document is not an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules published by the Financial Services Authority (“FSA”) and a copy of it has not been, and will not be, delivered to the UK Listing Authority in accordance with the Prospectus Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

**Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.**

**The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority.**

You should be aware that an investment in the Company involves a high degree of risk. While the whole of this document should be read, the attention of the prospective investors is also drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in the Ordinary Shares. All statements regarding the Group’s business, financial position and prospects should be viewed in light of these risk factors.

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# Revolymr plc

*(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 08024489)*

## Placing of 25,000,000 Ordinary Shares of 1p each at 100p per Ordinary Share Admission to trading on AIM

NOMINATED ADVISER AND BROKER

**PANMURE GORDON & CO**  
INTEGRITY IN INVESTMENT BANKING SINCE 1876

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The Company, the Directors and the Proposed Director, whose names appear on page 4 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors and the Proposed Director accept individual and collective responsibility for compliance with the AIM Rules.

Upon Admission the Placing Shares will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

This document does not constitute an offer to sell or a solicitation or offer to buy or subscribe for Ordinary Shares unless permitted by applicable law and regulation. This document is not for distribution in the Prohibited Territories. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of the Prohibited Territories or in any country, territory or possession where to do so would contravene local securities laws or regulations and the Ordinary Shares may not be offered or sold directly or indirectly within the Prohibited Territories or to, or for the account of benefit of, any person within the Prohibited Territories. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore any person into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws in any such jurisdictions.

Panmure Gordon (UK) Limited, which is authorised and regulated in the United Kingdom by the FSA, is acting as nominated adviser and broker to the Company in connection with the Placing and Admission and will not be providing advice to any other person in relation to the Placing and Admission or any other transaction or arrangement referred to in this document. Its responsibilities as the Company’s nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not under the AIM Rules for Nominated Advisers owed to the Company or to any Director or the Proposed Director or to any other person in respect of his or her decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Panmure Gordon (UK) Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Panmure Gordon (UK) Limited will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Panmure Gordon (UK) Limited or for providing advice in relation to the contents of this document or any other matter. No liability is accepted Panmure Gordon (UK) Limited for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document, for which the Company, the Directors and the Proposed Director are solely responsible.

This document will also be available for download from the Company’s website [www.revolymr.com](http://www.revolymr.com).

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	4 July 2012
Admission and dealings in the Ordinary Shares to commence on AIM	8.00 a.m. on 10 July 2012
Expected date for CREST accounts to be credited	EIS Placing Shares and VCT Placing Shares on 9 July 2012 All other Placing Shares on 10 July 2012
Despatch of definitive share certificates in respect of the Placing Shares to be held in certificated form	17 July 2012

Each of the dates in the above timetable is subject to change without further notice.

## PLACING STATISTICS

Placing price per Placing Share	100p
Number of Existing Ordinary Shares in issue as at the date of this document	28,015,170
Number of Placing Shares to be issued	25,000,000
Number of Ordinary Shares in issue on Admission	53,015,170
Percentage of the Enlarged Issued Share Capital represented by the Placing Shares	47.2%
Estimated gross proceeds of the Placing receivable by the Company	£25.0 million
Estimated net proceeds of the Placing receivable by the Company	£23.2 million
Market capitalisation, upon Admission, of the Company at the Placing Price	£53.0 million
AIM ticker	REVO
ISIN	GB00B84LVH87
SEDOL	B84LVH8

## DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

<b>Directors:</b>	John Michael Keenan ( <i>Non-executive Chairman</i> ) Dr Roger Bruce Pettman ( <i>Chief Executive Officer</i> ) Robin James Scott Cridland ( <i>Chief Financial Officer</i> ) Michael Charles Nettleton Townend ( <i>Non-executive Director</i> ) Robert Milton Frost ( <i>Non-executive Director</i> )
<b>Proposed Director:*</b>	Julian Spenser Heslop ( <i>Independent Non-executive Director</i> )
<b>Company Secretary:</b>	Robin James Scott Cridland
<b>Registered Office:</b>	One London Wall London EC2Y 5AB
<b>Head Office:</b>	1 Newtech Square Zone 2, Deeside Industrial Park Deeside Flintshire CH5 2NT
<b>Nominated Adviser and Broker:</b>	Panmure Gordon (UK) Limited Moorgate Hall 155 Moorgate London EC2M 6XB
<b>Reporting Accountants and Auditors to the Company:</b>	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
<b>Legal Advisers to the Company:</b>	Maclay Murray & Spens LLP One London Wall London EC2Y 5AB
<b>Legal Advisers to the Nominated Adviser:</b>	Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES
<b>Patent Agent:</b>	D Young & Co LLP 120 Holborn London EC1N 2DY
<b>Scientific Expert:</b>	Cambridge Consultants Limited Science Park Milton Road Cambridge CB4 0DW
<b>Registrar:</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Company website:</b>	<a href="http://www.revolvlymer.com">www.revolvlymer.com</a>

\* The Proposed Director will be appointed as a Director upon Admission

## DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

<b>“2006 Act”</b>	the Companies Act 2006, as amended;
<b>“Admission”</b>	the admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules;
<b>“AIM”</b>	a market operated by the London Stock Exchange;
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of, AIM;
<b>“AIM Rules for Nominated Advisers”</b>	the AIM Rules for Nominated Advisers setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange;
<b>“Articles”</b>	the articles of association of the Company adopted, conditional on Admission, on 7 June 2012;
<b>“Audit Committee”</b>	the audit committee of the Board;
<b>“Board” or “Directors”</b>	the board of directors of the Company, whose names are set out on page 4 of this document;
<b>“Business Day”</b>	a day other than a Saturday, Sunday or other day when banks in the City of London, England are not generally open for business;
<b>“certificated” or “certificated form”</b>	in the description of a share or other security which is not in uncertificated form (that is not in CREST);
<b>“CAGR”</b>	Compounded Annual Growth Rate, the annualised gain of an investment over a given time period;
<b>“Company”</b>	Revolymmer plc;
<b>“CREST”</b>	the relevant system (as defined in the Uncertificated Securities Regulations) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations) in accordance with which securities may be held or transferred in uncertificated form;
<b>“EIS”</b>	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007;
<b>“EIS Placing”</b>	the conditional placing of the EIS Placing Shares at the Placing Price in accordance with the Placing Agreement;
<b>“EIS Placing Shares”</b>	the Ordinary Shares to be allotted and issued to EIS investors pursuant to the EIS Placing;

<b>“EMI Code”</b>	the code constituted by sections 527 to 541 of, and Schedule 5 to, ITEPA and Part 4 of Schedule 7D to the Taxation of Chargeable Gains Act 1992;
<b>“EMI Options”</b>	options granted as enterprise management incentive options pursuant to the provisions of Schedule 5 to ITEPA;
<b>“Enlarged Issued Share Capital”</b>	the enlarged issued ordinary share capital of the Company following completion of the Placing;
<b>“EU” or “European Union”</b>	has the meaning given to it in Article 299(1) of the Establishing the European Economic Community Treaty as amended by, among others, the Treaty on European Unity (the Maastricht Treaty), the Treaty of Amsterdam and the Treaty of Lisbon;
<b>“Euroclear UK &amp; Ireland”</b>	Euroclear UK & Ireland Limited;
<b>“Exchange EMI Options”</b>	the options over Ordinary Shares to be granted under the Share Plan, as more fully described at paragraph 8 of Part VI of this document under the heading “Exchange EMI Options” and denoted as being Exchange EMI Options in paragraph 3.17 of Part VI of this document;
<b>“Exchange Unapproved Options”</b>	the options over Ordinary Shares to be granted under the Share Plan, as more fully described at paragraph 8 of Part VI of this document under the heading “Exchange Unapproved Options” and denoted as being Exchange Unapproved Options in paragraph 3.17 of Part VI of this document;
<b>“Existing Ordinary Shares”</b>	the existing Ordinary Shares in issue as at the date of this document;
<b>“FSA”</b>	the Financial Services Authority of the United Kingdom;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“Group” or “Revolymer”</b>	the Company and its subsidiaries;
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs;
<b>“IAML”</b>	Invesco Asset Management Limited, acting at all times as agent for and on behalf of its discretionary managed clients, a wholly owned subsidiary of Invesco Ltd;
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted for use in the European Union;
<b>“Investment Company Act”</b>	the United States Investment Company Act of 1940, as amended;
<b>“IP Group”</b>	IP2IPO Limited, a wholly owned subsidiary of IP Group plc;
<b>“IP Venture Fund”</b>	a fund managed by Top Technology Venture Limited, a subsidiary of IP Group plc;
<b>“ITEPA”</b>	Income Tax (Earnings and Pensions) Act 2003;
<b>“JDA”</b>	Joint Development Agreement;

<b>“Lock-in Agreements”</b>	the agreements by which each of the Directors and certain institutional Shareholders has agreed with Panmure Gordon and the Company certain undertakings with respect to their holdings of Ordinary Shares on Admission, as more particularly described in paragraph 21 of Part I of this document;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“LTIP”</b>	the Revolymer plc Long Term Incentive Plan 2012;
<b>“Official List”</b>	the Official List of the UK Listing Authority;
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in the capital of the Company;
<b>“Orderly Market Agreements”</b>	the agreements by which each of the Senior Managers has agreed with Panmure Gordon and the Company certain undertakings with respect to their holdings of Ordinary Shares on Admission, as more particularly described in paragraph 21 of Part I of this document;
<b>“Panmure Gordon”</b>	Panmure Gordon (UK) Limited, nominated adviser and broker to the Company;
<b>“Placees”</b>	subscribers for the Placing Shares, as procured by Panmure Gordon on behalf of the Company pursuant to the Placing Agreement;
<b>“Placing”</b>	the conditional placing of the Placing Shares (including the EIS Placing Shares and the VCT Placing Shares) at the Placing Price pursuant to the Placing Agreement;
<b>“Placing Agreement”</b>	the placing agreement dated 4 July 2012 entered into between the Company, the Directors, the Proposed Director and Panmure Gordon relating to the Placing, further details of which can be found in paragraph 18 of Part I of this document;
<b>“Placing Price”</b>	100p per Ordinary Share issued pursuant to the Placing;
<b>“Placing Shares”</b>	the 25,000,000 Ordinary Shares to be allotted and issued pursuant to the Placing;
<b>“Placing Warrants”</b>	the unlisted warrants to be granted by the Company to Panmure Gordon pursuant to the Placing Agreement;
<b>“Placing Warrant Instrument”</b>	the warrant instrument dated 4 July 2012 constituting the Placing Warrants;
<b>“Prohibited Territories”</b>	United States, Canada, Australia, South Africa, the Republic of Ireland, Japan and any other jurisdiction where the distribution of this document or the offer of Ordinary Shares (or any transaction contemplated thereby and any activity carried out in connection therewith) would breach applicable law;
<b>“Prospectus Directive”</b>	the Prospectus Directive (2003/71/EC);
<b>“Prospectus Rules”</b>	the prospectus rules of the UK Listing Authority made in accordance with section 73A of FSMA as amended from time to time brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 and the Prospectus Regulations 2005 (SI 2005/1433);



<b>“Proposed Director”</b>	the proposed director of the Company as at the date of this document, whose name is set out on page 4 of this document;
<b>“QCA Guidelines”</b>	the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance, as amended from time to time;
<b>“Quester”</b>	Quester Capital Management Limited;
<b>“Remuneration Committee”</b>	the remuneration committee of the Board;
<b>“Revolmer UK”</b>	Revolmer (U.K.) Limited, a wholly owned subsidiary of the Company;
<b>“Securities Act”</b>	the United States Securities Act of 1933, as amended;
<b>“Senior Managers”</b>	Dr. David Pears, Chris Tamillo and Terence Cosgrove;
<b>“Share Schemes”</b>	the Share Plan and the LTIP;
<b>“Share Plan”</b>	the Revolmer plc Employee Incentive Plan 2012;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“UK Listing Authority”</b>	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>“Unapproved Options”</b>	options granted as unapproved options with no beneficial tax treatment applying to them;
<b>“uncertificated” or “in uncertificated form”</b>	a share or shares recorded on the register of members as being held in uncertificated form in CREST, entitlement to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;
<b>“Uncertificated Securities Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI/2001/3755);
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“£”, “pence”, “p” or “pounds”</b>	pounds sterling, the legal currency of the United Kingdom;
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state in the United States, the District of Columbia and other areas subject to its jurisdiction;
<b>“US\$” and “cents”</b>	the legal currency of the US;
<b>“VCT”</b>	a Venture Capital Trust as defined in Part 6 of the Income Tax Act 2007;
<b>“VCT Placing”</b>	the conditional placing of the VCT Placing Shares at the Placing Price in accordance with the Placing Agreement;
<b>“VCT Placing Shares”</b>	the Ordinary Shares to be allotted and issued to VCT investors pursuant to the VCT Placing;
<b>“VCT Scheme”</b>	Venture Capital Trust Scheme under the provisions of Part 6 of the Income Tax Act 2007.



## GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this document unless the context otherwise requires:

<b>ACNFP</b>	Advisory Committee on Novel Foods and Processes, the statutory, independent body of scientific experts that advises the UK Food Standards Agency on any matters relating to novel foods and novel food processes;
<b>active</b>	the constituent of a substance responsible for its effects;
<b>amphiphilic</b>	a material that possesses both hydrophilic and hydrophobic properties;
<b>ANDA</b>	Abbreviated New Drug Application, an application for a US generic drug approval for an existing licensed medication or approved drug;
<b>bioequivalent/bioequivalence</b>	the absence of a significant difference in the rate and extent to which the active ingredient in pharmaceutical equivalents or alternatives becomes available at the site of drug action when administered at the same dose under similar conditions in an appropriately designed study;
<b>CMO</b>	Contract Manufacturing Organisation, an organisation that provides outsourcing services to clients in respect of, <i>inter alia</i> , formulation development and commercial production of pharmaceutical and biotechnological products;
<b>copolymer</b>	a polymer derived from two or more different types of molecules;
<b>Cosmetics Directive</b>	the Cosmetics Directive (76/768 EC);
<b>CRO</b>	Contract Research Organisation, an organisation that provides outsourcing services to clients in respect of, <i>inter alia</i> , clinical research and trials of pharmaceutical and biotechnological products;
<b>cud</b>	the remnants of the gum after the ingestion of sweeteners and flavours following chewing;
<b>EFSA</b>	European Food Safety Authority;
<b>enzyme</b>	biological molecule that catalyses chemical reactions;
<b>FDA</b>	Food and Drug Administration, the US government body responsible for the regulation of, testing and approval of, <i>inter alia</i> , pharmaceutical products;
<b>FMCG</b>	Fast-Moving Consumer Goods, typically being retail goods that are replaced or fully used up over a short time period;
<b>g</b>	gram, a unit of mass;
<b>Generation 2 gum</b>	the Company's bioequivalent NRT chewing gum product;
<b>Generation 3 gum</b>	the Company's accelerated nicotine release NRT chewing gum product;

<b>graft polymer</b>	a special type of branched copolymer in which the side chains are structurally distinct from the main chain;
<b>GRAS</b>	compounds that are ‘Generally Regarded As Being Safe’ for human consumption;
<b>hydrophilic</b>	a material that attracts water. In chemistry, hydrophilicity is the physical property of a substance that is attracted to, and has a tendency to be dissolved by, a mass of water;
<b>hydrophobic</b>	a material that repels water. In chemistry, hydrophobicity is the physical property of a substance that is repelled from a mass of water. Hydrophobic molecules in water tend to cluster together;
<b>in vitro</b>	refers to studies that are conducted outside of an organism, such as in a test tube;
<b>intellectual property/IP</b>	all intellectual property, including (without limitation) patents, trade marks, service marks, trade or business names, goodwill, domain names, database rights, rights in designs, copyrights and topography rights (whether or not any of these rights are registered, and including applications and the right to apply for registration of any such rights) and all inventions, know-how, trade secrets and confidential information, customer and supplier lists and other proprietary knowledge and information and all rights under licences and consents in relation to any such rights and all rights and forms of protection of a similar nature or having equivalent or similar effect to any of these which may subsist anywhere in the world for their full term, including renewals and extensions;
<b>ionic strength</b>	a measure of concentration of ions in a solution
<b>matrix</b>	material in which more specialised structures are embedded;
<b>NHPD</b>	Natural Health Products Directorate, a division of Health Canada that is responsible for implementation of the Natural Health Product Regulations, including Good Manufacturing Practices, for Natural Health Products for sale in Canada;
<b>NRT</b>	Nicotine Replacement Therapy, the remedial administration of nicotine to the body by means other than tobacco, usually as part of smoking cessation;
<b>OTC</b>	Over-the-Counter, being products that may be sold directly to a consumer without a prescription from a healthcare professional, as compared to prescription drugs, which may be sold only to consumers possessing a valid prescription;
<b>PAP</b>	phthaloylaminoperoxycaproic acid, a typical bleaching agent;
<b>pH</b>	a measure of the acidity or alkalinity of a solution;
<b>polyacrylic</b>	any polymer of acrylic acid;
<b>polymer</b>	a large molecule formed by the linkage between a large number of smaller molecules (monomer);

<b>polymeric</b>	a material which is a polymer;
<b>private label</b>	a product that is manufactured by one company which another company rebrands for retailing to consumers.
<b>Product Information File</b>	the mandatory compilation of technical documentation required in respect of new cosmetic products under the Cosmetics Directive;
<b>REACH</b>	Registration, Evaluation, Authorisation and Restriction of Chemicals (EC 1907/2006), a European Union regulation which addresses the production and use of chemical substances, and their potential impacts on both human health and the environment;
<b>Rev7</b>	either: (a) the registered Rev7 <sup>®</sup> confectionary chewing gum brand; or (b) the Group's patented polymer for use in confectionary and nicotine gum and personal care, as the meaning dictates;
<b>REVBAR</b>	the Company's current laminated barrier technology;
<b>REVCAP</b>	the Company's current laundry encapsulation technology;
<b>REVCARE</b>	the Company's current personal care moisture management technology;
<b>REVCOAT</b>	the Company's current coating technology for use in non-laundry household cleaning agents;
<b>substrate</b>	a molecule on which an enzyme acts;
<b>TAED</b>	tetraacetylenediamine, a peroxide bleach generator for household detergents.

## **IMPORTANT INFORMATION**

### **FORWARD-LOOKING STATEMENTS**

All statements, other than statements of historical facts, included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from actual results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's net asset value, present and future business strategies and income flows and the environment in which the Company will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

### **MARKET AND FINANCIAL INFORMATION**

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group's position therein, are based on the Group's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors and Proposed Director are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Unless otherwise indicated, financial information in this document, including the Group's audited consolidated financial statements for the years ended 31 December 2009, 2010 and 2011, and the notes to those financial statements, has been prepared in accordance with International Financial Reporting Standards.

Various figures and percentages in tables in this document have been rounded and accordingly may not total.

Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

## PART I

### INFORMATION RELATING TO THE COMPANY

#### 1. Overview

Revolymmer is a technology company that designs, develops and formulates novel polymers to improve the performance of existing consumer products within the fast moving consumer goods (FMCG) markets. The Group is generating revenues from the launch of its initial product in the United States and expects to launch new products within Europe in the near term with the potential to generate further revenue streams.

The Group's current products and pipeline are based on two core areas of polymer technology application, namely moisture management and encapsulation with controlled release of active substances. The polymers are proprietary to Revolymmer and protected by a number of patent families, but can be manufactured from commercially available chemicals. Current applications for the Group's technology are in the confectionery chewing gum and medicated chewing gum (together "gum") markets; and in coatings & adhesives, household products and personal care (together "consumer specialties").

Revolymmer aims to generate significant and growing high quality revenue streams from a relatively low and static cost base by licensing its unique technologies to manufacturers and marketers within the global high value FMCG industry.

In addition to establishing conventional licences of its intellectual property to partners with global brands, the Group may in certain product categories (i) develop and market its own branded products in order to demonstrate consumer demand to prospective licensees; or (ii) produce private label products to be branded by its commercial partners. For example, Revolymmer is currently generating revenues from product sales of its own branded removable and degradable Rev7 confectionery chewing gum in the US, and is commencing sales of its private label nicotine replacement therapy chewing gum in Canada. The Directors believe that the ability to develop and commercialise these product offerings not only demonstrates consumer demand, but also enhances the value of the licensable assets over and above the core intellectual property.

Compared to the pharmaceutical industry (where a licensing strategy has been practised by many of its participants for several years), the FMCG industry tends to be characterised by shorter and less costly product development timelines and lower regulatory hurdles prior to product launch. The Group therefore believes that these characteristics offer the potential for reduced commercial risk compared to the pharmaceutical industry. Furthermore, because Revolymmer is developing a portfolio of consumer products in parallel, it is not dependant on a single product being successfully partnered, further reducing commercial risk.

The Directors consider that Revolymmer's innovative approach to polymer technology, a diversified portfolio of products and the Group's application of a licensing business model within the FMCG markets provide Revolymmer with the opportunity to generate growing revenue streams and shareholder value.

Please see Parts III and IV of this document in relation to the Expert's and Patent Agent's Reports undertaken by Cambridge Consultants Limited and D Young & Co LLP, respectively.

The Group has conditionally raised £25.0 million (before expenses) by the issue of 25,000,000 Placing Shares at the Placing Price pursuant to the Placing. The net proceeds of the Placing will primarily be used to expand the distribution of the Group's confectionery gum products in the United States and into Europe, to fund additional regulatory dossiers in connection with its nicotine gum commercialisation, and to fund the development of its consumer specialties products.

Application has been made to the London Stock Exchange for Admission of the Enlarged Issued Share Capital to trading on AIM and it is expected that trading will commence in the Ordinary Shares on 10 July 2012.

The Group has applied for and obtained provisional advance assurance from HMRC that the Ordinary Shares will satisfy the requirements for tax relief under EIS and will constitute a qualifying holding for VCT Schemes subject to the enactment of the EIS and VCT provisions contained in the Finance (No.4) Bill 2012.

## **2. Background and history of Revolymer**

Revolymmer UK was founded by Dr. Roger Pettman and Professor Terence Cosgrove initially based on technology developed at The University of Bristol. Significant additional technological inventions have since been made by the Group. Revolymer UK was incorporated as a limited company on 27 October 2005 and was assigned a family of patents from Bristol University relating to the Rev7 polymer technology. Revolymer UK secured initial seed funding of £0.75 million in February 2006 from IP Group and Quester and established a research and development facility in Mostyn, North Wales, aided by a grant of up to £0.8 million awarded in September 2006 by the Welsh Assembly Government.

In October 2006, Revolymer UK was awarded a grant of up to £0.19 million from the South West Regional Development Association to support the development of removable chewing gum. In February 2007, Revolymer UK raised an additional £2 million of equity capital from a syndicate of investors, including IP Group, IP Venture Fund and Swarraton Partners, and progressed to make the first prototype removable gum products.

In 2008 and 2011, Revolymer UK completed further £10 million and £5.8 million fund raisings, respectively, with new and existing investors, including Naxos Capital Partners, SandAire and EEA Fund Management group companies, to fund its growing portfolio of consumer products.

Revolymmer plc was incorporated as a public limited company on 10 April 2012 to be the holding company of Revolymer UK which it acquired on 2 July 2012.

Currently, Revolymer has a portfolio of 11 patent families, nine trade mark families and employs 34 people, of whom 23 are employed in product development roles and eight hold PhDs, each with an average of over 20 years' polymer experience. The Revolymer technical team has expertise in polymer synthesis, processing, formulation and functionality. In addition, the commercial team has extensive experience of capital raising, corporate and business development, licensing and sales and marketing.

Revolymmer is currently based in Deeside, North Wales, with a US sales and marketing subsidiary in Dayton, Ohio, USA.

## **3. Key strengths**

The Directors believe that the key strengths of the Group include:

- *Technology*: a portfolio of proprietary polymers, with patent protection, that are being applied to enhance the performance of existing consumer products, and the technical expertise to tailor polymer based solutions to future applications;
- *Market opportunity*: the potential to access the multi-billion FMCG markets with better performing products than are currently available;
- *Reduced technology and regulatory risk*: the FMCG markets tend to have shorter and less costly product development timelines and lower regulatory hurdles than other markets that operate licensing models (e.g. the pharmaceutical industry);
- *Tailored partnering strategy*: within its overall licensing strategy, the ability to commercialise its own products (private label or branded) to demonstrate consumer demand prior to licensing;



- *Pipeline*: potential for near term licences and launches of own-branded and partnered products, and partnerships with global industry players;
- *Team*: a strong and experienced management team and staff with significant technical and business expertise in relevant industry sectors.

#### **4. Technology**

Revolmer's experience and expertise in polymer synthesis, processing, formulation and functionality has allowed it to develop a proprietary technology base. The Group's current products and pipeline are based on two core areas of polymer technology application: moisture management using amphiphilic graft copolymers (such as Rev7), and encapsulation and controlled release of active substances using a range of polymer families (such as polyacrylic acid-based polymers).

##### **4.1 Moisture management**

Rev7 is a novel and patented amphiphilic graft copolymer protected by a composition of matter patent, whereby a backbone of an oil-loving ('hydrophobic') polymer is covalently bonded with side chains of water-loving ('hydrophilic') polymers to create a large repeating polymeric structure. Coupling these two contrasting properties either side of the polymer backbone, the copolymer is able molecularly to wrap materials mixed with it variously to increase their compatibility with water (e.g. reducing adhesion) or oil (e.g. surface modification). Revolmer characterises this as 'moisture management'.

Revolmer is able to modify both the backbone and/or the side chains of the Rev7 polymer to create additional novel polymers with tailored properties in order to address the specific requirements of a particular FMCG product.

##### **4.2 Encapsulation**

Encapsulation is a process whereby one, usually chemically or biochemically active, substance is confined within a second, usually inert, substance, thus protecting and stabilising the active substance, or 'active', from an environment that it might otherwise react with, particularly when in a liquid formulation.

Furthermore, the Group's technology is designed to release the active upon certain specific external stimuli or triggers, such as dilution with water (which can alter the pH and ionic strength of the formulation), and/or temperature change. The active is then released into solution, making it available to fulfil its function.

#### **5. Products description**

##### **5.1 Gum markets**

###### *(a) Confectionery gum*

Chewing conventional chewing gums produces rubber-based gum cuds that are largely indigestible and hydrophobic, which therefore adhere strongly to other primarily hydrophobic substrate surfaces such as pavements, bricks, carpets, fabrics and clothing. This characteristic has resulted in a growing environmental problem when gum cuds are not disposed of responsibly by consumers, such as being discarded onto the street. The incorporation of the Rev7 moisture management polymer into a chewing gum formulation results in cuds that are more readily removed from such common surfaces. It is understood that this property is conferred by the hydrophilic side chains of the polymer being arranged on the outside surfaces of the gum cud (while the hydrophobic backbone aligns with other hydrophobic groups within the gum cud) such that moisture is retained inside the cud and on the cud surface, reducing the adhesion to the substrate of hydrophobic groups in the cud allowing it to be more easily removed. Revolmer's and independent trials have shown that its confectionery gum formulations have taste and chew qualities in line with market leading brands, and can be easily removed from many surfaces to which conventional gum cuds adhere strongly (including pavements, carpets, textiles, seat



fabrics used in public transport and clothing materials). In real street situations, spontaneous removal through normal street cleaning and pedestrian traffic typically removes greater than 70 per cent. of Revolymer's gums, compared to 30 per cent. for conventional chewing gums.

The gum cuds that result from the Group's formulation also disintegrate into minerals and other inert materials. In testing by the Group, the Rev7 gum has been shown to disintegrate into a fine powder within six months using mild agitation in water. Gums without Rev7 show either no disintegration under identical conditions or much reduced disintegration in the same time period, dependant on gumbase formulation.

In addition to its product performance enhancing properties, the Rev7 polymer can be incorporated readily into both chewing gum bases and final chewing gum formulations using current manufacturing processes without the need for significant investment or process changes. The Directors therefore believe that Revolymer's patented low adhesion technology may offer a commercial breakthrough in the confectionery chewing gum market.

For further information on the regulatory aspects of the confectionery gum market, see paragraph 11.1(a) of this Part I below.

*(b) Medicated gum*

Utilising the same Rev7 moisture management polymer as in its confectionery gum formulations, Revolymer has also developed an NRT chewing gum, which it calls Generation 2, and is commercialising the gum primarily as a private label product. The priority in the development of currently available NRT gums has tended to be the delivery of nicotine to an individual attempting to reduce or stop cigarette smoking rather than a confectionary-like chew. The application of the Rev7 polymer in NRT gum formulations, in addition, confers similar texture and chew characteristics to confectionery gum formulations, and the bitter nicotine taste or "burn" is better masked to achieve a better tasting and chewing product than currently marketed NRT gums. Where the market requires it, the Group is also able to include teeth whitening ingredients in its formulation to allow appropriate claims to be made, as is the case with some currently marketed nicotine gum brands.

Revolymer's Generation 2 product has already received marketing approval in Canada and the Group plans to file its regulatory dossier in the US (as an ANDA) within 12 months from Admission, assuming receipt of an Investigational Medicinal Products licence in 2012 to permit commencement of the bioequivalence study. The Directors intend that filings for marketing approvals in other territories will be sought in conjunction with commercial partners.

Revolymer is also developing a Generation 3 nicotine gum which has similar benefits to Generation 2 but in which the Rev7 polymer technology may offer the potential to accelerate nicotine release compared to currently marketed products in order to better satisfy consumers' nicotine cravings (generally, currently marketed nicotine gums deliver their nicotine 'hit' significantly later than smoking a cigarette). The Directors believe such a development could be a significant enhancement in the performance of nicotine gum.

The Generation 3 product is likely to be classified as a new pharmaceutical product and consequently will require the submission of full regulatory dossiers in order to obtain regulatory approval. The Generation 3 gum has been developed in partnership with a large industry player with the capability to undertake such a development and commercialisation programme.

For further information on the regulatory aspects of the medicated gum market, see paragraph 11.1(b) of this Part I below.

## **5.2 Consumer specialties**

### *(a) Coatings & adhesives*

Revolymmer is applying its moisture management polymer expertise to improve the performance of current flexible barrier packaging for perishable products (such as salad bags) and, by surface modification, to improve the performance of non-laundry cleaning agents.

Flexible barrier packaging encompasses materials that have undergone a conversion process such as lamination, coating, printing and extrusion, and can involve a number of materials, including plastic films, paper and foil. The development and growth of this market has been driven by it replacing more traditional packaging types including metal cans, cartons and glass and plastic bottles. The Directors anticipate the flexible barrier packaging market to grow as retailers and consumers demand enhanced product protection and shelf life.

REVBAR is the Group's proprietary laminated barrier technology designed to exhibit enhanced lamination bond strength (making for more robust packaging) and reduced permeability of gas and moisture, and low oxygen transmission rates in high humidity environments (increasing the shelf life of both wet and dry perishable foodstuffs). Revolymmer is undertaking development of REVBAR in partnership with a large industrial company that supplies barrier materials to the packaging industry, which in certain cases also includes the owners of the brands being packaged.

REVCOAT is the Group's amphiphilic polymer technology which is being applied to improve the performance of non-laundry cleaning agents and the Group is currently investing internal resources in this field with promising results.

### *(b) Household products*

Enzyme, peroxide and bleach-based laundry and other cleaning actives are typically not stable in liquid formulations. Whilst such liquid formulations tend to be preferred by retailers and end users due to factors such as reduced shelf space, improved shelf life and customer convenience, and are generally considered fit for purpose by consumers, Revolymmer's technology offers the potential to stabilise cleaning actives in liquid formulation and therefore provide the cleaning advantages of powder products which do tend to contain such actives.

REVCAP is the Group's encapsulation technology, enabling it to design and produce polymeric coating materials in a structured way with predictable performance. Specifically the Group has encapsulated laundry active substances, including solid bleach (PAP), sodium percarbonate, TAED (a bleach generator), and certain enzymes, within a polymer-based matrix to stabilise the cleaning actives in liquid formulation. In the cleaning or washing environment, the actives can then be released from within the matrix upon the application of specific external stimuli such as dilution (pH and ionic strength) and temperature change.

Revolymmer is assessing applications of this technology in partnership with significant participants in the household products industry to develop products in a variety of fields.

### *(c) Personal care*

Revolymmer is currently applying both its moisture management and encapsulation technologies under its REVCARE brand to develop a range of personal care products designed to have an improved balance between long lasting benefit and moisturisation, perceived softness and colour and/or fragrance retention. The Directors anticipate that commercial applications available for licensing will include lip balms and lip sticks, deodorants, hair care and oral care.

The Group's first product in this category is a lip balm product incorporating the Rev7 polymer. This polymer is added to standard formulations as part of the manufacturing process without the need for significant process change or investment, and as such has been transferred to a contracted toll manufacturer. The polymer is also approved for use in cosmetic applications in the US and EU largely

as a result of its approved regulatory status as a food ingredient for chewing gum applications in these territories. Revolymer plans to commence the distribution of its lip balm through the Group's distribution channels used currently to market confectionery gum. In parallel, Revolymer is in discussions to license more broadly its REVCARE technology to larger cosmetics and personal care companies.

For further information on the regulatory aspects of the consumer specialties market, see paragraph 11.2 of this Part I below.

## **6. Market overview**

### **6.1 Gum**

#### *(a) Confectionery chewing gum market*

The global confectionery chewing gum market was valued at US\$18.3 billion in 2010 and grew at a CAGR of 3.4 per cent. between 2000 and 2010. The global confectionery gum market is forecasted to grow at a CAGR of 4.5 per cent. between 2011 and 2015 and to reach a value of US\$22.8 billion in 2015. The majority of the category is made up of sugar free gum, the balance comprising regular, bubble and functional gums. Europe (including Eastern Europe) accounted for 43 per cent. and North America 24 per cent. of this market in 2010 (source: Datamonitor).

#### *(b) Nicotine gum market*

The global NRT smoking cessation aids market totalled US\$2.4 billion in 2011, of which chewing gum contributed 54 per cent. or US\$1.3 billion. Other smaller categories include inhalers, lozenges and patches. Between 2006 and 2011 the global NRT gum market grew at a CAGR of 3.8 per cent. Europe (including Eastern Europe) accounted for 40 per cent. and North America 43 per cent. of this market in 2011 (source: Euromonitor).

### **6.2 Consumer specialties**

#### *(a) Coatings & adhesives*

The global flexible packaging market was valued at US\$53.1 billion in 2010 and grew at a CAGR of 4.7 per cent. between 2006 and 2010. The global flexible packaging market is forecasted to grow at a CAGR of 5.0 per cent. between 2010 and 2016 and to reach a value of US\$71.3 billion in 2016. Europe (including Eastern Europe) accounted for 36 per cent. and North America 23 per cent. of this market in 2010 (source: Pira International Ltd). Revolymer also includes the US\$13.1 billion general purpose cleaners market as part of its target market for coatings & adhesives, as referred to below.

#### *(b) Household products*

The global household products market was valued at US\$169.8 billion in 2010 and grew at a CAGR of 3.5 per cent. between 2000 and 2010. The global household products market is forecasted to grow at a CAGR of 3.6 per cent. between 2011 and 2015 and to reach a value of US\$202.5 billion in 2015. Europe (including Eastern Europe) accounted for 35 per cent. and North America 24 per cent. of this market in 2010. Within the household products market, textile washing products accounted for US\$54.7 billion, general purpose cleaners (which Revolymer includes in its coatings & adhesives business) US\$13.1 billion and dish wash products US\$12.4 billion in 2010 (source: Datamonitor).

#### *(c) Personal care*

The global personal care market was valued at US\$462.5 billion in 2010 and grew at a CAGR of 3.8 per cent. between 2000 and 2010. The global personal care market is forecasted to grow at a CAGR of 3.8 per cent. between 2011 and 2015 and to reach a value of US\$557.5 billion in 2015. Europe (including Eastern Europe) accounted for 38 per cent. and North America 22 per cent. of this market in 2010 (source: Datamonitor).

## **7. Chewing gum environmental considerations**

As described in paragraph 4.2.1 of the Expert's Report in Part III of this document, the environmental issues of chewing gum pollution and the economic costs of cleaning up chewing gum littering have grown in recent years, with specialist firms charging local authorities and other interested organisations considerable sums for cleaning services.

In the US it is estimated that in excess of 300,000 tons of chewing gum is sold each year, of which approximately 120,000 tons of cuds remain in the environment. Cleaning up all types of litter costs the US over US\$11 billion each year and gum contributes significantly to this.

In the UK, the 2005 Local Environmental Quality Survey of England reported that gum litter was present in 95 per cent. of areas surveyed in town centres and estimates suggest that 80 to 90 per cent. of chewing gum is not disposed of in any litter receptacle. Removing it has been estimated to cost between US\$0.7 and US\$2.4 per square metre, with a spend of approximately US\$240 million per year across the UK.

The market need for a removable or degradable chewing gum is not typically driven by the consumer, since a more environmentally mindful consumer will dispose of the gum responsibly, and therefore there is limited direct consumer demand for a removable or degradable gum. Nevertheless, Wrigley, the US's largest gum company, states that one of its most pressing sustainability challenges is the improper disposal of gum and the US's largest annual community improvement programme, the Great American Cleanup, has been sponsored by Wrigley for the last 11 years. In the UK, 2003 saw the formation of the Chewing Gum Action Group ('CGAG'), a joint initiative for local authorities aiming to change the behaviour of those who drop gum. Keep Britain Tidy, a member of CGAG, insists that gum manufacturers must also make every effort to alter the properties of gum, reducing the length of time for which it persists and making it easier for local authorities to clean up.

This issue has therefore been a growing concern for the chewing gum industry in the US, UK and worldwide.

## **8. Market participants and competition**

### **8.1 Gum**

#### *(a) Confectionery gum*

The global confectionery gum market is characterised by a small number of large participants marketing branded products, in particular Mars Incorporated which owns the Wrigley gum business (including brands such as Extra, Airwaves, 5, Orbit and Juicy Fruit) and the Kraft Foods group which owns the Cadbury gum business (including brands such as Trident, Dentyne, Stride and Chiclets).

In 2009, Datamonitor records that Wrigley and Cadbury had global shares of 47 per cent. and 27 per cent. respectively, followed by the Japanese Lotte group at 8 per cent. and the Italian Perfetti van Melle group at 7 per cent. Revolymer considers these industry participants to be both potential competitors and customers.

The Group continually reviews alternative degradable chewing gum approaches and believes that an alternative degradable gum on the market could expand the opportunities for Revolymer (whereby other manufacturers would seek a competing product, such as the Group's Rev7 polymer), in addition to it being a competitor.

The Directors understand that the major chewing gum producers, including Wrigley and Cadbury, have attempted to develop a degradable chewing gum. Wrigley holds a number of patents covering non-tack and degradable chewing gum and, in particular, Cadbury have a patent application and an on-going regulatory process in respect of a degradable gum containing the Gantrez SF copolymer.

Reading Scientific Services Ltd ("RSSL"), a Cadbury group company, submitted an application for EU approval for Gantrez SF as a novel food ingredient to the Dutch regulatory body in July 2008, and has

made nine subsequent updates. The Dutch regulatory body published an initial positive opinion on 14 July 2011. However, in this regulatory process the approval of all 27 member states of the EU is required. The UK is represented by the ACNFP, which has raised objections regarding gut microflora and requested further clarity on contaminants, among other questions. Whether questions have been raised by other member states at this time is not in the public domain. RSSL are required to reply on both objections and comments and no responses have been published to date, which implies that a response to ACNFP is still under preparation.

The Directors are not aware of any impending product launch from Wrigley or Cadbury in relation to these patents. Further discussion on competition within the confectionery gum market is detailed in paragraph 4.4 of Part III of this document.

*(b) Nicotine gum*

There are two major global brands in nicotine gum; Nicorette (to which the Directors understand GlaxoSmithKline has the marketing rights in the US and Johnson & Johnson has the marketing rights in the rest of the world) and Nicotinell (which is marketed by Novartis). Accordingly Johnson & Johnson brands contributed to 45 per cent. of the global market in 2011, with GlaxoSmithKline and Novartis contributing 19 per cent. and 14 per cent. respectively. Private label products contributed to 20 per cent. of the NRT gum retail value in 2011, equivalent to US\$256 million. Major participants in the private label segment include the Watson and Perrigo groups. (Source: Euromonitor International Limited).

Further discussion on competition within the nicotine gum market is detailed in paragraph 5.4 of Part III of this document.

## **8.2 Consumer specialties**

Significant global participants in the flexible barrier packaging markets include the Amcor, Bemis, Berry Plastics, Sealed Air, Bischof + Klein, Clondalkin, Constantia Packaging, Huhtamaki, Printpack and Sonoco groups. (Source: Pira International Limited).

Significant global participants in the household products markets include the Proctor & Gamble, Unilever, Reckitt Benckiser, Henkel, S C Johnson and Colgate Palmolive groups. Most of these participants are also active in the global personal care markets, as are additional large participants such as the L'Oreal, Revlon, Estée Lauder and Avon groups, particularly in the cosmetics field. (Source: Datamonitor).

Further discussion on competition within the food packaging and encapsulation technologies markets is detailed in, respectively, paragraphs 6.4 and 7.4 of Part III of this document.

Revolymmer considers all the industry participants described above to be both potential competitors and customers. Other than as described above, the Directors are not aware of any significant organisations applying polymer technology in a similar manner to the Group to improve their products, but understand that many industry participants, including those listed above, deploy significant resources and expertise internally to enhance the performance of their products. However, the Directors believe that the Group's technology is novel and proprietary (including being protected by patents and patent applications) and that there is significant potential for partnering with the larger participants in these markets. Nonetheless, the Directors believe that Revolymmer does and will continue to face competition from such participants.

## **9. Commercialisation strategy**

### **9.1 Overview**

Revolymmer aims to generate significant and growing high quality revenue streams from a relatively static and low cost base by licensing its unique technologies to manufacturers and marketers within the global high value FMCG industry. The Directors expect that such licence agreements could also provide



high-quality revenue streams based on royalties from product sales in addition to initial and subsequent milestone payments.

In addition to establishing conventional licences to its intellectual property for the purposes of commercialisation (a common approach in the pharmaceutical industry), Revolymer may in certain product categories (i) develop and market its own branded products in order to demonstrate consumer demand to prospective licensees; or (ii) produce private label products to be branded by its commercial partners. For example, Revolymer is currently generating revenues from product sales of its own branded removable and degradable “Rev7” confectionery chewing gum in the US, and is commencing sales of its private label nicotine replacement therapy chewing gum in Canada. The Directors believe that the ability to develop and commercialise these product offerings not only demonstrates consumer demand, but also may enhance the value of the licensable assets over the core intellectual property.

Compared to the pharmaceutical industry (where a licensing strategy has been practised by many of its participants for several years), the FMCG industries tend to be characterised by shorter and less costly product development timelines and lower regulatory hurdles prior to product launch. The Directors therefore believe that these characteristics offer the potential for reduced commercial risk compared to the pharmaceutical industry. Furthermore, because Revolymer is developing a portfolio of consumer products in parallel, it is not dependant on a single product being successfully partnered, further reducing commercial risk.

## **9.2 Gum**

### *(a) Confectionery gum*

In light of the confectionery gum market characteristics described above, Revolymer’s approach has been to seek to demonstrate that there is significant consumer demand for a branded product that has taste and chew characteristics in line with current leading marketed products, but which is differentiated by being removable and degradable, therefore addressing the significant environmental concerns relating to gum littering. Once this demand has been demonstrated, the Directors anticipate developing the Rev7 technology in partnership with significant players in the market.

Revolymer has therefore launched its own Rev7 branded gum in the US and is commencing the roll out of a similar product in the EU during 2012, specifically in Ireland, Germany and the UK. The Directors are not seeking to compete directly with the market leading brands, rather to demonstrate consumer interest as a catalyst for future partnering with such brands. The status of the execution of this strategy is summarised below.

Since confectionery gum is largely purchased as an “impulse buy”, a significant portion of the market is made up of sales by convenience stores. Accessing such stores through a pre-existing broker network that services them, Revolymer commenced direct product sales of its low adhesion and degradable Rev7 branded chewing gum in spearmint and peppermint flavours in the US in mid-2011. This product is sold as a foil blister pack of ten 1.8g coated square gums within a cardboard sleeve. The majority of revenue generated in 2011 was achieved by promotional sales (such as free standing floor and counter top shippers) that in general did not displace other products from in-store shelf space. At the start of 2012, however, Rev7 gum was planned “in line”, meaning it was stocked on shelf beside other confectionery gum brands, in over 450 convenience store chains, amounting to over 3,500 stores in the US.

During the second half of 2012, Revolymer expects to launch a similar Rev7 branded gum in the UK, Germany and Ireland. The German format is expected to be blister packed, whilst the UK and Irish product will be presented as a paper-wrapped stack or brick format of ten 1.2g coated pillow-shaped gums. Revolymer has sales agents contracted in the UK and Germany and aims to secure listings with the larger grocery multiples and other retailers in these countries. In Ireland, a service station group, Topaz Energy Group Limited, plans to stock the gum in more than 100 of its service stations. Commercial supply for the EU market is anticipated to be available early in the second half of 2012 from an external contractor, enabling the execution of the EU strategy.

As part of the Directors' strategy to licence its technologies, Revolymer has also awarded licences for its Rev7 technology in the field of confectionery gum to two commercialisation partners in the EU and globally and will receive royalties on partner net sales under these agreements.

*(b) Nicotine gum*

The Group's medicated chewing gum business is primarily focused on the nicotine replacement therapy chewing gum market. Whilst the global nicotine gum market contains some large leading brands such as Nicorette and Nicotinell, unlike the confectionery gum market there is also a significant private label component. For example, approximately half of the nicotine gum market in the US comprises private label products supplied by major market players such as the Watson and the Perrigo groups. Furthermore, the US is a large single market governed by consistent regulatory requirements administered by the FDA. For bioequivalent products, it is possible to utilise approved dossiers of existing market reference products, via an ANDA in order to reduce approval timelines and costs. The Directors consider that the significance of the private label market, the homogeneous regulatory environment and the potential for an abbreviated regulatory pathway offer Revolymer the opportunity to supply its Generation 2 nicotine gum as a private label product to wholesalers and retailers for their own branding. The Directors anticipate demand from retailers and consumers due to the advantages of its Generation 2 nicotine gums over current nicotine gum products, including improved texture and flavour.

In the US, Revolymer expects to file its Generation 2 ANDA within 12 months from Admission, assuming receipt of an Investigational Medicinal Products licence in 2012 to permit commencement of the bioequivalence study, which was contracted to a third party CRO in May 2012. This will facilitate the launch of the Company's US private label product by the end of 2015.

In Canada, where NRT gum is classified as a health product, the Group obtained approval for distributing its Generation 2 product from the Natural Health Products Directorate in July 2011. The Group accordingly anticipates the launch of its private label product in the second half of 2012, and has already established a logistics and sales and marketing infrastructure, and received orders from its first customer.

Revolymmer has also entered into a non-binding term sheet and is finalising a commercial contract with an OTC commercial partner in order to commercialise its Generation 2 product in other territories including India, Australasia and Central and Eastern Europe. Final agreement is conditional on Revolymer securing a lower cost nicotine gum manufacturer and initiating a bioequivalence study.

The Group has entered into a JDA with a global participant in the NRT market to develop a Generation 3 NRT chewing gum with the same benefits as Generation 2 but with reduced nicotine burn and accelerated nicotine release in order to satisfy consumer's nicotine cravings more rapidly. As this will be a new product requiring an extensive regulatory dossier, the Directors have adopted a more conventional partnering strategy and, if successful, anticipate launch of the product through its partner in 2015 or 2016, with the Group receiving royalties from product sales.

*9.3 Consumer specialties*

Revolymmer has adopted a conventional intellectual property licensing strategy within its consumer specialties business area.

In order to demonstrate the utility of its technology in new business areas, the Group has established a practice in certain markets of executing pre-licence JDAs with prospective partners as a route to royalty-bearing technology licences. Accordingly, where its polymer technology offers the potential to improve the performance of an existing consumer product, Revolymer has first sought to establish technical feasibility with prospective partners through these JDAs, structured such that the Group and partner work together in feasibility studies. Revolymer provides polymer expertise within such studies, with the partner providing product or application input. Revolymer typically retains any polymer inventions



arising but offers the partner a limited period of exclusivity to license these inventions in a specified field, and for offering such exclusivity it receives payments from the partner.

Within coatings & adhesives, Revolymer has entered into three JDAs with international partners to develop, respectively: a polymer-based laminated permeability barrier for flexible packaging materials; polymer-enhanced non-laundry cleaning formulations; and other impermeability applications.

Within household products, Revolymer has entered into three JDAs with international partners to develop encapsulated actives for improved performance in a range of domestic cleaning applications.

Within personal care, Revolymer is developing in-house a range of products utilising its moisture management and encapsulation technologies. From within this portfolio, the Directors are seeking direct licence opportunities with global brands. Revolymer has also developed its own branded lip balm, 'Hydrotherapy', and intends to launch this product into the US in the second half of 2012 using its existing established confectionery gum distribution channels to convenience stores. Depending on the US outcome, launch in the EU may follow.

Although the Directors believe that it would be unrealistic to expect all the external partnerships in consumer specialties to result in royalty bearing licences or profitable revenue streams, Revolymer is developing a portfolio of projects within consumer specialties that are being applied in markets of significant value offering the potential for a high quality and significant revenue stream from each successful licence.

## **10. Intellectual property portfolio**

### ***10.1 Patents***

The Group is aware of the importance of patent protection both for the defence of its core activities and for enhancing the commercial value of the technologies it identifies and develops.

The Group has regularly filed patent applications covering the materials it has invented, the compositions containing such materials, the processes for the preparation of such materials and compositions, as well as commercial applications and the uses of such materials. These patent filings contribute to the intellectual property portfolio the Group is developing for licensing out in the future.

Revolymmer has a portfolio of 11 filed patent families covering both currently commercialised and future applications of its technology. Eight of these patent families are published and are detailed in the table below. Two patent families are pending in the international phase, but are not yet published. A further unpublished patent application is pending in the priority year.

<i>Patent family topic</i>	<i>Application number</i>	<i>Earliest priority date</i>	<i>International filing date</i>	<i>Status</i>
Low stick chewing gum (polymer & gum)	PCT/GB2005/003176	12 August 2004	12 August 2005	Granted in EP, HK, CN, AU, JP, RU, SG and ZA Allowance indicated in US Pending in CA and IN
Chewing gum base (gum)	PCT/EP2008/052325	26 February 2007	26 February 2008	Pending in EP and US
Medicated gum (medicated gum)	PCT/EP2008/052326	26 February 2007	26 February 2008	Granted in ZA Pending in EP, AU, BR, CA, IN, JP, RU and US Allowance indicated in MX and NZ
Solvent free process for preparing amphiphilic polymers (process and polymers)	PCT/EP2008/063879	15 October 2007	15 October 2008	Pending in EP, CA, IN, JP and US
New amine ether copolymers (polymer & gum)	PCT/EP2008/066256	26 November 2007	26 November 2008	Pending in EP, and US
New graft amphiphilic copolymers (polymer & gum)	PCT/EP2008/066257	26 November 2007	26 November 2008	Pending in EP, BR, CA, CN, IN, JP, RU and US
Bleach activator composite (home care)	PCT/GB2010/002007	28 October 2009	28 October 2010	Pending in AU, BR, CA, EP and US
Cosmetic composition (personal care)	PCT/GB2010/002193	27 November 2009	27 November 2010	Pending in AU, BR, CA, CN, EP, JP, KR, MX, RU and US

Key: AU = Australia; BR = Brazil; CN = China; EP = European; HK = Hong Kong; IN = India; JP = Japan; KR = Korea; MX = Mexico; NZ = New Zealand; RU = Russia; SG = Singapore; US = United States; and ZA = South Africa.

To date, no objections have been made by third parties against the Group's patent applications or patents. The Group has not received any notification from third parties that its products infringe any third party rights and neither has it had cause to notify any third party of infringement of its own intellectual property rights. The Group is not aware of any valid and enforceable third party patents which it might infringe in commercialising its existing technology.

Further information on the Group's patents and intellectual property strategy are detailed in Part IV of this document.

## **10.2 Trade marks**

The Group has a portfolio of national and international trade marks including three logos (the 'Revolymmer', 'R' and 'Rev7' logos) and a number of trade mark words. All of the trade marks that the Group uses are either existing trade mark registrations or pending trade mark applications.

Further information on the Group's trade marks and trade mark applications are detailed in paragraph 9 of Part IV of this document.

### **10.3 Further research and development**

The Group is committed to the on-going research and development of Revolymer's existing and new product lines. This could lead to further patent and trade mark development.

## **11. Regulatory environment**

Revolymmer seeks to develop its proprietary technology for use in the high value FMCG markets. The Directors consider that these markets tends to have shorter and less costly product development timelines and lower regulatory hurdles than pharmaceutical products. Nevertheless, the Group retains an in-house regulatory team, including quality assurance, control and analytical personnel, in order to obtain and comply with regulatory approvals in respect of its products in a number of territories.

### **11.1 Gum**

#### *(a) Confectionery gum*

In order to market confectionery chewing gum containing the Rev7 polymer, this polymer requires approval for use as a food or food ingredient, which the Group has received in the EU and US.

Revolymmer received its novel food approval from the European Commission (following a positive opinion from the EFSA) on 21 December 2011. Within the United States, the Group completed a self affirmed GRAS submission in 2008, and further sought that the Rev7 polymer safety assessment be notified to the FDA who reviewed the information and reported that they had no further questions. The FDA notification was completed and published online in the GRAS Notice Inventory with number GRN 374 during August 2011, thus providing more transparent evidence of approval to prospective third party partners and licensees.

Further regulatory submissions will be required prior to launching Revolymer's confectionery chewing gum into other territories. However, the Directors are confident such approvals will be available when required, in the light of the EU and US approvals.

#### *(b) Nicotine gum*

Nicotine is a pharmaceutical active ingredient and the manufacture and marketing of nicotine gums is therefore strictly regulated. Regulatory processes for new nicotine containing products are typically simplified if bioequivalence can be established to an approved reference product. The Group is currently adopting this approach in the US as the Generation 2 in vitro nicotine release profile is thought by the Directors to match that of the market reference brand, Nicorette, and Revolymer is compiling an ANDA in order to seek approval of the product as a generic pharmaceutical in the US, thereby significantly reducing the time and cost to develop the product to market. As part of this process the Group has contracted a CRO to perform a bioequivalence study, and plans to file its ANDA within 12 months from Admission, assuming receipt of an Investigational Medicinal Products licence in 2012 to permit commencement of the bioequivalence study. The Group will seek to adopt a similar approach in other geographic territories such as Europe although in this case it is possible to gain approval country by country without every single country having to agree before the product can be sold.

Furthermore, Revolymer has already gained regulatory approval to market its Generation 2 product in Canada. This approval was granted in June 2011 by the NHPD in light of nicotine gums falling under regulation as a natural health product and not a pharmaceutical product in Canada.

Approvals within the EU for the Generation 2 gum will require the submission of a marketing authorisation application using comparable information and clinical trials as disclosed in the ANDA. Due to the costs involved, the Directors expect to pursue this activity in conjunction with partners, utilising relevant extracts from the Group's bioequivalence study once completed.

The Group's accelerated nicotine release Generation 3 gum is not bioequivalent to reference products and will therefore require additional supporting documentation for each jurisdiction where approval is sought, potentially including the submission and approval of full regulatory dossiers. Generation 3

gums are therefore currently planned for development in partnership with a large industry player with the capability to undertake such a development and commercialisation programme and, if successful, will result in licence income in the medium term.

### ***11.2 Consumer specialties***

Regulatory requirements shall be assessed for each consumer specialty product during development, in consultation with the Group's licensees where appropriate. However, Revolymer anticipates limited requirements for regulatory approvals of these products, especially where such products are not for human consumption.

In the cosmetics field, the prior approval of Rev7 as a food ingredient in the EU and US has significantly reduced the additional studies required for approval of its use in lip care products.

In the US there is no requirement for pre-market launch approval of cosmetic products, including the Group's lip balm. Cosmetics firms are responsible for substantiating the safety of their products and ingredients before marketing, and to this end Revolymer is utilising the data from the Rev7 EU Product Information File as evidence of safety. Routine regulatory compliance for packaging and labelling of the product in the US is also required and understood by Revolymer.

Prior to launch of its lip balm in Europe, Revolymer is required to produce and maintain a Product Information File (including a safety assessment on all ingredients) on the product pursuant to the Cosmetics Directive. The Rev7 polymer was successfully included in a safety assessment for a lipstick product under the previous revision of the Directive. Furthermore, polymers are exempt from REACH in the EU. Routine regulatory compliance for packaging and labelling of the product in the EU is also required and understood by Revolymer.

## **12. Manufacturing**

Revolymer aims to use commercially available chemical ingredients to produce its proprietary polymers. The Group's 'proof of concept' and other early stage products have typically been manufactured in its own facilities where it has the capability to manufacture at laboratory scale. Once commercial scale supply is required, Revolymer seeks to outsource manufacture to appropriate CMOs which have the appropriate expertise and infrastructure, including capital plant and equipment. The Rev7 polymer is currently being commercialised in a number of products and the Group has licensed its intellectual property relating to Rev7 manufacture to a specialist CMO, which is contractually restricted to supplying Rev7 solely to Revolymer. In this way the Group can control the supply of Rev7 (and in the future its other proprietary polymers) to its commercial partners and licensees. To date, 31 tonnes of Rev7 polymer has been manufactured by or on behalf of the Group.

To date, all of Revolymer's confectionery and nicotine chewing gum has been commercially manufactured by specialist chewing gum CMOs under similar contracts, thereby solely restricting its supply to Revolymer. Currently, the Group has engaged a CMO for the manufacture of confectionery gum for the US, which has manufactured 61 tonnes of gum to date for Revolymer. The Group is negotiating with a CMO for the manufacture of its EU confectionery gum and has also contracted an appropriately qualified CMO to manufacture its Generation 2 nicotine gum for initial launch in Canada. The Directors will continue this strategy for future products.

Revolymer anticipates that as demand grows and scale increases, contract manufacturing within lower cost territories, such as India, may become cost effective and certain of the Group's licensees may also seek to acquire the rights to manufacture Revolymer's polymers or products as a part of partnering arrangements.

### 13. Current trading and prospects

Since commencing commercial operations in 2005, Revolymer has devoted substantially all of its financial resources to product development and commercialisation and has been loss making (as reflected in its historic financial statements), funded primarily by private placements of shares with specialist private equity investors.

However, in 2011 Revolymer commenced sales of its Rev7 confectionery chewing gum in the US and expects to launch similar products in the EU (specifically the UK, Ireland and Germany) during the remainder of 2012 and in 2013. The Group also expects to announce the grant of commercialisation licences of its technology to larger third parties in the near to medium term, ahead of receiving licence income including royalties under the terms of such licences in the medium term.

The Group accordingly aims to achieve profitability within the medium term through the further development and commercialisation of its portfolio of products in partnership with larger organisations in the FMCG industry. The Directors believe that commercial success in a limited number of Revolymer's product areas should be sufficient to achieve this objective.

### 14. Historical financial information

The financial information set out in the table below has been extracted from the historical financial information of Revolymer included in Part V of this document and unaudited management accounts. Shareholders should read the full historical financial information in Part V of this document and not rely solely upon the summary below. The 12 months ended 31 December 2011 and 12 months ending 31 December 2010 have been subject to audit. The 4 month period to 30 April 2012 represents an extraction from the Group's management accounts and has not been subject to audit.

	<i>4 months to 30 April 2012 (unaudited)</i>	<i>4 months to 30 April 2011 (unaudited)</i>	<i>12 months to 31 December 2011 (audited)</i>	<i>12 months to 31 December 2010 (audited)</i>
<i>£000s</i>				
Product sales	96	24	150	5
Gross profit/(loss)	41	14	84	(1)
Other operating income	58	145	505	190
Loss for the period before tax	(1,356)	(1,395)	(3,925)	(4,307)
Loss for the period	(1,356)	(1,395)	(3,925)	(4,307)

The unaudited financial results for the Group for the six month period ended 30 June 2012 are expected to be announced by 28 September 2012.

### 15. Directors, Proposed Director and senior management

Brief biographies of the Directors and senior management of the Group are set out below. Paragraph 4 of Part VI of this document sets out further details of current and past directorships and certain other important information regarding the Directors.

#### ***Directors***

##### *John (Jack) Michael Keenan (aged 75) – Non-executive Chairman*

Jack joined the Board on 2 July 2012 but has been a Non-executive Director of Revolymer UK since January 2008. Jack is the Chairman of the Company and has extensive industry and capital markets experience, having been Chairman and CEO of Kraft Foods International and CEO of the business that is now Diageo Plc. He has served as an Executive Director on the Diageo and Moët Hennessey boards, and as a Non-executive Director on the boards of Marks & Spencer Plc, Tomkins Plc, The Body Shop International and General Mills, Inc. The principal clients of his current consulting business, Grand Cru Consulting, are Oaktree Capital Management, where he is a senior advisor, and the Stock Spirits Group SARL, which he chairs. Jack is a Director of National Angels Ltd, a theatre production company that

has produced *History Boys* and *War Horse* in the West End together with the National Theatre. Jack has been patron of the Centre for International Business and Management at Judge Business School for eight years. He graduated from Tufts University with honours and has an MBA from Harvard. He is a resident of the United Kingdom.

*Dr Roger Bruce Pettman (aged 56) – Chief Executive Officer*

Roger joined the Board at its incorporation on 10 April 2012 and was the founder of Revolymer UK in October 2005. He is the CEO of the Company and was previously co-founder of ChiRex, a contract manufacturing organization in the chemical and pharmaceutical industry that executed an IPO out of its parent business Sepracor in 1996. When acquired by Rhodia in 2000, ChiRex had approximately \$150 million in revenues from more than 75 customers and had 620 employees in four facilities globally. Roger subsequently held senior positions with Rhodia and Bayer before co-founding InnoTune LLC, which specialised in the corporate and strategic turnaround of biotechnology companies. Roger has a BSc and PhD in Chemistry from Sheffield University and was a NATO Postdoctoral Fellow at Stanford University.

*Robin (Rob) James Scott Cridland (aged 44) – Chief Financial Officer*

Rob joined the Board at its incorporation on 10 April 2012. He is Chief Financial Officer and Company Secretary and joined Revolymer UK in September 2008 from Renovo Group plc where he spent seven years, most recently as Executive Director of Finance and Business Development. He was part of the management team that successfully took the company from a start-up organisation through to IPO on the Official List in London, and executed a significant licence of its lead drug to, and equity investment by, the Shire Pharmaceuticals group. He began his career at Coopers & Lybrand Deloitte, before moving on to senior transactional roles at Enskilda Securities and senior finance roles at GlaxoWellcome and GlaxoSmithKline. Rob has an MA from the University of Oxford and is a Fellow of the Institute of Chartered Accountants in England and Wales.

*Michael (Mike) Charles Nettleton Townend (aged 49) – Non-executive Director*

Mike joined the Board on 2 July 2012 and has been the representative of IP2IPO Services Limited, which has been the corporate director of Revolymer UK since February 2006. He has 17 years' experience in all aspects of equity capital markets and investment processes. He is currently Chief Investment Officer of IP Group plc, having previously served as Head of Capital Markets for four years. Mike joined IP Group plc from Lehman Brothers where he was Managing Director of European Equities and Head of Equity Sales to Hedge Funds. Mike was also a key member of the senior relationship management program. Prior to this, he was an Executive Director at Donaldson, Lufkin and Jenrette with responsibility for building the Bank's business with hedge funds and alternatives. Mike has sourced, co-led or led numerous private and public transactions. Mike is the IP Group plc representative on the boards of Modern Water plc and Evocutis plc and also a non-executive director of Green Urban Transport Ltd.

*Robert Milton Frost (aged 44) – Non-executive Director*

Robert joined the Board on 2 July 2012. Robert is a senior advisor to Naxos UK and prior to joining Naxos, he was a Managing Director in charge of the London office of Allianz Capital Partners GmbH and instrumental in the development of its private equity, mezzanine and infrastructure activities. Prior to this, Robert was part of the founding team of Nikko Principal Investments Limited and was part of the original Nomura Principal Finance Group. Robert has an MBA from the London Business School, more than 17 years of private equity experience and has board level responsibility with several companies internationally.



### ***Proposed Director***

#### *Julian Spenser Heslop (aged 58) – Independent Non-executive Director*

Julian has agreed to join the Board upon Admission on 10 July 2012. Julian served as Chief Financial Officer of GlaxoSmithKline plc (“GSK”) between April 2005 and March 2011 where he was responsible for activities such as financial reporting and control, tax and treasury, finance systems and insurance. He was also Chairman of ViiV Healthcare Limited until March 2011. He served as Senior Vice President, Operations Controller of GSK between January 2001 and March 2005 and as Financial Controller of Glaxo Wellcome plc from April 1998 to December 2000. Prior to this, Julian had senior finance roles at Grand Metropolitan plc and Imperial Brewing and Leisure. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

The Board intends to identify and appoint an additional independent Non-executive Director in the near term. The individual is expected to have strong and relevant technical and commercial experience with which to help contribute towards the development of Revolymer.

### ***Senior management***

#### *Dr. David Pears (aged 51) – Chief Technical Officer*

David joined the Group in January 2008. David has over 25 years’ experience in research and development within the specialty chemicals and polymer industries operating within the coatings, FMCG, household products, printing and pharmaceutical sectors. He has held senior positions at ICI Chemicals and Polymers, Zeneca, Neoresins and Avecia. David was a co-founder and the Chief Technical Officer of Reaxa Limited. David has a PhD in Organic Chemistry from Sheffield University.

#### *Chris Tamillo (aged 50) – Commercial Vice President*

Chris joined the Group in March 2010. Chris has over 25 years’ experience in the consumer packaged goods food industry, including senior sales and marketing positions at FritoLay, Spitz Sunflower Seeds (which was acquired by FritoLay), Jack Links and Presto Foods. Chris has a BSc from the University of Louisville. Chris has held advisory and board positions with leading US industry associations including National Automatic Merchandising Association, National Association of Convenience Stores and American Wholesale Marketers Association.

#### *Terence Cosgrove (aged 63) – Chief Scientific Adviser*

Terence joined the Group in October 2005, co-founding the Company with Roger Pettman based on the technology he developed at the University of Bristol. Terence is retained as a consultant by the Group on a part time basis. Terence commenced his academic career at Manchester University, subsequently becoming a world expert in polymer chemistry and is currently the Leverhulme Professor of Chemistry at the University of Bristol. He is the author of over 250 papers, books and patents, principally in the fields of adsorption and diffusion of polymers, and has given a substantial number of academic and industrial lectures, both nationally and internationally. He has acted widely as a consultant.

## **16. Corporate governance**

The Directors and the Proposed Director recognise the importance of, and are committed to, high standards of corporate governance. Although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, the Directors and the Proposed Director intend to apply the principles as they consider appropriate to a group of Revolymer’s size, taking into account the recommendations contained in the QCA Guidelines.

The Board will be enhanced by the appointment of Julian Heslop as an additional Non-executive Director with effect from Admission. Following Admission, the Board will comprise six directors, two executives and four non-executives, and reflects a blend of different experience and backgrounds. The roles of Chairman (which is a non-executive position) and Chief Executive have been split by the Board and there is a clear division of responsibility between the two. The Board considers Jack Keenan and,



when he joins the Board, Julian Heslop to be independent in character and judgement notwithstanding Jack Keenan's shareholding and options in the Group.

The Company has established an Audit Committee that, with effect from Admission, will be initially comprised of Jack Keenan, Robert Frost and Julian Heslop. It is intended that Julian Heslop will be the Chairman of the Committee. The Audit Committee will meet at least twice a year and is responsible for reviewing the integrity of the financial statements of the Group, the Group's compliance with legal and regulatory requirements, and the adequacy and effectiveness of the Group's internal financial controls and risk management processes including the extent to which internal audit review is required. It will review the external auditors' performance and independence and make recommendations to the board on the appointment of the auditors.

The Company has established a Remuneration Committee that, with effect from Admission, will be initially comprised of Jack Keenan and Julian Heslop, of which Jack Keenan will be the initial Chairman of the Committee pending the appointment of the new Non-executive Director referred to above. The Committee will meet at least twice a year and is responsible for determining and reviewing with the board the policy for the remuneration of the executive directors and such other members of the executive management it is designated to consider. Within the terms of the agreed policy, it shall determine the total individual remuneration of the executive directors. The Committee shall also approve the design of, and determine targets for, any performance related pay schemes, review the design of any share incentive plans, determine the awards to the executive directors and determine the policy for, and scope, of pension arrangements for each executive director.

Finally, the Company has established a Nominations Committee that, with effect from Admission, will be initially comprised of Jack Keenan and Julian Heslop, of which Jack Keenan will be the Chairman of the Committee. The Committee will meet at least once a year and is responsible for reviewing the structure, size and composition of the board and recommending to the board any changes required, for succession planning and for identifying and nominating for approval of the board candidates to fill vacancies as and when they arise. The Committee is also responsible for reviewing the results of the board performance evaluation process and making recommendations to the board concerning suitable candidates for the role of senior independent director and the membership of the board's committees and the re-election of directors at the annual general meeting.

The Board will comply with Rule 21 of the AIM Rules relating to directors' dealings and will also take all reasonable steps to ensure compliance with that rule by the Group's applicable employees. The Company has adopted a code on dealing in securities of the Company and will take all reasonable steps to ensure compliance by the Directors and the Proposed Director and relevant employees in due course.

The Board will hold regular meetings at which financial and other reports will be considered and, where appropriate, voted on.

#### **17. Reasons for the Placing and use of proceeds**

The Directors consider that Admission will be an important step in the Group's development, will enhance its profile and standing within its market place and could assist the growth of its business. In general, broadening the Group's capital base through flotation on AIM gives the Group the capacity, if required, to raise additional capital to support its strategic objectives as suitable opportunities arise.

Admission is also expected to strengthen the Group's position in negotiating and executing commercialisation agreements with potential partners, provide liquidity for existing investors through the ability to buy and sell Ordinary Shares and offers the potential for a more diversified shareholder base.

The Directors believe that Admission will also provide opportunities for the Group to attract, retain and incentivise high calibre employees.

The Placing will raise up to approximately £23.2 million (net of expenses) which is currently intended to be used for the following purposes:

- approximately £5.9 million to expand the distribution of Revolymer's confectionery gum products in the United States and into Europe, including providing promotional support as well as seeking commercialisation licences;
- approximately £8.6 million to fund the preparation and submission of regulatory dossiers in connection with the Group's application for approval of its nicotine gum, in particular in the US, and other commercial activity in the nicotine gum business area; and
- approximately £8.7 million to fund the development of its consumer specialties products, including in combination with commercial partners, as well as seeking commercialisation licences.

Pending these uses, the Directors intend to hold the net proceeds of the Placing in cash deposits or invest them in short-term, interest-bearing investment grade securities.

The Directors believe that a solid platform for growth has been achieved, and that the funds available to Revolymer from the Placing will enable the Group to continue to grow and support the development of its portfolio of unique products.

## **18. The Placing**

Pursuant to the Placing, the Company is issuing 25,000,000 Placing Shares representing 47.2 per cent. of the Enlarged Issued Share Capital following the Placing. At the Placing Price, the Placing will raise approximately £23.2 million (net of expenses) for the Company.

Panmure Gordon has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place the Placing Shares with institutional and other investors. The Placing is not being underwritten.

The Placing Shares rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

In order to protect the Company's VCT and EIS status, the Placing will be effected in three tranches. The EIS Placing Shares will be offered to those investors seeking to invest in an EIS, the VCT Placing Shares will be offered to those investors who may seek relief under the VCT legislation and the remaining Placing Shares will be offered to those investors who are not seeking to invest in an EIS or obtain relief under the VCT legislation.

The EIS Placing and the VCT Placing are conditional upon the Directors delivering a certificate to Panmure Gordon confirming that they expect Admission to occur at 8.00 a.m. on the following day and the Placing Agreement otherwise becoming unconditional in all other respects, save for the conditions relating to Admission. Such conditions having been satisfied, the EIS Placing Shares and the VCT Placing Shares will be issued to investors on the Business Day prior to Admission.

The Placing (other than the EIS Placing and the VCT Placing) is conditional upon the EIS Placing and the VCT Placing each having occurred, Admission becoming effective and the Placing Agreement otherwise becoming unconditional in all other respects by 10 July 2012, or such later date (being no later than 31 August 2012) as the Company and Panmure Gordon may agree.

None of the Placing Shares has been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. The market capitalisation of the Company immediately following the Placing, at the Placing Price, will be approximately £53.0 million.

The issue of the Placing Shares represents a dilution of 47.2 per cent. for existing Shareholders not participating in the Placing.

Further details of the Placing Agreement are set out in paragraph 17.1 of Part VI of this document.

## **19. Admission, settlement and dealings**

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence at 8.00 a.m. on 10 July 2012. This date and time may change.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Group has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

CREST is a voluntary system and the holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

All Placing Shares will be issued payable in full at the Placing Price. It is intended that, if applicable, definitive share certificates in respect of the Placing Shares will be distributed by 17 July 2012 or as soon thereafter as is practicable. No temporary documents of title will be issued.

## **20. The Takeover Code**

At Admission, the City Code on Takeovers and Mergers will apply to the Company. Under Rule 9 of the City Code on Takeovers and Mergers, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent., but does not hold shares carrying more than 50 per cent., of the voting rights of a company and such person, or any persons acting in concert with him, acquires an interest in any other shares in the company which increases the percentage of shares carrying voting rights in which he is interested, such person would normally have to extend a general offer to all shareholders to acquire their shares for cash at not less than the highest price paid by him, or parties acting in concert with him, during the 12 months prior to the announcement of the offer.

Shareholders should note, that with effect from Admission, IAML will hold 16,049,000 Ordinary Shares, representing 30.27 per cent. of the Company's voting rights. Therefore following Admission, IAML will be interested in shares carrying 30 per cent. or more of the Company's voting share capital but will not hold shares carrying more than 50 per cent. of such voting rights and any further increase in that interest in shares will be subject to the provisions of Rule 9 of the City Code on Takeovers and Mergers.

## **21. Lock-in Agreements and Orderly Market Agreements**

Each of the Directors, IP Group, IP Venture Fund, Swarraton Partners (comprising Swarraton Partners LLP and Swarraton Partners (Nominees) Limited) and Naxos Capital Partners SCA Sicar (together the "Lock-in Covenantors") holding, in aggregate, 50.23 per cent. of the Existing Ordinary Shares and 32.90 per cent. of the Enlarged Issued Share Capital, has undertaken in the Lock-in Agreements to the Company and Panmure Gordon not to dispose of the Ordinary Shares or any other securities issued in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) held by each of them (and their connected persons) at Admission at any time prior to the date being 12 months from the date of Admission (the "Lock-in Period").

Each of the Lock-in Covenantors has also undertaken in the Lock-in Agreements to the Company and Panmure Gordon not to dispose of for the period of 12 months following the expiry of the Lock-in Period otherwise than through Panmure Gordon the Ordinary Shares or any other securities issued in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) or held by each of them (and their connected persons) at Admission.

Each of the Senior Managers holding, in aggregate, 2.81 per cent. of the Existing Ordinary Shares and 1.48 per cent. of the Enlarged Share Capital, has undertaken in the Orderly Market Agreements to the

Company and Panmure Gordon not to dispose of at any time prior to the date being 12 months from the date of Admission otherwise than through Panmure Gordon the Ordinary Shares or any other securities issued in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) held by each of them (and their connected persons) at Admission.

Further details of these arrangements are set out in paragraphs 17.2, 17.3 and 17.4 of Part VI of this document.

## **22. Share Schemes**

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and has established the Share Schemes, further details of which are set out in paragraph 8 of Part VI of this document.

The Share Plan has two sections: Part A dealing with enterprise management incentive options (the “Revolmer Enterprise Management Incentive Plan 2012”) and Part B dealing with unapproved options (the “Revolmer Unapproved Share Option Plan 2012”).

In connection with the acquisition of Revolmer UK by the Company, certain Directors and employees of the Group and certain persons who are not such directors or employees will be offered the opportunity after Admission to exchange their existing options over shares in the capital of Revolmer UK for options over Ordinary Shares. Such options will be granted under the Share Plan and will be exercisable from the date of the grant. To the extent that the market value of the shares under the options is within the relevant HMRC limits and the option holder satisfies the relevant working time requirements the options will be granted as EMI Options. EMI Options have a favourable tax treatment for employees. Where the limits have been exceeded or the option holder does not satisfy the working time requirement the options will be in the form of Unapproved Options.

Details of such options are set out in paragraph 3.17 of Part VI of this document.

The Company has adopted the LTIP pursuant to which it may award EMI Options, Unapproved Options, performance share awards and share awards jointly owned with the trustee of any employment benefit trust established by the Company.

Save as set out in paragraph 3.17 of Part VI of this document, the Company does not intend to grant any further options under the Plan or make any awards under the LTIP in connection with Admission but instead the Remuneration Committee will consider further grants of options in due course.

## **23. Dividend policy**

The Company is primarily seeking to achieve capital growth for Shareholders. It is the Board’s intention during the current phase of the Group’s development to retain future distributable profits from the business to the extent any are generated. Neither the Company nor any other member of the Group have declared or paid any dividend since the date of their respective incorporations. The Directors do not anticipate declaring any dividends in the foreseeable future but may recommend distributions at some future date depending upon the generation of sustainable profits when it becomes commercially prudent to do so.

## **24. Taxation**

Information regarding certain taxation considerations for corporate, individual and trustee shareholders in the United Kingdom is set out in paragraph 15 of Part VI of this document. These details are, however, intended as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

### **24.1 VCT Scheme**

The Directors have received advance assurance from HMRC that the Company will be a “qualifying holding” for the purposes of investment by VCTs subject to the enactment of the VCT provisions contained in the Finance (No.4) Bill 2012.

The changes to the venture capital schemes legislation contained in the Finance (No.4) Bill 2012 introduced into Parliament on 29 March 2012 have not yet come into effect. The current venture capital schemes legislation will therefore apply on the date of Admission. As a result, on the date of Admission the Company will only be able to raise funds from VCT investors using funds which VCT investors had raised or been deemed to have raised prior to 6 April 2007.

There is, however, a risk of the EU overriding the existing UK law for issues prior to Royal Assent but after 5 April 2012 where there is a fundraising outside the current limits regardless of when a VCT raised its funds.

At this time there is uncertainty over the extent of the risk and any potential penalties that might be forthcoming should VCTs invest more than the current limits.

The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Ordinary Shares being held as a “qualifying holding” for VCT purposes throughout the period of ownership.

Neither the Company nor the Directors give any warranty, representation or undertaking that any VCT investment in the Company will remain a qualifying holding.

#### **24.2 EIS**

The Directors have received advance assurance from HMRC that it would be able to authorise the Company to issue certificates under section 204 of the Income Tax Act 2007 in respect of ordinary shares issued to individuals, following receipt from the company of a properly completed compliance statement (EIS 1 form) within the prescribed time limit stipulated in section 205(4) of the Income Tax Act 2007

The changes to the EIS legislation contained in the Finance Act (No.4) Bill 2012 introduced into Parliament on 29 March 2012 have not yet come into effect. The current EIS legislation will therefore apply on the date of Admission.

The continuing status of the Ordinary Shares as qualifying for EIS purposes will be conditional on the qualifying conditions being satisfied throughout the relevant period of ownership.

Neither the Company nor the Directors give any warranty, representation or undertaking that any investment in the Company by way of EIS shares will remain a qualifying investment for EIS purposes.

EIS eligibility is also dependent on a Shareholder’s own position and not just that of the Group. Accordingly, prospective investors should take their own advice in this regard.

#### **25. Selling and transfer restrictions**

The distribution of this document and the Placing in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute an offer to buy any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering for sale of the Ordinary Shares, or possession or distribution of this document or any other offering or publicity material relating to the Ordinary Shares, in any country or jurisdiction where action for that purpose is required, other than in the United Kingdom. The Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisements in connection with the Ordinary Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulation of any such country or jurisdiction.



### **25.1 United Kingdom**

In the UK, members of the public have not been invited to participate in and are not eligible to take part in the Placing. Invitations to participate in the Placing have been limited at all times (i) to persons reasonably believed by the Company to be investment professionals within the meaning of paragraph (5) of Article 19, or to be certified high net worth individuals within the meaning of paragraph (2) of Article 48 or to be high net worth companies or unincorporated associations within the meaning of paragraph (2) of Article 49, or to be certified sophisticated investors within the meaning of paragraph (1) of Article 50, or to be self-certified sophisticated investors within the meaning of Article 50A, of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (S1 2005/1529) and (ii) to persons who are qualified investors within the meaning of section 86(7) of Financial Services and Markets Act 2000.

No Ordinary Shares have been offered or sold or will be offered or sold to persons in the UK prior to publication of this document except in circumstances which have not resulted in an offer to the public in the UK within the meaning of section 102B of the FSMA.

### **25.2 Overseas investors**

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any Placing Shares (i) in any jurisdiction in which such offer, invitation or solicitation is not authorised; (ii) in any jurisdiction in which the person making such offer, invitation or solicitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer, invitation or solicitation or invitation. The distribution of this document and any accompanying documents, and the offer of the Placing Shares may be restricted by law. Persons into whose possession this document and any accompanying documents come must therefore inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, no document may be distributed, forwarded to or transmitted in, into or from the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland or to any US person. Any person within the United States and any US person who obtains a copy of this document must disregard it.

No public offering of the Placing Shares is being made in any jurisdiction. No action has been or will be taken by the Company or Panmure Gordon that would permit the offer of the Placing Shares or possession or distribution of this document or any accompanying documents in any jurisdiction where action for that purpose is required.

The offer of the Placing Shares has not been, nor will they be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. In addition, the Company has not been, and will not be, registered under the Investment Company Act, and investors will not be entitled to the benefits of that Act. The Placing Shares may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, any US person. In connection with the Placing, the Placing Shares are being offered and sold only outside the United States to, and for the account or benefit of, non-US persons in “offshore transactions” within the meaning of, and in reliance on the exemption from registration provided by, Regulation S under the Securities Act.

## **26. Further information**

Your attention is drawn to the further information set out in Parts II to VI of this document, including the risk factors set out in Part II. You are advised to read the whole of this document.

## PART II

### RISK FACTORS

The Directors believe that an investment in the Ordinary Shares may be subject to a number of risks. Shareholders and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Group, including in particular the risks described below (which are not set out in any order of priority), before making any investment decisions. The information below does not purport to be an exhaustive list and additional risks and uncertainties not presently known to the Directors, or considered immaterial by the Directors, may also adversely affect the Group's business, results of operations or financial condition. Shareholders and prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this document and their personal circumstances.

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. Prospective investors are advised to consult an independent adviser authorised under the Financial Services and Markets Act 2000.

If any of the following risks relating to the Group were to materialise, the Group's business, financial condition and results of future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of its investment. Additional risks and uncertainty not presently known to the Directors, or which the Directors currently deem immaterial, may also have a material adverse effect upon the Company or the Group.

In addition to the usual risks associated with an investment in any company, the Directors consider the following risk factors to be significant to potential investors.

#### **General risks**

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

#### **Risks relating to the Group**

##### *Early stage of operations*

Whilst the Group has made initial sales of its products, Revolymer is still at an early stage of commercial development. There are a number of operational, strategic and financial risks associated with early stage companies. Revolymer faces risks frequently encountered by early stage and pre-revenue companies looking to bring new products to the market. In particular, its future growth and prospects will depend on its ability to develop products which have broad commercial appeal, to secure commercialisation partnerships on appropriate terms, to manage growth and to continue to improve operational, financial and management information, quality control systems and its commercialisation



function on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to improve operational, financial and management information and quality control systems in line with Revolymer's growth could have a material adverse effect on Revolymer's business, financial condition and results of operations.

Furthermore, Revolymer's own label products are at an early stage of commercialisation and the Group may not have an adequate budget to support the marketing of those products to achieve market acceptance, market penetration and sales of those products in commercial volumes.

There can be no certainty that Revolymer will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Group or at all. The development of the Group's revenues is difficult to predict and there is no guarantee that the Group will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated and faces the risks frequently encountered by developing companies. The risks include uncertainty as to which areas to target for growth. There can be no assurance that the Group's proposed operations will be profitable or produce a reasonable return, if any, on investment.

### *Commercialisation*

The Group has and will continue to enter into arrangements with third parties in respect of the development, production, marketing and commercialisation of its products where appropriate. Revolymer's principal route to commercialisation is expected to be through partnerships with market-leading companies in particular applications. Revolymer does not intend to operate large-scale direct sales organisations other than in order to demonstrate consumer demand to prospective partners to improve its position in negotiating commercialisation partnerships. This commercialisation strategy may result in commercialisation parties demanding higher margins than may be the case with traditional distribution arrangements but the Directors believe that the strategy has the potential to reduce risk by protecting Revolymer from having to incur significant direct sales and marketing expense and by utilising the established commercial footprint of potential future partners.

Revolymer's long-term success will depend both on its ability to enter into commercialisation partnerships and on its negotiation of appropriate terms for any future partnerships. Furthermore, Revolymer's negotiating position in agreeing terms for commercialisation may be affected by its size and limited cash resources relative to potential commercialisation partners with substantial cash resources and established levels of commercial success. An inability to enter into such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to reduced milestone and royalty payments and/or delays in the Group's product development and/or commercialisation plans and this may have a significant adverse effect on the Group's business, financial condition and results.

The results of any research and development undertaken with a partner under a JDA may not meet the required specifications or expectations of that partner or be successful, attractive or acceptable in consumer trials. Accordingly, there can be no assurance that any of the JDAs or other cooperation with the Group's partners will result in a continuing partnership on favourable terms or at all, or in a licensing arrangement with those partners on favourable terms or at all, and that the Group will achieve any revenue, profitability or cash flow from such activities.

The loss of, or changes affecting, Revolymer's relationships with commercialisation partners could adversely affect Revolymer's results or operations and Revolymer will have limited input on the sales strategies adopted by any of its partners. Furthermore, although Revolymer will endeavour to include performance obligations on its partners in all of its commercialisation agreements, there is a risk that commercialisation partners may reprioritise within their product portfolio resulting in Revolymer achieving sales below that which it expects. In any such arrangement, Revolymer will be dependent on such partners for its revenue and the sales strategies and product positioning of the Group's

commercialisation partners may have a material and adverse effect on Revolymer's business, financial condition and results of operations.

Furthermore, some of the contracts entered into by the Group with its partners may require Revolymer to give wide indemnities to its partners, which can expose the Group to potentially significant liabilities. In addition, such contracts may also provide that the partner may terminate the agreement without cause, on short notice periods, or immediately. If such key partner contracts were to be terminated, or notice to terminate is served, or if the Group were to receive material claims under the indemnities or were to otherwise suffer a financial loss arising therefrom, the Group's financial performance and prospects may be adversely affected.

#### *Research and development risk*

The Group is engaged in designing, developing and formulating novel polymers to improve the performance of existing consumer products. The Group is therefore involved in complex scientific areas and new product development and industry experience indicates a high incidence of delay or failure to generate results. In particular, larger and external independent testing of the Group's technologies may not support the results from smaller internal studies. There is no guarantee that the Group will be successful in its research and product development. Much of the Group's technology and intellectual property portfolio is at an early stage of development. The Group may not be able to develop its technology sufficiently to enable it to develop commercial and marketable products. Furthermore, the Group may not be able to develop new technology solutions or identify specific market needs that can be addressed by technology solutions developed by the Group. The ability of the Group to develop new technology relies partly on the recruitment of appropriately qualified staff and engagement of third parties. The Group may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affect its ability to develop new technologies as planned. In addition, new products may face potential regulatory barriers which, by their nature, will vary, for example, by application, geography, or volume of business and thus which are difficult to anticipate at present.

#### *Risk that the products will not achieve commercial success*

Notwithstanding the launch of Revolymer's confectionery chewing gum in the US, there can be no assurance that any of the Group's products currently in development will be successfully developed or commercialised or that, to the extent that development is undertaken ahead of securing a commercialisation partner, the resulting product will fit into a commercialisation partner's product portfolio without further development into any commercially viable product or products. Furthermore, there can be no assurance that any of the Group's proposed products will meet applicable regulatory standards, be manufactured in commercial quantities at an acceptable cost (or at all because, for example, the relevant manufacturing processes may not be scalable or that such scaling may not be consistent), be capable of being sold at prices that permit Revolymer and/or its commercialisation partners to operate profitably, or be sold in sufficient quantities or within a timeframe expected by Revolymer to permit Revolymer and/or its commercialisation partners to operate profitably. If the Group or its partners encounter delays at any stage of development, fail to address successfully such delays or fail to commit an adequate budget to support marketing, there may be material adverse effects on the Group's business, financial condition, and results.

#### *Profitability depends on the success and market acceptance of current and new products*

The success of the Group will depend on the market's acceptance and valuing of its products and their benefits and there can be no guarantee that this acceptance will be forthcoming or that the Group's technologies will succeed as an alternative to other new products. In particular, certain of the Group's products are sold on a sale or return basis and so, should the product not gain such acceptance, the Group may experience occurrences whereby significant volumes of product is returned by the vendor and refunded by Revolymer. The development of a market for the products is affected by many factors,

some of which are beyond the Group's control, including the emergence of newer, more successful technologies and products and the cost of the Group's products themselves. Notwithstanding the technical merits of a product developed by the Group, there can be no guarantee that the Group's targeted customer base for the product will purchase or continue to purchase the product. If a market fails to develop or develops more slowly than anticipated, the Group may be unable to recover the losses it may have incurred in the development of its products and may never achieve profitability. In addition, the Directors of the Company cannot guarantee that the Group will continue to develop, manufacture or market its products if market conditions do not support the continuation of such product.

#### *Limited product offering*

Revolymmer currently only has a limited product offering, and problems with these products following commercial launch could impact on future product extensions and roll-outs. Reflecting its early-stage nature, Revolymmer only has two product lines on the market at the date of this document. Should the products fail to sell in sufficient volumes or Revolymmer fail to receive the relevant regulatory approvals as it seeks to expand its markets for those products Revolymmer may not, notwithstanding the Placing, have alternative sources of funds to develop new products or product versions.

#### *Intellectual property protection*

Revolymmer is heavily dependent on its intellectual property and in particular its patents. No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any copyright or patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged, or that third parties will not claim rights in or ownership of the copyright, patents and other proprietary rights held by the Group.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Revolymmer's products or design around any patents held by the Group. Others may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group).

The Group may rely on patents to protect its assets. These rights act only to prevent a competitor copying and not to prevent a competitor from independently developing products that perform the same functions. No assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Group's unpatented proprietary technology or disclose such technology or that the Group can ultimately protect meaningful rights to such unpatented technology.

Once granted, a patent can be challenged both in the patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

A substantial cost may be incurred if the Group is required to assert its intellectual property rights, including any patents or trade marks against third parties. Patent litigation is costly and time consuming and there can be no assurance that the Group will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit the Group's intellectual property rights and activities. There is no assurance that obligations to maintain the Group's or partners' know how would not be breached or otherwise become known in a manner which provides the Group with no recourse.

Any claims made against the Group's intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group's resources. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and/or require the Group to enter into licensing and royalty

arrangements. The third party could also take legal action which could be costly. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims will not have a material adverse effect on the Group's business, financial condition or results.

#### *Arising IP risk*

Revolymmer has entered into, and anticipates entering into further JDAs with third parties. As is customary in such agreements, the parties typically set out a defined work plan and carry out certain research and development services in relation to the Group's polymer technology. Rights created during, or directly as a result of the work plans will belong to either of the two parties depending on which products the intellectual property relates to. These issues are addressed in the Group's JDAs and, in general, intellectual property arising outside the work plan or relating to polymers will belong to Revolymmer. Any arising rights other than the aforementioned, including all those relating to, *inter alia*, consumer end products, uses, methods of manufacture, application and commercialisation of such consumer end products will typically belong to the partner. Revolymmer may have the option to license such rights on terms as the parties may agree but there can be no assurance that such arrangements will be or entered into on favourable terms, or at all, and this may have a significant adverse effect on the Group's business, financial condition and results or operations.

#### *Competition risk*

The Group may face significant competition from organisations which have much greater capital resources than the Group. Competitors and potential competitors may develop technologies and products that are less costly and/or more effective or more attractive or appealing to consumers than the technology or products of Revolymmer or which may make those of Revolymmer uncompetitive. Revolymmer's products may face competition from companies that have greater research, development, marketing, financial and personnel resources than Revolymmer or its commercialisation partners. Technologies developed by Revolymmer may have a shorter commercial life than anticipated, if any, due to the invention or development of more successful technology or applications by competitors who may have greater financial, marketing, operational and technological resources than Revolymmer or its current and future commercialisation partners.

For example, the Directors believe that the major chewing gum producers have attempted to develop a degradable chewing gum. In particular, the Group is aware that Cadbury (now owned by the Kraft Foods group) have a patent application and an on-going regulatory process in respect of a degradable gum containing Gantrez SF. Further information is provided in paragraph 8.1 of Part I of this document. Whilst the Directors believe that an alternative degradable gum on the market could expand the opportunities for Revolymmer (whereby other manufacturers would seek a competing product, such as the Group's Rev7 polymer), such products and organisations may also serve as competitors.

There is no assurance that the Group will be able to compete successfully within either its gum and/or consumer specialties business areas in such a marketplace.

#### *Minimum purchase and existing stock risk*

Revolymmer has entered into agreements, and expects to enter into further agreements, in respect of the licence of its technology to partners to enable them to manufacture and supply polymers and products (such as chewing gum) to Revolymmer for onward distribution and sales. Such agreements typically include obligations on the Group to purchase a minimum amount of product within a certain time period or periods. In the event that the Group does not meet these obligations, it may be required to compensate the partner in the form of penalty or other payments.

Products and materials manufactured for the Group typically have a defined shelf life. In the event that such products and materials are not sold to its distribution partners within a specific time period, the Group may be required to dispose of the materials at its own cost or enter into heavily discounted sales

with its partners. Such eventualities may have a significant adverse effect on the Group's business, financial condition and result of operations.

#### *Counterparty risk*

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

#### *Dependence on third party suppliers*

The Group relies on a small number of third party suppliers for the manufacture of its products. To date, all of Revolymer's confectionery and nicotine chewing gum has been commercially manufactured by specialist chewing gum CMOs. Currently, the Group has engaged a CMO for the manufacture of confectionery gum for the US, and is negotiating with a CMO for its EU confectionery gum. The Group also has contracted an appropriately qualified CMO to manufacture its Generation 2 nicotine gum for initial launch in Canada. If a supplier fails to provide services or products on time or to the required standard, and particularly where an alternative source of service or supply is not readily available, this could have a material adverse effect on the Group's business.

#### *Dependence on key personnel*

The Group's business, future success and ability to expand operations depends upon its ability to attract, hire, train and retain qualified professional, scientific and technical operating staff. The Group's success depends to a significant degree upon the continued contributions of its executive Directors and key personnel. The Group's future performance will be substantially dependent on its ability to retain and motivate such individuals. The loss of the services of its executive Directors could prevent the Group from executing its business strategy. Moreover, the Group's future success depends in part on its ability to hire, train and retain key technical, sales, marketing, finance and executive personnel. The Group competes with a number of other organisations for suitable personnel. If the Group fails to retain and hire a sufficient number and type of personnel, it will not be able to maintain and expand its business. The Group may be required to increase spending to retain personnel.

The Directors cannot give assurances that the Group's senior management team and the executive Directors will remain with the Group. The loss of the services of the executive Directors, members of senior management and other key employees could damage the value of an investment in the Ordinary Shares.

#### *Expansion of the Group's business into new markets may be constrained*

A key aspect of the Group's growth strategy envisages the Group expanding the business both into additional geographical territories beyond the US and with new products. Expansion of the Group's business geographically and into other product areas may be constrained by local regulatory regimes. Whilst the Directors believe that there are viable areas for growth over the medium to longer term, there can be no guarantee that the Group will successfully execute this strategy for growth which may have a material adverse effect on the Group's future performance, financial condition or business prospects.

#### *Seasonal nature of confectionery gum broker negotiations*

A significant proportion of the confectionery gum market comprises sales by convenience stores and the Group has historically accessed them through existing broker networks in the US. The stocking of confectionery gum in the stores is typically conducted in the spring and autumn of each year, with commercial negotiations to this end being conducted in the prior six months. The Group's revenue from sales of confectionery gum is consequently seasonal in nature. In the event that the Group is not able to enter into favourable terms and/or achieve substantial sales of its product by the end of each negotiating



season, the Group will typically be required to delay further negotiations until the start of the following restocking season. Such events may have a material adverse effect on the Group's results of operations, financial condition and business prospects.

#### *Legislative and regulatory current requirements and possible changes*

The manufacturing and marketing of Revolymer's products are subject to regulation by government and regulatory agencies in the countries in which the Group operates. Of particular importance is the requirement to obtain and maintain approval for the Company's gum products from the applicable regulatory agencies to enable them to be marketed. Many countries, including the US and those in the EU, have high standards of appraisal. There are no assurances that regulatory clearances to manufacture and market its products will be obtained (either within Revolymer's expected timing, or at all).

Changes in legislation, regulatory policies or the discovery of regulatory problems with the products or their manufacture may result in the imposition of restrictions on the products or manufacture which may have an adverse impact on Revolymer's business.

#### *Product liability and insurance*

Some of the Group's products are employed in the food and pharmaceutical industries, both of which are highly regulated. There is a risk that the Group may lose contracts or could be subject to fines or penalties for any non-compliance with the relevant industry regulations. Further, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks. The Group may also be required to make significant expenditure in order to comply with present or new regulations. Whilst the Group endeavours to ensure that its products conform to the highest levels of applicable regulation, any product that proves detrimental to consumer health or safety could result in legal action being brought against the Group and/or result in reputational damage to the Group.

There can be no assurance that the necessary insurance cover will be available to the Group at a commercially acceptable cost or that, in the event of any claim, the level or extent of insurance carried by the Group now or in the future will be adequate, or that a product liability or other claim would not materially and/or adversely affect the business of the Group.

#### *Environmental and safety regulation*

Revolymers operations, including its development and testing facilities, are subject to environmental and safety laws and regulations, including those governing the use of hazardous materials. The cost of compliance with these and similar future regulations could be substantial. Although the Directors believe that Revolymer's procedures comply with applicable regulations, the risk of accidental contamination or injury from such materials cannot be eliminated. In the event of an incident, the resulting liabilities could have an adverse impact on Revolymer. Similarly, many of Revolymer's suppliers, collaborators and customers are subject to similar laws and regulations. Contravention of these laws and regulations by such parties could have an adverse impact on Revolymer.

#### *The Group's disaster recovery plans may not be sufficient*

The Group depends on the performance, reliability and availability of its laboratory equipment and information technology systems. Any damage to or failure of its equipment and/or systems could result in disruptions to the Group's research and operations. The Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all, which could have a material adverse effect on the Group's business, financial position or prospects.

#### *Future regulatory restrictions*

Although not currently anticipated, it may be the case that Revolymer's products (now or in the future) could become subject to regulatory or other restrictions from regulatory bodies in particular industry



sectors or with respect to particular applications. Should this occur, Revolymer may incur further research and/or development costs, or be required to apply for regulatory approvals, that could have a material adverse effect on its financial position or prospects.

*The expenditure required by Revolymer may be more than currently anticipated*

There is a risk that the amounts Revolymer anticipates will be needed to fund its growth will be insufficient, that the anticipated timing of such investment may prove incorrect, or that Revolymer may be unable to raise the amounts required (if at all). Revolymer may not be able to generate revenues at the times targeted. Costs may be greater than planned, or timings may vary from those targeted.

*History of operating losses and accumulated deficit and ability to secure funding*

Revolymmer has experienced operating losses in each year since its inception and, as at 31 December 2011, had an accumulated deficit on consolidated profit and loss account of approximately £15.6 million. Accordingly until Revolymer has sufficient commercial success to be cash generative it will continue to rely on its existing funds and the proceeds of the Placing and of any further funding rounds to continue its activities. While Revolymer aims to generate significant revenues and growing revenues from its technologies over the next few years, there is no certainty that the Group will be able to achieve such revenues. Furthermore, the amount and timing of the expenditure required to carry out Revolymer's product development activities are uncertain and will depend on numerous factors, some of which are outside the Group's control. It is therefore difficult for the Directors to predict with accuracy the timing and amount of any further capital that may be required by the Group. The Group may, in the future, need to raise further equity funds to finance Revolymer's working capital requirements or to finance Revolymer's growth through future stages of development.

Factors that could increase Revolymer's funding requirements include, but are not limited to higher costs and slower progress than expected in developing products or obtaining regulatory approvals; delays in finalising commercialisation agreements for existing products; slower progress than expected in securing commercialisation partners for Revolymer's new products; slower rate of market acceptance of Revolymer's technologies and the ability of Revolymer and its commercialisation partners to attract customers; unexpected opportunities to develop additional products or acquire additional technologies, products or businesses; and costs incurred in relation to the protection of Revolymer's intellectual property.

Similarly, there can be no certainty as to the future cash flows generated by the Group through its sales and licensing activities. Any additional share issues may have a dilutive effect on Shareholders. Further, there can be no guarantee or assurance that additional equity funding will be forthcoming when required, nor as to the terms and price on which such funds would be available, nor that such funds, if raised, would be sufficient to enable Revolymer to continue to implement its business strategy.

*Planning uncertainty*

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Group will not differ materially from the matters described in this document.

*Foreign currency risk*

A significant proportion of the Group's business is carried out, and is intended to be carried out in the future, outside the UK in the local currency. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Group's accounts, which could have a material impact on the Group's financial position or results of operations, as shown in the Group's accounts.

### *Financial risk*

There are a number of financial risks which are outside the control of the Group and which can affect revenues and/or costs, and the Group does not hedge against such risks currently. These include varying international exchange rates, interest rates, world commodity prices, energy prices and supplies, raw materials prices and supplies, inflation and international trends in trade, tariffs and protectionism and changes in the legal and regulatory framework. There can be no assurance that such variables will not have a material adverse impact on the Group's financial position or results of operations.

### *Tax risk*

Tax rules and their interpretation may change. Any change in any member of the Group's tax status or to taxation legislation or its interpretation may affect the Company's ability to provide returns to Shareholders.

### *Legal risk*

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by Revolymer that are governed by law outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language. Mitigation measures for these risks are limited.

## **Risks relating to the Ordinary Shares**

### *General*

An investment in the Ordinary Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and should only constitute part of a diversified investment portfolio. Accordingly, typical investors in the Group are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their professional advisers regarding investment in the Ordinary Shares and/or who have sufficient experience to enable them to evaluate the risks and merits of such investment themselves.

### *Investment in AIM securities and liquidity of the Ordinary Shares*

An investment in companies whose shares are traded on AIM are perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List. AIM is a market designed primarily for emerging or smaller companies. The AIM Rules are less demanding than the Official List. The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may become or may be relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

The market for the Ordinary Shares following Admission may be highly volatile and subject to wide fluctuations in response to a variety of potential factors which could lead to losses for Shareholders. These potential factors include amongst others: any additions or departures of key personnel, litigation and press, newspaper and/or other media reports.

Prospective investors should be aware that the value and/or market price of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may, therefore, realise less than or lose all of their investment.

### *Trading market for the Ordinary Shares*

The share price of emerging companies can be highly volatile and shareholdings illiquid. The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, some specific to the Group and its operations and others to the AIM market in general including, but not limited to, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the Group's sector. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares. The trading of the Ordinary Shares on AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Group than in a company whose shares are quoted on the Official List.

### *Substantial sales of Ordinary Shares*

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in Agreements and Orderly Marketing Agreements, details of which are set out in paragraph 21 of Part I of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Group may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

### *VCT and EIS relief*

The Company has received advance assurance from HMRC that it is a qualifying company for VCT Scheme purposes. The actual availability of qualifying status for VCT Scheme purposes will be contingent upon certain conditions being met by both the Company and the relevant investors. Neither the Company, the Directors nor the Company's advisers give any warranties or undertakings that VCT Scheme qualifying status will be available or that, if initially available, such relief or status will not be withdrawn. Should the law regarding the VCT Scheme change then any reliefs or qualifying status previously obtained may be lost.

Circumstances may arise (which may include the sale of the Company) where the Directors believe that the interests of the Company are not best served by acting in a way that preserves VCT Scheme or EIS qualifying status and the Company cannot undertake to conduct its activities in a way designed to secure or preserve such qualifying status or relief.

If the Company does not employ the proceeds of a VCT Scheme share issue for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holdings.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

In the case of money raised from an EIS issue, the Company must employ the entire proceeds raised from the issue of the shares for the purpose of a qualifying business activity within 24 months of the issue of the shares in order for the shares to continue to qualify for EIS relief.

If the Company ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Company's activities and which is a non-qualifying trade for VCT relief, this could prejudice the qualifying status of the Company (as referred to above) under the

VCT Scheme. This situation will be monitored by the Directors with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Any company receiving aid through any Government State aid scheme, that would include VCTs, individually or combined, that amounts to a value above the investment limit currently shown at section 292A(1) of the Income Tax Act 2007 (£2 million per annum prior to Royal Assent, £5 million afterwards) is at risk of the European Commission deeming the aid to be illegal, and bears the risk of sanctions imposed by the European Commission to recover that aid.

Additional information on the VCT Scheme and EIS qualifying status is included in paragraph 24 of Part I of this document.

#### *Additional capital and dilution*

The Directors do not currently anticipate that the Group will require additional capital to further its strategy as outlined in this document. Nevertheless, if the Group fails to generate sufficient revenue from sales of its products, royalties and/or milestone payments, then it may need to raise additional capital in the future, whether from equity or debt sources, to fund its strategy. In addition, circumstance may arise in which the Directors wish to accelerate its strategy and/or enter into additional markets, requiring additional capital. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. If additional funds are raised through the issue of new equity or equity-linked securities of Revolymer other than on a *pro rata* basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

#### *Application of proceeds from the Placing may not increase the Company's profits or share price*

There is no guarantee that the use of net proceeds described in paragraph 17 of Part I of this document will increase the Group's profitability or increase its share price.

#### *Dividends*

The Board's intention is for the Group to reinvest any net cash generated from operations to finance the growth and expansion of its business, and accordingly does not intend for the Group to pay any dividends in the foreseeable future. Any declaration and payment of dividends in the future by the Group will be dependent upon the Group's results, financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the Group as relevant at the time. Consequently, the Group may never pay dividends.

#### *No guarantee that the Ordinary Shares will continue to be traded on AIM*

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

# PART III

## EXPERT'S REPORT

The following is the text of a report from Cambridge Consultants Limited:



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EC2M 6XB

4 July 2012

Dear Sirs

### 1 Background and Introduction

Cambridge Consultants Ltd ('Cambridge Consultants') is a leading international technology consulting company, which serves a wide client base including, consumer goods, medical product, medical device, medical diagnostics, pharmaceutical and biotechnology companies. It employs specialists with knowledge of science, technology, engineering, product development, markets and business issues in these industries. Cambridge Consultants has conducted technical due diligence studies associated with mergers, acquisitions, flotations and other financing exercises.

Revolymmer plc ('Revolymmer' or 'the Company') and Panmure Gordon (UK) Limited, have instructed Cambridge Consultants to prepare and deliver an Expert's Report (the 'Report'), for inclusion in the AIM Admission Document, to be issued by the Company in connection with the proposed initial public offering of the Company's shares and the subsequent admission to trading of the Company's shares on AIM, a market operated by London Stock Exchange plc. This report covers certain aspects of Revolymmer's business namely:

- The merits of the Company's products, and comment on its pipeline and technology
- The Company's business plan including the critical path and timescale to commercial exploitation
- The risk factors which might affect the Company's business plan

Commercially confidential

Cambridge Consultants is part of the Altran group, the European leader in Innovation Consulting. [www.Altran.com](http://www.Altran.com)



Registered No: 1036298 England

In preparing this report, Cambridge Consultants has met with or interviewed members of the Company's staff and officers. We undertook reviews of certain documentation prepared or held by the Company, including R&D reports, manufacturing documentation, market reports and publications. These were augmented by internal database searches, use of in-house know-how as well as interviews with industry professionals, collaborators and partners. We visited the Company's facilities in Deeside, North Wales, UK.

This report has been prepared based upon information that was provided by Revolymer at the time of preparation of this report. Cambridge Consultants has no reason to doubt the veracity of the information provided but has only verified it to the extent identified above. Changes in circumstances may render such information invalid at any time or may materially affect conclusions reached herein. Cambridge Consultants does not express any opinion as to Revolymer's ownership or rights to use intellectual property (if any) nor the scope, validity or enforceability of any such intellectual property nor, where we refer to the Company's agreements, do we express any opinion as to the legal validity or enforceability of those agreements nor on any aspect of the Company's financial record or future financial prospects or performance. This report is limited to the matters set out above and Cambridge Consultants is not advising generally on the merits or otherwise of an investment in the Company.

## **2 Company Overview**

Revolymmer was founded by Dr Roger Pettman and Professor Terence Cosgrove in 2005, initially based on technology developed by Professor Cosgrove at the University of Bristol, although subsequently additional inventions have been made by the Company. The Company is developing a range of novel polymers to improve the performance of existing consumer products.

The polymers are based on amphiphilic graft chemistry, which was developed at the University of Bristol, and polyvinyl alcohol ('PVA') and polyacrylate chemistry, which were developed in-house by Revolymer. The chemistry applications address five diverse business areas:

- Confectionery gums
- Medicated gums
- Coatings & adhesives
- Household products
- Personal care products

Revolymmer's business strategy is to licence its technology to large partners in the fast moving consumer goods ('FMCG') industry, a sector that benefits from relatively low regulatory barriers to entry.

In executing its strategy, Revolymer plans to use a business model that includes developing commercial products, as well as joint development work and seeking licence agreements. To this end the Company will, in some product areas, develop and market its own branded or private label products. To date the Company has launched two products:

- A confectionery gum with an improved removability profile and intended to improve the chew and long lasting flavour, was launched in the US in 2011, using its own sales force; the European launch is planned in H2 2012 through distribution agreements with leading confectionery brokers
- A nicotine gum intended to improve texture, flavour and chew compared to competitor gums has been approved for sale in Canada and orders have been received via the Company's commercialisation and distribution partner



As part of its strategy, the Company has undertaken joint development agreements ('JDAs') with large companies to develop earlier stage technologies through to commercial applications, with the intent to subsequently sign licence agreements. For example:

- A JDA to develop a transparent, oxygen barrier coating for food packaging, based on Revolymer's PVA polymer technology
- A JDA to develop a polymer intended to improve performance in non-laundry cleaning agents
- A JDA in laundry detergents to encapsulate, using polyacrylates, actives intended to improve performance of liquid laundry detergents

As Revolymer progresses its technology further, it plans to move either earlier or straight to licence agreements.

To date, the Company has raised, in aggregate, approximately £20m, primarily through the issue of equity shares to investors, also including £1m of UK Government grant funding. Revolymer has been generating sales in the US since 2011.

Revolymer is based in Deeside, North Wales, UK and has 31 employees at its Deeside headquarters, 23 of whom are involved in product development and R&D. The technology capabilities of the company span synthetic, processing, formulation and modifying functionality of the polymers. The Company also has a team of three in the US, including two in sales and one administrator.

### **3 Polymer Technology**

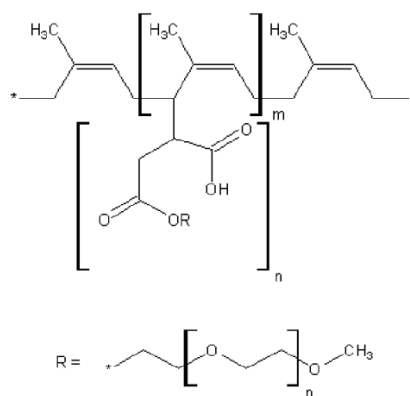
Revolymer applies its knowledge of polymer chemistry to synthesise new polymer families that are formulated into products which can provide consumer benefit. Augmenting the Company's ability for synthesis is its processing and formulation know-how.

The Company has focused on amphiphilic block copolymers and polyacrylates and polyvinyl alcohols, which together or individually can:

- Modify the affinity of materials to water;
- Modify the release of actives, either through the use of the polymer formulation and manufacture, or through the responsiveness of the polymer to a change in its environment for example pH or ionic strength;
- Act as a barrier and affect the transmission rates of oxygen (and potentially water) through films; and
- Alter the interfacial properties of films.

In addition, the Company is able to undertake pilot scale manufacture of products for small scale evaluation purposes. Capabilities include blending and producing gums, granulating or spheronising particles, spray drying and spray coating and forming polymer films. This is coupled with analytical skills to determine the release profiles, texture and stability of the polymers in the products.

The Company's most advanced novel polymer is Rev7, which is the synthetic amphiphilic polymer that is present in Revolymer's confectionery and nicotine gums consisting of branched copolymers of monomethoxypolyethylene glycol ('MPEG') grafted onto polyisoprene-graft-maleic anhydride ('PIP-g-MA') and unreacted MPEG (<35% by weight).



where  $m = 366$  to  $1,248$ ,  $n = 3$  to  $15$  and  $p = 44$  to  $50$

**Figure 1** Molecular structure of MPEg grafted PIP-g-MA

## 4 Confectionery gum

### 4.1 Description of technology/product

Revolmer has developed a chewing gum that has reduced adhesive properties compared to existing commercially available chewing gums, enabling the used gum to be more easily removed from pavements and other surfaces.

Chewing gums are composed of elastomers, fillers, plasticisers/emulsifiers, resins/texturisers, sweeteners and flavourings. The flavourings and sweeteners typically constitute 50 to 70% of the final chewing gum. The key components that contribute to the overall tackiness of the gum are the elastomers, the resins and, to a lesser extent, the plasticizers which tend to be waxes and oils. As well as reducing the level of tacky components in the gum formulation, adhesion of the gum is affected by the nature of the surface. Many relevant surfaces are hydrophobic and hence conventional hydrophobic gums adhere strongly. Making gums more hydrophilic will make them less sticky. A further route to reducing adhesion between the gum and the surface is to control the glass transition temperature ( $T_G$ ) of the gum. By raising the  $T_G$ , ensuring that the gum rapidly solidifies when discarded and therefore does not flow into the cracks and pores of pavements will make it easier to remove. Lowering the  $T_G$  will result in a soft gum cud and, if it does not wet or flow into the pores and cracks of the pavement, removal with a moderate jet of water should be possible.

Revolmer's approach has been to reduce or replace the elastomers, resins and waxes with new hydrophilic materials with lower tack and which plasticise in the presence of saliva. These replacement polymers are amphiphilic comb polymers with a hydrophobic 'backbone' and hydrophilic side chains or 'teeth'. Addition of the hydrophilic side chains results in an increase in the  $T_G$  making the discarded gum potentially harder when dry and more hydrophilic thus reducing the binding to hydrophobic surfaces.

Rev7 is the polymer that is used in the confectionery gums and is intended to constitute up to 8% of the components of the chewing gum.

### 4.2 Product merits and status

#### 4.2.1 Merits

In the US it is estimated that in excess of 300,000 tons of chewing gum is sold each year, of which approximately 120,000 tons of cuds remain in the environment. Highly resistant to aggressive chemicals and with strong adhesion, chewing gum can take years to degrade. Cleaning up all types of litter costs the US over US\$11bn each year and gum contributes significantly to this. Wrigley, the US's

largest gum company, states that one of its most pressing sustainability challenges is the improper disposal of gum and the US's largest annual community improvement programme, the Great American Cleanup has been sponsored by Wrigley for the last 11 years.

In the UK, the 2005 Local Environmental Quality Survey of England reported that gum litter was present in 95% of areas surveyed in town centres and estimates suggest that 80-90% of chewing gum is not disposed of in any litter receptacle. Removing it has been estimated to cost between US\$0.7 and US\$2.4 per square metre, with a spend of approximately US\$240m per year across the UK. 2003 saw the formation of the Chewing Gum Action Group ('CGAG'), a joint initiative in the UK for local authorities aiming to change the behaviour of those who drop gum. While consumer behaviour is key in dealing with the problem of irresponsible gum disposal, Keep Britain Tidy, a member of CGAG, insists that gum manufacturers must also make every effort to alter the properties of gum, reducing the length of time for which it persists and making it easier for local authorities to clean up.

Despite a number of patent filings for degradable and low tack chewing gum, little has been achieved commercially. Revolymer has developed a degradable chewing gum, Rev7<sup>®</sup>, which was launched in the US in 2011 and is planned to launch in Europe, specifically Ireland, Germany and the UK, in H2 2012.

Three independent studies demonstrated that gums containing the Rev7 polymer are, in general, easier to remove from brick, paving stone, carpet and clothing compared to two commercially available gums:

- Tests examining the spontaneous removal of chewing gum cuds with (Rev7<sup>®</sup> gum) and without the Rev7 polymer under normal pedestrian traffic over a period of approximately one month, demonstrated that a greater percentage of the gums containing the Rev7 polymer were removed from four brick paving locations. None of the gums were removed from a cement location.
- A second study evaluated the fan jet removal of gum cuds (using the same gum brands) from paving stone slabs a few days after their application. On average, the gums containing the Rev7 polymer were removed to a greater extent compared to those without the Rev7 polymer.
- A third study examined the same gum brands and their removability from cotton and wool fabrics, carpet and material commonly used for public transport seating, 24 hours after they were applied. Initial removal was using dry picking. Gums containing the Rev7 polymer were removed to a greater extent from the carpet compared to gums without the Rev7 polymer. Subsequently, a wet removal attempt resulted in a 100% removal of the Rev7 polymer containing gums from the carpet and the cotton fabric. Only following a second wet removal, 100% gum removal was achieved by most of the other gums. Following this procedure all gums were removed from transport fabric. Medium amounts of one gum not containing the Rev7 polymer remained on the wool fabric.

The market need for a removable (low tack) or degradable chewing gum is not driven by the consumer, since a more environmentally mindful consumer should dispose of the gum responsibly, and therefore there is limited direct consumer demand for a removable or degradable gum. Consumer insights show that longer-lasting flavour and controlled or sequential release of flavour/sweetness are desirable traits and key to success in chewing gum sales. Independent consumer studies revealed that longer-lasting taste is the number one purchase trigger when it comes to chewing gum. Given this, any such product will need to at least match, but ideally better, the chew and taste characteristics of market leading chewing gums. Revolymer positions the gum as having a longer lasting flavour and being removable. Consumer taste tests conducted by Revolymer reported that the majority of people thought the Rev7<sup>®</sup> gum tasted as good as their usual brand and found the strength of flavour to be about right.

#### **4.2.2 Regulatory**

In the US, the Food & Drug Administration ('FDA') Agency is responsible for the regulation and supervision of the safety of food, including food additives. Under section 201(s) and 409 of the Federal Food, Drug and Cosmetic Act, any substance that is intentionally added to food is a food additive, and

is subject to premarket review and approval by the FDA, unless the substance is generally recognised, among qualified experts, as having been adequately shown to be safe under the conditions of its intended use. In 2010, an independent expert panel determined the Rev7 polymer to be Generally Regarded as Safe ('GRAS') and thus exempt from further requirements of pre-market approval. The FDA confirmed its acceptance of the GRAS status of the Rev7 polymer in 2011 and all other ingredients of the Rev7<sup>®</sup> gum are recognised food additives, allowing the sale of Rev7<sup>®</sup> gum in the US.

The European Food Safety Authority's Panel on Dietetic Products, Nutrition and Allergies concluded in 2011 that the Rev7 polymer can safely be used as an ingredient of chewing gum at a maximum of 8% and is safe in the proposed conditions of use and the proposed levels of intake.

In our opinion, the approvals required will act as a barrier for others looking to introduce novel polymers into chewing gum to moderate adhesive properties.

#### **4.2.3 Commercial Status & Route to Market**

Revolymers' commercial strategy for its confectionery chewing gum is to launch a chewing gum containing the Rev7 polymer under the Company's own brand name, Rev7<sup>®</sup>. Rev7<sup>®</sup> gum has been launched in the US, where it has been on sale since 2011. Rev7<sup>®</sup> gum is expected to be launched in Ireland, Germany and the UK in H2 2012 and in some other EU countries from H1 2013.

Over 80% of gum sales are impulse driven with sales occurring predominantly in convenience stores, mass merchandisers and supermarkets. Rev7<sup>®</sup> gum is on sale throughout the US in 400-500 chains, with product in approximately 3600 convenience and grocery stores. The US sales team, comprising three Revolymers employees and around 125 commission-based sales brokers, predominantly sell to around 40 distributors who in turn supply retailers. In 2011, Revolymers' US sales team primarily focused on promotional activities. According to the Company, over 90% of stores that trialled the Rev7<sup>®</sup> gum in 2011, in the promotional stands, have since agreed to stock the product in-line (i.e. on the same shelves as competitor gums).

Revolymers has executed a royalty bearing licence exclusive in certain European territories to its Rev7 technology with a significant player in the confectionery gum segment and expects Rev-7--containing gum to go on sale within these territories in 2013.

In the UK, Revolymers entered into an agreement with an established distributor in the mainstream retail sector in 2012, as the exclusive agent for the promotion and sale of Rev7<sup>®</sup> gum to the UK's largest supermarkets. It is anticipated that Rev7<sup>®</sup> gum will be on sale in the UK in H2 2012. Revolymers is in discussions with Ireland's largest fuel and convenience store brand regarding the sale of Rev7<sup>®</sup> gum in Ireland, with the expectation that Rev7<sup>®</sup> gum will be on sale in H2 2012. The Company has also signed an agency agreement with a distributor to facilitate market entry for the promotion and sale of the Rev7<sup>®</sup> gum to selected retailers in Germany. We believe successful launches will be dependent, in part, on adequate marketing activity.

#### **4.2.4 Manufacturing**

All manufacturing for the Rev7<sup>®</sup> gum is outsourced to third parties on a territory by territory basis. In the US, an agreement exists for the exclusive manufacture of Rev7<sup>®</sup> gum for the US market. Revolymers is in discussions with potential gum manufacturers for supply to Europe.

Manufacturing of the Rev7 polymer for worldwide use is by a global contract research and manufacturing organisation. Revolymers licenses the use of its polymer technology to enable the polymers to be manufactured by the contract manufacturing organisation ('CMO').

Cambridge Consultants considers that using CMOs to manufacture the polymer, gum base and final gum product is sensible for a company of this size, however the Company is reliant, in many cases, on one supplier for the Rev7 polymer. The Company will consider seeking additional suppliers should

demand increase significantly and we view this as essential to ensure the supply chain is not compromised.

### **4.3 Market opportunity**

The global confectionery gum market was valued at over US\$18bn in 2010 by Datamonitor. It is comprised of four main segments: sugar free chewing gum, regular chewing gum, bubble gum and functional chewing gum, the largest of these segments – and the segment in which Rev7<sup>®</sup> gum sits – being sugar free, was valued at over US\$9bn in 2009. The sugar free chewing gum market share is anticipated to increase from 51% of the total gum market in 2009 to an estimated 55% by the end of 2014. In 2009 the global gum market was dominated by two leading players, Mars, Inc (who acquired Wm. Wrigley Jr. Company (‘Wrigley’) in 2008) and Cadbury Schweppes plc (‘Cadbury’) (acquired by Kraft Foods Inc (‘Kraft Foods’) in 2010), with market shares of approximately 45% and 25% respectively. The individual brand worth of Mars (Wrigley’s) leading brands, Extra<sup>®</sup> and Orbit<sup>®</sup> has exceeded a billion dollars.

In the US in 2010, the confectionery gum market was worth over US\$3.9bn. Datamonitor forecast that the US Gum market will be worth in excess of US\$4bn in 2012. Sugar free chewing gum, which accounted for 60% of total gum sales in the US in 2007, was forecast to maintain its position as the leading segment within the gum category, rising to a value over US\$3bn by the end of 2012. In 2007 the leading players in the US confectionery gum market were Wrigley, Cadbury, and Hershey Foods Corporation.

### **4.4 Competition**

Confectionery gum is a highly concentrated and competitive market with continuous product innovation driving increased sales and enhanced revenues. However, direct competition, in terms of removability and degradability, to the Rev7<sup>®</sup> gum is limited. Chicza Organic Rainforest Gum (‘Chicza’) is a 100% natural, biodegradable organic chewing gum made from natural chicle. It is claimed that the gum dissolves within four to six weeks with rain and is no stickier than Blu Tack<sup>®</sup>. Chicza went on sale in Waitrose stores in the UK in 2009. Chicza can also be purchased from the internet and is currently only available in the UK.

In 2001, researchers from University College Cork, Ireland, patented the manufacturing process for a non-sticky, biodegradable gum that uses cereal proteins to replace rubber gum bases traditionally used in chewing gum. More recently a Dutch consortium including a manufacturer, TNO and Nederland Schoon (Clean Netherlands) Foundation have undertaken a research project to make chewing gum less sticky and more easily degradable. In our opinion, the above chewing gums are some distance from being significant competition for the Rev7<sup>®</sup> gum.

Neither Mars (Wrigley) nor Kraft Foods (Cadbury) currently has a commercially available degradable gum, but both have interest in the concept of gums with an improved environmental profile. Mars (Wrigley) holds a number of patents covering non-tack and degradable chewing gum and states that one of its most pressing sustainability challenges is the improper disposal of gum. Mars (Wrigley) is addressing this through its involvement with a number of environmental-based education programmes, but also states that it is tackling the problem from a product development viewpoint. According to Mars’ (Wrigley’s) website, its innovation team’s number one priority is to develop a gum that is easier to remove if irresponsibly tossed on the street. Similarly, Kraft Foods (Cadbury) holds a number of patents in the field of degradable chewing gum. Revolymer’s freedom to operate is not within the scope of this report, and we understand is covered by the Patent Agents Report.



## **5 Nicotine gum**

### **5.1 Description of technology/product**

Revolymmer has developed a generic replacement nicotine chewing gum, which is intended to improve taste and chew (Gen2), and is also developing an accelerated release nicotine gum (Gen3).

Gen2 is intended to have bioequivalence to commercially available nicotine gum. Gen2 nicotine replacement therapy ('NRT') gum contains commercially available nicotine polacrilex resin where the nicotine is bound to an ion exchange resin. Addition of Rev7 polymer has enabled Revolymmer to modify the rate of release of nicotine from the gum. Increasing the Rev7 loading into the gum base increases both the rate at which nicotine is released from the gum and the amount released. With the appropriate loading of Rev7 polymer, the nicotine release profile is similar to that of a commercially available Canadian NRT gum. Gen2 also contains mild abrasives used in toothpaste which are present to aid in the whitening of teeth.

Gen3 is also a NRT gum and, similar to Gen2, is intended to be a softer, more confectionery like gum but differs in that it is intended to have a more rapid release of nicotine with >80% of the nicotine released after 10 minutes of mastication. This will be achieved through a combination of the use of the Rev7 polymer and the formulation. Formulation, including taste masking and buffering, will be key to ensuring that the rapid release of nicotine is a palatable experience, and that rapid absorption of nicotine occurs across the buccal membrane, instead of being swallowed.

### **5.2 Product merits and status**

#### **5.2.1 Merits**

Smoking is associated with serious health risks and the advice of experts is to quit smoking. The addictive nature of nicotine makes quitting difficult and alternative routes to deliver nicotine have been developed. In spite of NRT, many people addicted to nicotine find it difficult to stop smoking. For NRT the attained concentration of nicotine in the bloodstream and the rate at which this can be achieved is of key importance. Most NRTs deliver nicotine more slowly than smoking. There is a need for a NRT product that can provide rapid release and corresponding fast absorption of nicotine. As nicotine chewing gum is the most popular form of NRT, a fast release gum, providing fast nicotine absorption, is attractive. Currently nicotine gums are criticised for their poor chew experience and ineffective taste masking of the nicotine. Revolymmer is developing two nicotine gums which aim to be superior to existing products. Gen2 has been developed to have improved taste and chew properties, while Gen3 is being developed with an accelerated nicotine release profile. Gen2 is anticipated to be on sale in Canada in H2 2012 and subsequently in the US in 2015. Gen3 is in the early stages of its development.

An independent quality assurance evaluation report looking at colour, flavour and odour found Gen2 to be comparable to Nicorette® gums with a slightly different chew profile and flavour. Revolymmer also conducted a taste trial on eight volunteers comparing Gen2 with commercially available nicotine gums. The trial concluded that Gen2 was equivalent to the other brands in terms of strength, liking of flavour, chew quality and hardness/elasticity.

Revolymmer has conducted laboratory studies and demonstrated the whitening effect of its nicotine gum to be comparable with a leading brand of whitening confectionery chewing gum and favourable to existing nicotine gums with whitening.

#### **5.2.2 Regulatory**

The manufacture and marketing of nicotine gums is regulated in most territories as a pharmaceutical drug. However, this is not the case for Canada where nicotine gum products are classified as natural health products. In 2011, the Canadian Natural Health Products Directorate provided a product licence authorising sale of Gen2 as a natural health product in Canada.



For the US, Revolymer intends to demonstrate bioequivalence between Gen2 and a commercially available nicotine gum and subsequently submit an Abbreviated New Drug Application ('ANDA') to gain the necessary approval from the FDA. Revolymer anticipates submitting an ANDA within 12 months from Admission, assuming receipt of an Investigational Medicinal Products licence in 2012. A similar approach will be used to gain EU approval.

Gen3 is in the early stages of its development. If developed to plan, the different nicotine release profile compared to existing nicotine gums would require a new drug submission.

### ***5.2.3 Commercial & Development Status & Route to Market***

Revolymers commercial strategy for Gen2 is to launch the gum containing the Rev7 polymer predominantly as a white label/private brand gum. Launch will initially be in Canada, with plans for Gen2 to go on sale there in H2 2012. Following the necessary approvals Revolymer aims to launch Gen2 in the US and EU. Markets outside of these areas are also being examined.

In 2011, Revolymer entered into an agreement with a healthcare sales and marketing focused company, to act as an independent sales representative for Revolymer in Canada. The nicotine gum will be sold under this agreement as a white label/private brand.

Outside of Canada, Revolymer has agreed terms in 2011 with a strategic and investment advisory firm with a particular focus in Africa and Asia. Final agreement is conditional on Revolymer confirming a second, lower cost nicotine gum manufacturer and initiating a bioequivalence study for Gen2. Revolymer anticipates Gen2 being on sale outside of the Canadian market in 2014 and sales in the US from 2015.

Gen3 is in the early stages of its development. Revolymer has recently completed a JDA with a global healthcare company to develop a nicotine gum with a faster nicotine release profile compared to some commercially available gums. A review of the data is ongoing.

### ***5.2.4 Manufacturing***

All manufacturing for Gen2, including the Rev7 polymer, the gumbase and gum itself, is outsourced to third parties. For the Canadian market, Revolymer licences its polymer technology to a manufacturer of confectionery and functional chewing gums, enabling it to manufacture and supply Gen2. Revolymer is also in discussions with an Indian based pharmaceutical manufacturing and marketing organisation. The contract is expected to be conditional on the Indian organisation building a manufacturing facility, obtaining the necessary regulatory approvals and manufacturing batches of gum with satisfactory results in stability trials by the end of H12013. We believe that these timelines are ambitious. Manufacture of the Rev7 polymer for worldwide use in the nicotine gums is by the same manufacturer as for the confectionery gums (described in section 4.2.3). Nicotine polacrilex, for use in the manufacture of Gen2 is available commercially.

Gen3 is in development and small batches for sampling are currently manufactured, in-house, by Revolymer.

## **5.3 Market opportunity**

The global NRT market was estimated to have a value of over US\$2.3bn in 2011. The largest share was the nicotine gum category with value estimated at over US\$1.2bn. Globally the nicotine gum market in 2011 was dominated by three key players, Johnson & Johnson Inc ('J&J'), GlaxoSmithKline plc ('GSK') and Novartis AG ('Novartis'), who accounted for 45%, 19% and 14% of the market retail value respectively. In comparison, private labels held a 20% market share.

The value of the Canadian nicotine gum market in 2011 was approximately US\$77m. J&J and Novartis had market shares of 84% and 15% respectively, with private labels accounting for less than 1% in 2011.

In 2011, the US nicotine gum market had a market value of approximately US\$880m. In 2009 in the US, GSK had a 53% by value share of NRT. Private label products have eroded this lead, with GSK's share falling from 69% in 2003.

Cambridge Consultants considers launching Gen2 as a white/private label to be a sensible approach for Revolymer to enter this market.

## **5.4 Competition**

Despite the range of nicotine replacement products now available (e.g. patches, nasal sprays, lozenges etc.), nicotine gum remains the most popular and this popularity is expected to continue. Globally the main brands of nicotine gum are Nicorette<sup>®</sup>, owned by J&J and licensed by GSK in the US, NiQuitin<sup>®</sup>, owned by GSK, and Nicotinell<sup>®</sup> owned by Novartis. The Nicorette<sup>®</sup> brand encompasses a number of different NRT products including gums, lozenges, microtabs, inhalers, patches, a nasal spray and a mouth spray, as well as an online quitting support programme. The Nicorette<sup>®</sup> gum range is available in a variety of pack sizes, four flavours and two strengths. NiQuitin<sup>®</sup>'s brand range includes gums, lozenges, mini lozenges and patches. NiQuitin<sup>®</sup> gum is available in mint flavour and in two different strengths. Similarly, Nicotinell<sup>®</sup>'s brand range includes patches, lozenges and two strengths of gum.

In Canada, private label nicotine gums are priced 15-30% cheaper than branded gums. Historically, Perrigo Company was important with regard to private label nicotine gum products in Canada. However, in 2011, Watson Pharmaceuticals, Inc. gained regulatory approval to launch a rival nicotine gum product and, utilising established infrastructure gained through the acquisition of Cobalt Pharmaceuticals Company, gained market share.

## **6 Food packaging**

### **6.1 Description of technology/product**

The Company is working on non-halogenated polymers and formulations which will improve the oxygen and water vapour barrier properties of coatings that can be deployed in rigid and flexible packaging used in food and industrial packaging. Such a polymer needs to be both cost effective and compatible with the manufacturing processes used by the industry. The Company has undertaken modifications to commercially available ethylene vinyl alcohol copolymers with a view to providing this functionality.

### **6.2 Product merits and status**

#### **6.2.1 Merits**

The use of plastics in food packaging is increasing due to low material cost and functional advantages. The two most commonly used plastics in food packaging are polyethylene ('PE') and polypropylene ('PP'), however other plastics such as polyethylene terephthalate ('PET'), polyamide ('PA') and ethylene vinyl alcohol ('EVOH') are also frequently used.

Plastic materials are manufactured either as a single film or in combination. Plastics can be combined either by lamination, where a plastic is bonded to another material (e.g. another plastic, paper or aluminium), or by co-extrusion where two or more layers of molten plastic are combined during the film manufacture. This combination of materials allows for the additive advantage of properties from each material and frequently reduces the total amount of packaging material required.

EVOH is a co-polymer of ethylene and vinyl whose key advantage, as a food packaging material, is its excellent barrier properties to oil, fat and oxygen. Its main disadvantage is that it is moisture sensitive and is therefore commonly used in multilayered, co-extruded films; commonly extruded between PA and/or PE for flexible packing applications. Although EVOH is costly as a material, it is relatively inexpensive when used as a thin film.

Under a joint development agreement with a leading provider of materials to packaging markets, Revolymer has worked with its partner to understand the needs of its customers and has assessed the ability of current technology to meet unmet needs. Existing EVOH technology has excellent oxygen barrier properties (a low oxygen transmission rate ('OTR')) at low relative humidity ('RH'), however OTR significantly increases at higher RH.

As part of the JDA a need within the packaging industry for transparent barrier coatings applied by conventional printing/drying methods and free from halogenated compounds which afford high barrier performance has been identified. This has allowed the focus for development of barrier coatings to be aimed at five priority areas:

- Suitability for use in high RH environments/applications
- High lamination bond strength at high RH
- Low OTR at high RH
- Capable of rapid thermal drying
- Low moisture vapour transmission rate ('MVTR') at high RH

Technology jointly developed under the agreement has achieved significant improvement in the first three priority areas.

When applied as a coating on PET laminates, the Revolymer polymer has resulted in a material with a decrease in OTR compared to the current technology at higher RH, and, in tests, meets and exceeds the target OTR. Similarly, when applied as a coating on PET laminates the bond strength of adhesion using this polymer, is significantly increased across a range of substrates and conditions, including high RH and following water immersion up to two hours.

We understand that such a material is not currently available and if manufacturable at scale will have the advantage of being easier to apply and cheaper to manufacture without compromising performance.

### ***6.2.2 Development Status & Route to Market***

In late 2009, Revolymer signed a joint development agreement with a leading provider of inks to packaging markets. The route to market is intended to be through licensing with the partner.

A series of trial polymers were produced and tested by the partner and one was agreed as the polymer with which to move forward in a pilot scale up. Revolymer and its partner have also sought to establish a commercial supplier of the functionalised polymer. Scale up by a manufacturer is in progress; initial batches of modified polymer were evaluated. Further batches of polymer are being tested by the partner to ensure the product meets the necessary milestone criteria for adhesion, OTR specification and performance. If these work streams are successful, the next step would be for Revolymer and its JDA partner to enter into a licence agreement as a route to sales of products incorporating this technology.

In Europe, Revolymer polymers fall under the remit of the Registration, Evaluation, Authorisation & Restriction of Chemicals ('REACH') legislation of the European Chemicals Agency ('ECHA'), and in the US under the Toxic Substances Control Act ('TSCA') legislation of the Environmental Protection Agency ('EPA'). We understand that the regulatory requirements for polymers developed via this technology stream will be assessed on a project and application basis. As these polymers may come into contact with food, they are also subject to indirect food contact legislation both in the EU and the US. Under the terms of the JDA, testing for compliance with indirect food contact legislation is the responsibility of the partner.

In our opinion adherence to the partner's target commercial timelines is dependent on successfully scaling manufacturing in a timely manner.

### **6.3 Market opportunity**

Smithers Pira reported that the global consumer flexible packaging market was worth over US\$53bn in 2010, with food packaging accounting for almost three-quarters of the market. This market is forecast to grow by a CAGR of 4.1% to reach US\$71bn by 2016, with higher-barrier plastics such as biaxially-oriented polyethylene terephthalate, EVOH and PA showing the highest growth rates over this forecast period.

### **6.4 Competition**

There are many companies active in the flexible packaging market. Many of these can be considered to be potential licencees of Revolymer. Competitors to Revolymer's technology include larger companies who have in-house R&D for flexible packaging, such as E. I. du Pont de Nemours and Company and Bemis Company, Inc.

Other competition comes from smaller companies such as InMat, Inc. which has developed Nanolok™, an aqueous suspension of nanodispersed silicates in a polymer matrix that can be applied to polyester film (or other substrates) in packaging applications. It is claimed to provide the highest gas barrier of any polymeric coating currently available on the market. Nanopack, Inc. ('Nanopack') has developed Nanoseal™ coatings, also based on use of nanoclay for barrier enhancement. Nanoseal™ is composed of aqueous dispersions of vermiculite platelets in PVOH applied to flexible films using standard printing and coating. Nanopack claims this coating delivers a significantly better gas barrier compared to competing clear barrier materials such as EVOH.

## **7 Encapsulation technologies (for household products)**

### **7.1 Description of technology/product**

Revolymmer has pursued a number of approaches to encapsulation of highly active particulates which can be added to liquid dishwashing and laundry products to enhance performance. The intrinsic nature of these additives means that they are not stable in liquid formulations. Maintaining activity in a liquid environment is challenging. These actives include bleaches or bleach activators, for example tetraacetythylenediamine,  $\epsilon$ -phthalimidoperoxy hexanoic acid ('PAP'), sodium percarbonate, and enzymes including lipases, proteases, amylases and cellulases. This approach utilises the polyacrylate family.

Approaches considered by Revolymer include:

- Development of pH switchable alkali soluble polyacrylates of various compositions for encapsulation of particulate dishwashing and laundry actives
- Ionic strength responsive polymer films on the surface of particles which are stable when stored in high ionic strength formulations but dissolve or disintegrate rapidly on dilution
- A combination of wax coating of particles and pH or an ionic strength responsive polymer coating

Encapsulation should provide stability and enable active release at point of use in a predictable manner.

### **7.2 Product merits and status**

#### **7.2.1 Merits**

Effective detergent compositions (e.g. laundry and dishwasher products) commonly contain a number of different active ingredients such as surfactant, enzymes, bleach, softener and fragrance. Mature markets are shifting from powder to liquid laundry and dishwashing products which has led to limitations in the actives incorporated into products as they are unstable in this type of formulation.

There is a need within the industry to allow the stability of actives to be enhanced, whilst reducing interactions with other formulation components. Potential solutions include encapsulation and triggered release, matrix based (use of matrices such as alginate gum to encapsulate), immobilisation (attachment

of actives to an inert, insoluble material) and host-guest technologies (complexes formed through non-covalent bonding). Encapsulation based technologies must protect in formulation and have a mechanism to trigger release, with key triggers of interest being dilution, formulation stability, ionic strength and surfactant concentration.

Under a joint development agreement with a company producing active ingredients for liquid detergents signed in late 2011, Revolymer has initiated a programme to identify polymers with the potential for use in encapsulation.

### **7.2.2 Development Status & Route to Market**

Revolymer is working to develop polymers responsive to different trigger switches, with the focus on pH and ionic strength. Revolymer has tested a number of polymers and identified polymers that remain insoluble at lower pH and dissolve or “switch” at higher pH.

Revolymer has also identified a bi-layer approach for active encapsulation. Initial stability data of encapsulated actives (both SPC and PAP) in a number of existing liquid formulations for laundry stain removal and auto dishwasher are encouraging; with between 50-100% of active particles (which would rapidly degenerate without encapsulation) remaining after 28 days.

Development of other active encapsulation has been through a joint development agreement with a company producing active ingredients for liquid detergents signed in late 2011. The aim of this agreement is to develop a polymer matrix for improved active performance in liquid laundry detergents. Several polymers have been supplied to Revolymer’s partner and tested for both chemical resistance and release as Revolymer and its partner seek to identify the most appropriate chemistry to move forward with. Microencapsulation is a technically challenging area within laundry actives, and is yet to be demonstrated. Revolymer and its partner are in discussion to extend the JDA to continue feasibility studies.

If results are encouraging then a first licence of encapsulation technology in household products (e.g. laundry or dishwasher) could follow.

We believe this is an interesting approach to a challenging problem and if successful will generate interest within the industry.

In Europe, Revolymer polymers fall under the remit of REACH legislation of the ECHA; with additional EU legislation on detergents also relevant. In the US, Revolymer polymers fall under the TSCA legislation of EPA. We understand that the regulatory requirements for polymers developed via this technology stream will be assessed on a project and application basis.

### **7.3 Market opportunity**

In 2010, Datamonitor reported that the global textile washing products market was \$54bn and forecast to reach a value of \$63bn by 2015. Key players include P&G, Unilever plc, Henkel AG & Co. KGaA, Reckitt Benckiser plc and Colgate-Palmolive Company.

In 2008, Datamonitor reported that the global market for automatic dishwashing products was forecast to grow by a CAGR of 3.1%, reaching a value of \$3.9bn by 2012.

### **7.4 Competition**

Companies investigating encapsulation include P&G, Unilever plc and Henkel AG & Co. KGaA, all of whom are researching this area and have filed patent applications. Suppliers of actives are also actively pursuing encapsulation technology. The industrial enzymes market is largely consolidated, with Genecor International, Inc. (a subsidiary of Danisco US, Inc.) and Novozymes A/S dominating the market; Novozymes has previously filed patent applications for both a process and material for encapsulation, while Genecor has filed a patent application for enzyme encapsulation. Similarly, BASF SE, one of the world’s leading chemical companies has filed a patent relating to encapsulation of active ingredients.



## 8 Non-laundry cleaning agents

### 8.1 Description of technology/product

The Company is pursuing the addition of graft copolymers as an additive to non-laundry cleaning agents through a JDA with an undisclosed party, the details of which are commercially sensitive.

## 9 Future portfolio

Revolmer has been actively pursuing the development of polymer technology to improve the performance of consumer products in multiple market areas.

The most advanced of the future portfolio are the two moisturising lip balm products; one is a stick and the other a pot. Lip balms tend to contain moisturisers, lubricants, thickeners, flavourings, sun screens and antioxidants. The Revolmer formulation includes RevCare (Rev7) (isoprene/MA/methoxy PEG-40 copolymer and PEG-40 methyl ether) whose function in the formulation is to act as a film former, moisturiser and texturant. It is present at concentrations of weight for weight of 2 to <9%. Both the stick and the pot also contain conventional moisturising agents, which will be the basis of any moisturising claims at launch.

Revolmer is in discussions with a packaging company regarding the manufacturing of the lip balm and anticipate it will be on sale in the US in H2 2012. The lip balm product, is provisionally named RevCare Hydrotherapy.

The commercial success of the lip balm in the US will determine the timing and strategy of launches in other territories. As with confectionery chewing gum, lip balm purchases are predominantly an impulse buy and therefore Revolmer aims to utilise distribution and retail channels established for the sale of Rev7<sup>®</sup> gum in the US. In addition to the lip balm the portfolio includes a number of technologies in early stages of development. These sectors, proposed products and potential benefits are summarised in table 1.

**Table 1** – Summary of Revolmer’s Future Portfolio

<i>Sector</i>	<i>Proposed Products</i>	<i>Potential Benefits of Revolmer Technology</i>
<b>Body Care</b>	Lip stick, lip gloss, foundation	Long lasting glossy film, sensory ‘moisturisation’ effect
	Deodorant, antiperspirant	Fragrance retention, odour masking, microbial inhibition, water barrier, water absorption
<b>Hair Care</b>	Styling gel, mousse, spray	Styling hold, restyling, shine, reduced comb transfer, reduced stickiness, reduced flakiness, naturally sourced ingredients
<b>Dental Care</b>	Toothpaste	Stain prevention/reduction, bacteriostatic, improved taste
<b>Adhesives</b>	Window glazing sealant	Improved stiffness, reduced creep, improved adhesion

In the future Revolmer plans to progress straight to licence without the need for a JDA where the benefits of polymers have been demonstrated.

Cambridge Consultants considers this approach to portfolio development to be a natural extension to the Company’s technologies.



## **10 Strategy and Capabilities**

### **10.1 Management**

Revolymmer has an experienced senior management team based at its site in Deeside, North Wales, UK, including one of the co-founders. Two of the team bring over 50 years (combined) experience in the chemicals industry, including experience in developing polymer applications and all have experience in senior roles within technology-based companies. The US sales director has over 25 years of experience in sales in the food industry and heads a sales force of two regional sales managers directly employed by Revolymmer and a broker network (indirect sales force) of over 100 people.

### **10.2 Research & Development**

Revolymmer employees include eight PhDs with experience in formulation and polymer chemistry, six of whom are working in a technical development role as part of a 23 strong research & development team at the company's headquarters in Deeside. The company has in-house capabilities across multiple chemistry toolkits:

- Synthetic – including the ability to produce graft copolymers, polyacrylates, alkali solubles, crosslinking chemistries
- Processing – for example encapsulation, spray coating, film coating
- Functionality – with particular interest in release profiles, taste, texture & rheology, adhesion

Revolymmer has also invested in equipping its Deeside facilities with several research and formulation labs, a gum production area capable of producing small quantities of confectionery and nicotine gum for *in vitro* sampling and a masticating machine for *in vitro* gum testing. The Company also has a small scale coating capability to coat active ingredients.

We consider that the Company has a broad range of polymer chemistry expertise and that the approach in using a mix of technologies is sensible; many of the technologies are at an early stage and yet to be proven in terms of commercial application.

### **10.3 Business strategy**

Revolymmer is focusing on developing polymers for application within the FMCG industry. The company plans to establish licences to its intellectual property with large partners within the FMCG industry. To achieve this, the company is, in some product areas:

- Developing and marketing its own branded products (e.g. Rev7<sup>®</sup> gum)
- Producing private or white label products that will be branded by commercial partners (e.g. Gen2 nicotine gum)
- Seeking joint development agreements to develop earlier stage technology into market applications

As earlier stage technologies develop and mature, the company plans to move either earlier or directly to licence agreements and plans multiple licences according to applications.

In our opinion this mixed model of developing its own branded and private label products, whilst seeking JDAs and licence agreements is a balanced approach.

## **11 Risks**

Cambridge Consultants consider that the Company will face certain risks in the realisation of its business plan, which may render some or all of the information in this report incomplete, obsolete or invalid in the future.

This section should be read in conjunction with the rest of the report.

### **11.1 Technology**

- Much of the technology and portfolio is at an early stage and some way off from commercialisation
- Many of the areas of research are technically challenging and some or all may not be successful
- The results of the JDAs may not meet the required specifications or be attractive to consumers when in trials
- There may not be follow on JDAs and/or JDAs may not lead to licensing deals

However, the Company has a broad toolkit (i.e. polymers and technologies) from which solutions may be found.

### **11.2 Regulatory and trials**

- Larger, external independent testing may not support results from small, internal studies
- Some of the products will require regulatory approval, which may take longer than anticipated or may not be granted

However, most of the products being developed by the Company are intended for the FMCG industry with low regulatory barriers.

### **11.3 Market**

- Own label products are at an early stage and may take longer to generate substantial sales and there may not be adequate budget to support marketing of own label products
- Consumers may not see or value the benefits of the Company's polymers in the products
- Products may be launched which are more attractive to consumers than those developed by the Company or containing Revolymer's polymers
- Revolymer, in the main, is dependent on third parties for revenue and therefore their marketing strategies and product positioning will impact on Revolymer's revenue stream

Revolymer is targeting large markets and generating a range of polymers with broad applicability and is pursuing a mixed business model of own brand and private label products, JDAs and future licence agreements. This breadth of scope in markets and business model should enable success in some areas.

### **11.4 Manufacturing**

- The manufacturing processes may not be scaleable and/or scaling may not be consistent
- The Company is reliant on third party suppliers for the supply of polymer components, where there is reliance on a single source, supply issues could occur
- Lower manufacturing costs are required for Gen2 nicotine gum in certain territories

Revolymer works closely with partners to address supply chain and scalability and, where appropriate, is looking for additional manufacturers.

## 12 Summary

Revolymmer is a technology based company that designs, develops and formulates novel polymers aimed at improving the performance of existing consumer products within the FMCG industry. The polymers are based on:

- Amphiphilic graft polymers; and
- Polyvinyl alcohol and Polyacrylates.

The polymer families are applicable to a diverse range of applications including confectionery and medicated gums, coatings & adhesives, household products and personal care. Many of the products and applications that the polymer technology is intended for face relatively low regulatory hurdles.

The most advanced of the Company's polymers is Rev7, based on amphiphilic graft chemistry. The FDA confirmed its acceptance of the GRAS status of the Rev7 polymer in 2011, it is therefore exempt from further requirements of pre-market approval in the US. Rev7 polymer was also deemed safe to use as an ingredient of chewing gum at a maximum of 8% by the EFSA and thus gained approval for use in Europe in 2011.

The company is adopting a mixed business model for commercialisation of its technology. This includes developing its own branded or private label products (in some product areas) and joint development agreements, with the intention of moving to licence agreements with large partners to the Company's technology. In Cambridge Consultants' view this is a balanced commercial approach.

To date, the Company has launched two products, both incorporating the Rev7 polymer:

- A confectionery gum with an improved removability profile, and intended to improve the chew and long lasting flavour, was launched in the US in 2011. European launch is anticipated to be in H2 2012. The Company uses its own sales force and a broker network to sell the Rev7<sup>®</sup> gum in the US and will sell the gum in Europe through distribution agreements with leading confectionery brokers.
- A nicotine gum, Gen2, intended to improve texture, flavour and chew compared to competitor NRT gums, has been approved for sale in Canada and there are plans for Gen2 to go on sale there in H2 2012. The Company will access the Canadian market via its commercialisation and distribution partners.

The Company has also undertaken JDAs with large companies to develop earlier stage technologies, with the intent, subsequently, to sign licence agreements. JDAs to date have included the fields of nicotine gum, food packaging, non-laundry cleaning agents, and laundry and other detergents.

There are a number of risks to the business plan, including the fact that the technologies are addressing some challenging issues and some or all may not be successful. The company is also reliant on third party suppliers for polymer components and partners for manufacturing and sales with much of the supply being from a single source. However, Cambridge Consultants believes the risks are consistent with the current stage of development of the Company and that the management team have the experience to leverage the broad technology toolkit to help the Company address those challenges.

Yours faithfully

For and on behalf of  
Cambridge Consultants Ltd.

## PART IV

### PATENT AGENT'S REPORT

The following is the text of a report from D Young & Co LLP, the Company's patent agent:

## **D YOUNG & CO** **INTELLECTUAL** **PROPERTY**

The Directors  
Revolmer plc  
1 Newtech Square  
Zone 2  
Deeside Industrial Park  
Flintshire  
CH5 2NT

The Directors  
Panmure Gordon (UK) Limited  
155 Moorgate  
London  
EC2M 6XB

4 July 2012

Dear Sirs

### **REVOLYMER PATENT & TRADE MARK REPORT**

We have been asked to provide a review of patent and trade mark rights of Revolmer plc ("Revolmer" or the "Group") for the benefit of the Directors of Revolmer and the Directors of Panmure Gordon (UK) Limited ("Panmure") in its capacity as Nominated Adviser for inclusion in the Admission Document. For the purposes of paragraph (a) of schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

#### **1. EXECUTIVE SUMMARY**

- 1.1 Revolmer is a technology company that designs, develops and formulates novel polymers for use in consumer products. The Company has extensive expertise in polymer synthesis and formulation, backed by a comprehensive range of analytical and materials testing instrumentation. One of Revolmer's most important materials is a polymer known as Rev7. Revolmer's first commercial product is a removable, degradable chewing gum containing Rev7 which has enhanced flavour and chew characteristics. Future products in development include medicated chewing gums containing Rev7. Revolmer's development portfolio also includes innovations in cosmetics, detergents, adhesives and personal care.

- 1.2 We have undertaken a freedom to operate (FTO) analysis in respect of the polymer Rev7 and it is our opinion that Revolymer is to free to manufacture, use and sell Rev7 in the European Union, where it operates, without infringing any valid and enforceable granted patent rights held by others.
- 1.3 We have also undertaken FTO analysis in respect of the following compositions:
  - (i) a confectionery chewing gum product comprising Rev7;
  - (ii) a medicated chewing gum product comprising nicotine and Rev7; and
  - (iii) lip balm products comprising Rev7.
- 1.4 For the avoidance of doubt, FTO opinions have not been conducted in relation to projects that are still in the research stage, or in early stage development (such as the Company's projects in detergents, adhesives and personal care) because the scope of any such search would be impractically broad and thus impossible to draw meaningful conclusions therefrom.
- 1.5 From this analysis we have concluded that Revolymer is to free to manufacture, use and sell such compositions in the European Union, where it operates, without infringement of any valid and enforceable granted patent rights held by others.
- 1.6 We have not undertaken freedom to operate analyses outside the European Union. Specifically in respect of US, the Company has entered into a Manufacture and Supply Agreement with a partner, whereby the partner warrants, to the best of its knowledge, that it has no knowledge of the existence of any third party IP rights that would materially impede the commercial exploitation of the products under the agreement. The partner also indemnifies Revolymer against all liabilities, costs, expense, damages and losses suffered or incurred by Revolymer arising out of or in connection with any claim made against Revolymer if a court of law or any other tribunal of competent jurisdiction determines that its products infringe any third party rights, including any arising within the US.
- 1.7 Whilst we have undertaken a comprehensive FTO analysis, with the scope described above, consistent with our professional standards, nevertheless, owing to the inherent limitations of such studies, there can be no absolute guarantee of freedom to operate. In particular, the scope of an FTO opinion is, of course, limited to the extent of the search. The success of the search is based upon, *inter alia*, the classification of published patents and patent applications and the selection of headings searched. Moreover, the vast majority of computerised sources (databases) are incomplete. All of the stated records are rarely present, particularly for the most recent publications "covered" by the database. In addition, for databases covering more than one publishing body, the recording of patent family members (equivalents) is not comprehensive. Thus, it should not be considered impossible for other relevant patents to be found, that for reason of classification or database deficiency were not identified in the search.
- 1.8 Revolymer has a business model of patenting the materials it discovers, so that these rights can be licensed to the global companies capable of commercializing them. In our opinion, these patents will potentially be the most valuable patent rights for Revolymer, since any such patent which ultimately relates to a commercialized product is likely to be valuable – providing that the patent is valid and the claims have comprehensive scope.
- 1.9 We have verified that Revolymer appears to have good title to all the rights it owns. We have also verified that the owners of rights which Revolymer have licensed-in appear to have good title and hence capacity to license. Although our checks have not been exhaustive, we have made extensive checks within the realms of what is practical, and no significant problems have been identified.
- 1.10 The Revolymer patent family encompassing the polymer Rev7 was assigned from University of Bristol by virtue of an assignment dated 15 February 2007, which specifically references priority

application GB0417938.3 and PCT application PCT/GB2005/003176 (the “Assigned IPR”). In clause 4.2 of said assignment, the University of Bristol confirmed that (a) it was the owner of the Assigned IPR and had executed such assignments of the Assigned IPR as was necessary to give title to the Assigned IPR to the Assignee; (b) it had the right to assign the rights in the Agreement; and (c) it had not granted any rights in the Assigned IPR to any third party. Revolymer granted the University of Bristol a royalty-free, irrevocable, non-exclusive licence back of the Assigned IPR for the Assignor to use and develop such rights solely for academic and non-commercial research purposes (Clause 2.3 of Assignment).

- 1.11 Some key patent rights have been granted or allowed. Other patent rights are at an earlier stage and it is not yet clear what rights will ultimately be granted.
- 1.12 The European patent encompassing the polymer Rev7 granted in December 2008. Corresponding patents have also been granted in Australia, Hong Kong, Japan, Russia, Singapore, China and South Africa. The claims have also been allowed in US. The application is still pending in India and Canada.
- 1.13 The undersigned has read Part 2 of the Admission Document entitled “Risk Factors” and paragraph 10 of Part 1, entitled “Intellectual property portfolio” and did not identify any material relating to patent and trade mark matters in these portions of the Admission Document which appear to be misleading or contain any untrue statement of a material fact, or omit any material fact, to the extent that the undersigned has knowledge of the subject matter addressed.
- 1.14 In summary, our overall impression is that there is only a low risk of Revolymer infringing valid and enforceable granted third party patent rights by practising its activities in the European Union based on the Rev7 technology platform. In the most general terms, the basic business model of Revolymer is compatible with the patent system, since the company appears to have freedom to operate in respect of its key polymer Rev7, and is therefore able to seek patent protection for such polymers as a basis for licensing.

## **2. SCOPE OF REPORT**

- 2.1 The patent and trade mark report relates to the patent and trade mark rights of Revolymer.
- 2.2 D Young & Co has been commissioned to review the registered patent and trade mark rights owned by and licensed to Revolymer. The work has been carried out under a limited liability agreement with Revolymer. The contact details are as follows:

D Young & Co LLP  
120 Holborn  
London  
EC1N 2DY  
Tel: +44 207 2698550  
Fax: +44 207 269 8555  
[www.dyoung.com](http://www.dyoung.com)

- 2.3 The relevant attorney details are as follows:

Dr Zöe Clyde-Watson (Patents): [zwc@dyoung.co.uk](mailto:zwc@dyoung.co.uk)  
Jackie Johnson (Trade marks): [jhj@dyoung.co.uk](mailto:jhj@dyoung.co.uk)

- 2.4 D Young & Co is one of the principal European firms specialising exclusively in patents, trade marks, designs and related intellectual property rights. The firm has been recognised by Managing Intellectual Property Magazine (MIP) as UK Patent Prosecution IP Firm of the Year for 2009. D Young & Co has also been recommended as a top tier intellectual property firm by Chambers and Partners, Legal500 and Managing IP (MIP). In November 2011 D Young & Co were named ‘IP Law Firm of the Year’ Award from Lawyer Monthly, and in March 2012 D Young & Co were named ‘UK Trade Mark Prosecution Firm 2012’ in the MIP Global Awards.



- 2.5 Dr Zöe Clyde-Watson, the principal author of this report, has practised as a patent attorney in London since 1998, obtaining full qualification as a UK and European patent attorney in 2002. She has a PhD in chemistry from the University of Cambridge and specializes in chemistry-based technology areas including small molecule pharmaceutical and veterinary chemistry, therapeutic/diagnostic methods, process chemistry, polymers, polymorphs and formulation chemistry. Zöe joined D Young & Co in 1998 and became a partner in 2004. Zöe's practice involves drafting, prosecution, oppositions and appeals and freedom to operate opinion work. She also regularly advises small clients on IP due diligence for project acquisitions, investment/licensing opportunities and stock market flotations.
- 2.6 Jackie Johnson has 19 years' experience in trade mark private practice and joined D Young & Co as a partner in 2011. Jackie has extensive experience across a range of trade mark activities including searching, filing, oppositions, appeals and invalidations both before the UK IPO and OHIM, as well as handling worldwide trade mark portfolios for clients. She has advised a number of clients from individuals to multi-national organisations across a broad range of sectors, in particular the automobile, airline, fashion, music and entertainment, cosmetics and toiletries, industrial tools and food and drink industries.
- 2.7 D Young & Co has acted for Revolymer since May 2009 when the patent and trade mark portfolio was transferred from Gill Jennings & Every LLP.
- 2.8 For rights owned by Revolymer, the chain of title has been checked from the inventors. However, the correctness of the inventorship has not been checked. We have also not made a detailed study of the content of assignments, merely verified their existence and the identity of the parties. Specifically, for rights assigned to Revolymer from third parties, we have not reviewed if the former owners have retained any rights, for example by a licence back clause, although we understand that the Company's management and relevant professional advisors have considered this point.
- 2.9 For each patent family owned by Revolymer, a paragraph has been written which summarises the invention and its commercial context. This information is subjective and is intended to provide a useful summary, rather than to be relied upon in a factual sense. At the foot of the summary table we have also summarised the overall status of each patent family. Opinions expressed in this summary are based on our best assessment of the relevant facts and information known to us, and represent our honest belief.
- 2.10 This report is not intended as a substitute for reviewing the publicly available prosecution files, which in the case of the European Patent Office and the US Patent & Trade Mark Office are available online. Reports from the PCT procedure are also available online from the World Intellectual Property Organisation (WIPO).
- 2.11 For licensed rights, the licences have been viewed in original in most cases. For licensed-in rights, the title of the licensor has been checked, although original documents, such as contracts of employment of inventors, or previous assignments to the licensor, have not generally been sought. The correctness of the inventorship has also not been checked for any of the in-licensed patent families. We have also not made a detailed study of the content of the licences, merely verified their existence and the identity of the parties. Specifically, we have not reviewed if the licensors have retained any rights in the inventions, although we understand that the Company's management and relevant professional advisors have considered this point.
- 2.12 In the case of rights licensed from the University of Bristol, Revolymer has provided information regarding status of the inventors (e.g. staff, student etc.) and how the rights belong to the University of Bristol, which information we have assumed to be correct, rather than checking original documents such as contracts of employment and so forth.

### 3. GENERAL OVERVIEW OF PATENTS AND TRADE MARKS

- 3.1 Before going into the detail of the specific patent families to which Revolmer has rights, it may be useful to outline briefly the procedures and requirements whereby patents are filed in the United Kingdom, and then subsequently prosecuted to grant on an international basis.
- 3.2 There are certain fundamental legal requirements that a patent application must meet if it is to be suitable matter for a granted patent. In Europe, there is first a list of subject matter which is “not patentable” by statutory definition, and this includes, *inter alia*, literary, dramatic and musical works of art, rules for games, theories, discoveries, business schemes, inventions which encourage antisocial behaviour, and mere presentations of information. Broadly similar exclusions exist in other major jurisdictions. The main requirements, which are then considered during the examination of patent applications to see if they are suitable for grant, are that the invention must:
- be “**novel**”; this means that no public disclosure of the invention should have been made anywhere in the world by anyone (including the inventor), for example in the literature (including published patents), at public meetings or by being introduced into public use.
  - contain an “**inventive step**” and not simply be an assembly of known technology. A patent will not be granted for an invention which simply puts together aspects of other publicly available technology in a manner which would be “obvious” to a person skilled in the art, having regard to all the publicly available information; there has to be some unexpected result or synergy.
  - be capable of “**industrial application**”.
- 3.3 There is no such thing as yet as a “world patent”; it is necessary to file separate patent applications in each and every country for which you wish to obtain patent protection. Fortunately, certain treaties exist, such as the European Patent Convention (EPC) and the Patent Cooperation Treaty (PCT), whereby one application may designate a number of countries, but work is then undertaken by a central patent authority looking for prior art and giving a preliminary examination of this single multinational application, before it is later “split” into individual national patent applications.
- 3.4 A UK inventor will normally file a British patent application at The Patent Office. The purpose of this filing is to establish an official date on which the invention was made (called “the priority date”). This date will be used to establish the “**novelty**” requirement. If some third party has filed a patent application or published something about the same invention before our inventor’s priority date, then the application is not novel; if that third party files a patent application or publishes something about the same invention after our inventor’s priority date, then the application is novel. This initial application remains unpublished, and is thus confidential and not in the public domain; care should thus be taken to ensure that this application is not disclosed to anyone else unless under a written confidentiality agreement.
- 3.5 Twelve months after the priority date, the patent application can move into the next, and international, stage, under an international treaty, called The Paris Convention, which means that, provided the applicant has filed all corresponding foreign applications within one year of his first priority filing, other nations will respect that first national priority date. The applicant may then prosecute a number of corresponding international patent applications in various languages. However, as mentioned above, several further international treaties exist which enable a more efficient procedure to be used.
- 3.6 The most popular procedure makes use of the **Patent Cooperation Treaty** (or “PCT”), to which the vast majority of industrialised countries are currently signatories. Under this treaty a single, “international” application is filed, based upon the national priority application, within 12 months of the date of filing of that priority application. The applicant may designate which countries he

intends to select for filing national patent applications, but will, for the time being, proceed with the single “PCT” application in one language. The initial phase of the PCT procedure involves an international search of the prior art of the subject matter of the invention; this is carried out, within about 3 months (i.e. 15 months after the national priority filing date). A report is issued to the applicant listing earlier patent or literature references deemed by the International Search Authority to be relevant to the application with regard to novelty, inventive step, or general background. This is accompanied by the Written Opinion of the International Search Authority, which provides the applicant with a preliminary non-binding opinion on the patentability of the claimed invention. Following the issue of the search report, the applicant has the opportunity to compare and assess these previous documents with his application; amendments may be filed to descriptions or claims if the applicant wishes at this stage to counter possible problems over novelty or obviousness. After 6 months (i.e. 18 months after the national priority filing date), the application, and usually the search report is published. At this stage the contents of the PCT patent specification are no longer confidential. This has two important consequences. Firstly, that the invention is now disclosed to the public, and hence, in the event that the application subsequently fails, it cannot merely be abandoned and refiled as a fresh application; it is now publicly-available prior art against any future inventions. Secondly it should be noted that if the patent is subsequently granted, claims for damages for infringement of the patent rights by third parties can be made with effect from this publication date (however infringement actions cannot be initiated until after the patent is granted).

- 3.7 The applicant has the option to request International Preliminary Examination (also known as “Chapter II Examination”). The examination of the application is to ensure it meets the necessary requirements of novelty, inventive step and so on (as detailed above). During this examination amendments may have to be made, often to restrict the scope of the claims so that they no longer include what is already known. A report (known as the “International Preliminary Report on Patentability” or “IPRP”) is issued commenting upon the novelty, inventiveness and other aspects concerning the patentability of the invention. This may assist the applicant to modify its claims when entering the national patent systems, or at least to be aware of issues that may need to be overcome during future national examinations. If the applicant chooses not to request International Preliminary Examination, the application proceeds via what is known as “Chapter I Examination” and the IPRP will issue simply reiterating the comments raised in the Written Opinion of the International Search Authority.
- 3.8 Entry into the individual national systems must take place before the end of the thirtieth month after the applicant’s original national priority date, and must be made in the appropriate languages of the countries concerned. This can add considerably to the expense at this stage of broad international filings.
- 3.9 The national patent offices in the selected countries then carry out their own examinations, and the preliminary report on patentability from the PCT phase will have been forwarded to the national patents examination authorities for them to take into consideration during their own deliberations. Examination of a patent application concludes either with allowance and then grant of a patent, or its refusal or abandonment. Allowance is the step of the Patent Office Examiner formally stating that he is prepared to grant a patent, and in many countries is associated with a request for payment of a grant fee. It is a normal requirement for the applicant to work through national accredited patent attorneys in each country concerned, though such work is usually coordinated by the applicant’s own original patent attorney. Nonetheless, it multiplies the cost of prosecuting the various national applications through to grant, especially where language translation is required. There are some regional organisations, such as the European Patent Office that will continue to examine on behalf of a number of countries. When a European patent application can be granted, it is then turned into a set of “national” patents for the European states in the Convention. There are currently 38 European countries that are part of the European system (and 2 extension states), so that at the time of grant for cost grounds the patentee will select which

of these countries the European patent will be validated, i.e. put into force and maintained. Typically only the major European countries are selected for “validation”, with the most common countries being Germany, France, United Kingdom and Italy, and the least common the smallest countries such as Slovenia and Monaco.

- 3.10 The life of a patent is up to 20 years from the filing date in all major jurisdictions. In most jurisdictions, it takes several years for a patent application to mature into a granted patent (or a refusal of the patent application). The most common filing strategy is to file an initial priority application in one’s home country, e.g. the United Kingdom, which is abandoned in favour of a PCT patent application filed 12 months after the initial priority application. Using the PCT process has the effect of delaying the filing of national and regional patent applications until 2½ years from the filing of the initial priority application. A national filing in the US from PCT will typically take another 2-4 years to grant, i.e. 4-6 years from the original filing. National filings in Japan and Canada take even longer, with grant not expected until about 10 years from original filing. Filings at the European Patent Office are also usually slow to be processed. Examination often does not commence until 2-5 years from filing, i.e. 4-8 years from original filing, with grant at 10+ years after original filing not being uncommon.
- 3.11 Granted national patents are normally kept valid by payment of annual renewal fees (in the United States renewal fees are paid 3½, 7½ and 11½ years from the date of patent grant), and failure to pay these fees results in an automatic loss of patent rights; it is thus important to ensure that renewal fees are paid. Several commercial companies offer to maintain computerised records of patents to ensure that all appropriate payments are made on time.
- 3.12 The grant of a patent is not a final decision on the validity of the patent. The validity of a patent can be challenged by seeking revocation in national courts. In addition, for European patents, during the 9 months immediately after the issue of a European patent, any third party may contest its validity by filing an Opposition. An Opposition seeks revocation of the European patent usually on the grounds that the granted patent fails to meet the standard requirements of patentability (novelty, inventive step, industrial application, etc) or it does not disclose the invention with sufficient clarity or completeness. Three decisions are possible as an outcome from opposition by the European Patent Office (“EPO”): (i) the patent is upheld without amendment, (ii) the patent is upheld in amended form (typically with narrower protection), and (iii) the patent is revoked. Statistically there is around a 1/3 probability of each of these outcomes.
- 3.13 During legal disputes where a company may sue a third party for alleged infringement of its patent rights, it is possible for the defendant to counter claim that the patent was invalid and should never have been granted because it failed to meet the standard requirements of patentability. The court may then rule in the defendants favour and invalidate the patent.
- 3.14 For the above reasons, and leaving aside technological progress, which can be quite likely to open up entirely different ways to address a market, there is always a degree of uncertainty in the commercialization of IP that a patent will continue to be valid and to provide the hoped for degree of protection in the marketplace throughout its entire life. With licensing of technology, the licensor needs some stability against the licensee withholding, or trying to lower, royalty payments on the grounds of queries over a patent’s potential validity, particularly with early stage technologies where the patent may still be an unexamined application. Consequently, it is common practice in licensing of technology to include some provisions to the effect that any claim in a patent or application shall be presumed to be valid unless and until it has been held to be invalid by a final judgment of a court of competent jurisdiction from which no appeal can be or is taken.

- 3.15 It is also worth stressing that while national governments are giving a monopoly right to a patent owner, they will take no action themselves to prevent others from infringing that right. The enforcement of patents is the responsibility of the patent owner or exclusive licensee, and this can involve significant sums of money.
- 3.16 There is also, of course, the other side to infringement; namely infringing the patents of others. Owning a patent or having a licence to a patented process or product gives no right to practise the process or manufacture the product, since the working of one patent may infringe another patent. A patent is a negative right to exclude others, not a positive right to practise an invention. The question therefore is whether a patent holder has the “freedom to operate” his technology – whether patented or not – without risk of third party infringement.

#### **4. GENERAL TOPICS**

##### **IP Policy & Strategy**

- 4.1 Revolymer’s core business is the discovery and development of new polymeric materials for use in a wide variety of applications, compositions/composites containing such polymeric materials, and of new processes and techniques for the preparation of such materials and compositions/composites. Revolymer has appreciated the importance of patent protection both for the defence of its activities and for obtaining commercial value from the materials it identifies and develops. Revolymer also has sought trade mark protection for its house mark, logo and various brand names.
- 4.2 Revolymer’s business has been established on the basis of (i) technology relating to certain polymeric materials which it obtained via assignment from the University of Bristol, and (ii) inventions made “in house” since the formation of the company.
- 4.3 Revolymer’s currently ongoing scientific activities take two principal forms:
- research carried out in house (where the resulting intellectual property is owned by the Revolymer);
  - research carried out with industrial clients as part of joint development programs where Revolymer generally owns the IP on novel materials and licenses it to the client on negotiated terms in respect of specific applications.
- 4.4 Revolymer maintains a policy of its scientists keeping accurate confidential records of all research and experimentation in bound notebooks, which are signed and dated by the inventors and then routinely countersigned by senior managers to comply with best practice for establishing dates of invention, particularly with United States patents law in mind.
- 4.5 Revolymer also acquires patent rights and other assets from third parties where there is an appropriate fit with its commercial objectives, usually taking assignment of IP rights as appropriate.
- 4.6 Revolymer generally follows the policy of filing an initial priority application in the United Kingdom, which is subsequently abandoned in favour of a PCT patent application. Selected national filings and a European filing then follow. For some of the early Revolymer patent families, European applications were first filed and formed the basis for subsequent PCT applications. In these instances, we understand the reason for first filing a European application was to allow the subject matter to be searched by the EPO during the priority year, thereby allowing Revolymer to make an early stage assessment of the patentability of the claimed subject matter.
- 4.7 Prior to making a first filing, prior art searches are typically carried out internally by Revolymer using publicly available resources. In some instances, prior art searching is out-sourced to an external third party provider (Ellsbrook Limited has been used recently). Typically, the most



relevant documents identified in the searches are then forwarded to D Young & Co to accompany the writing of new patent applications.

- 4.8 Revolymer's policy is to draft initial patent applications as broadly as possible, with a series of gradually narrowing dependent claims directed to particularly preferred embodiments of the invention. Where possible, Revolymer pursues protection for new materials, polymers, composites and compositions, (so-called "composition of matter" protection), with further claims directed to processes for preparing the materials/composites/compositions, and uses and applications thereof. Initial applications are reviewed at the end of the priority year, and where appropriate additional embodiments and/or data may be incorporated prior to filing the PCT application.
- 4.9 The Written Opinion of the International Search Authority provides a preliminary non-binding opinion on the patentability of the claimed invention. This opinion, together with the prior art cited therein, is reviewed prior to Revolymer making a decision on the strategy for national/regional phase filing.
- 4.10 Once the application is nationally/regionally processed, Revolymer's policy is to try and pursue the broadest protection possible, whilst taking into account the cited prior art and local patentability requirements in each region. Insofar as possible (subject to local law) Revolymer seeks to use similar claim amendments and argumentation in each jurisdiction when responding to examination reports.
- 4.11 All patent renewal fees are handled through D Young & Co. GB and EP renewal fees for Revolymer are paid by D Young & Co directly at the European Patent Office (EPO) or the UK Intellectual Property Office (UKIPO). Foreign renewals for Revolymer (e.g. US and other jurisdictions) are paid via an external annuity service provider (Computer Patent Annuities, CPA).
- 4.12 Trade mark renewal fees are handled through D Young & Co. Trade mark renewals for Revolymer Community Trade Marks are paid by D Young & Co directly at the Office for Harmonization in the Internal Market (OHIM). Trade mark renewals for Revolymer UK Trade Marks are paid by D Young & Co directly at the UK Intellectual Property Office (UKIPO). Trade mark renewals for Revolymer International Trade Marks are paid by D Young & Co directly at the World Intellectual Property Organization (WIPO). Foreign trade mark renewals for Revolymer (e.g. US and other jurisdictions) are paid via instruction of local associates.

## **IP Management**

- 4.12 Revolymer has in-house IP management responsible for:
  - maintaining a database of patents, trade marks and invention disclosure forms in Microsoft Excel format covering essential information such as subject/class, dates, countries, status;
  - searching patents databases and publicly available resources for relevant prior art and third party patents (further details below);
  - managing relations with external patent and trade mark attorneys, including working with Company inventors on responses to official actions. David Pears, Revolymer's Chief Technical Officer is responsible for Revolymer's patent portfolio. Tom Castle acts as IP liaison within Revolymer, liaising with its external patent and trade mark attorneys and helping co-ordinate the company's internal IP related activities including the drafting, prosecution and monitoring of patents and trade marks;
  - drafting, reviewing and negotiating confidentiality agreements, research contracts, research collaboration agreements, patent licences and product distribution agreements in conjunction with Maclay Murray & Spens' Contract & IP team;



- assisting business development teams with commercial negotiations involving IP; in particular, Revolymer's in-house IP management team assist the company's sales team with IP matters related to potential or actual licensors working in conjunction with Maclay Murray & Spens' Contract & IP team and D Young & Co as appropriate;
- providing Company management with budget data and forecasts for the patent and trade mark portfolio.

### **Patents Records Database**

- 4.13 Revolymer maintain a database of patents and trade marks covering essential information such as subject/class, dates, countries, status. This database is regularly updated based on information provided by D Young & Co. The database also includes invention disclosure forms. Hard copies of invention disclosure forms are forwarded onto D Young & Co for safe keeping. The database information is complemented by a series of case files in which paper copies of all applications, office actions and relevant correspondence is kept.

### **Patent Searching**

- 4.14 Revolymer's patent searching capabilities include the normal public on-line databases for the USPTO and the EPO (esp@cenet and epoline). In addition, Revolymer subscribes to Scopus, a search tool maintained by Elsevier that may be used to search the patent and peer reviewed (i.e. journal/review) literature which are both of relevance to prior art. SciVerse Scopus frequently allows the data from a search to be filtered in ways that cannot be achieved readily with publicly available tools to make it easier to work with the output and identify information of close relevance. The Scopus search tool may also be used to attempt to search the web using an algorithm designed to focus on scientific and technical information in publicly available internet pages.
- 4.15 Revolymer also extend their search capabilities by using the services of an external provider, e.g. Ellsbrook Limited, who from time to time undertake additional prior art searches and/or patent landscape searches. Ellsbrook use various search tools including esp@cenet and Google Patents. Ellsbrook generally rank the resulting search output by relevance, based on the search criteria provided by Revolymer. The output of their searches is then reviewed internally by Revolymer. Typically, the most relevant documents identified in the searches are then forwarded to D Young & Co to accompany the writing of new patent applications. Likewise, from time to time relevant documents from these searches are forwarded to D Young & Co with a request for further advice on third party patents of potential relevance.

## **5. FREEDOM TO OPERATE**

### **Infringement of third party intellectual property rights**

- 5.1 The polymer Rev7 is central to Revolymer's core business. In view of its importance, Revolymer instructed D Young & Co to conduct an extensive freedom to operate study on the polymer Rev7. We have also undertaken FTO analysis in relation to various compositions containing Rev7, including (i) a confectionery chewing gum product comprising Rev7, (ii) a medicated chewing gum product comprising nicotine and Rev7, and (ii) lip balm products comprising Rev7.
- 5.2 For the avoidance of doubt, FTO opinions have not been conducted in relation to projects that are still in the research stage, or in early stage development because the scope of any such search would be impractically broad and thus impossible to draw meaningful conclusions therefrom. It is justifiable market practice to perform FTO searches prior to commercialization when a project (or product) can be specified sufficiently to focus the search to relevant third party rights. This is Revolymer's policy.

- 5.3 The patent searches were carried out by a respected and competent provider of patent searching. The search covered UK and European patent applications and patents as well as International (PCT) patent applications which could cover the UK through designation.
- 5.4 A manual search was undertaken in respect of Rev7 based on classification headings in combination with keywords, as is standard practice to reduce the number of documents covered in order to meet a finite budget and give rise to a manageable number of documents for review. Searches in relation to chewing gum compositions and lip balm compositions were carried out on-line, restricting by date, keyword country and IPC classification heading.
- 5.5 Infringement clearance searches are notoriously difficult to make fully comprehensive, since it is impractical to search all potentially infringed patent documents. Restricting a search to particular classes means that the search will not identify documents that have been mis-classified by patent offices. In particular, international classification of patent applications by US examiners – which is relevant here for PCT patent applications filed with the US Patent & Trade Mark Office – are sometimes unreliable. Moreover, using key words to restrict the selection within a class makes the search reliant on particular terms appearing. For example, translations into English from patent applications originally written in a foreign language may not use the correct technical terms, so may be missed. Likewise, with regard to restricting the search to UK, EP and PCT publications, it is of course possible that other national patents/applications may exist in European territories that do not have corresponding EP or PCT equivalents.
- 5.6 Within these generic limitations of infringement clearance searching, the search carried out was reasonably comprehensive, and should have been sufficient to identify most of the documents of potential concern. The manual search in relation to Rev7 gave rise to around 50 relevant documents. The on-line searches in relation to the various compositions comprising Rev7 gave rise to 1372 Abstracts. The Abstracts were reviewed and around 130 documents selected for further analysis. In addition, a broader on-line search was conducted in relation to nicotine-containing gums. This search generated a further 427 Abstracts, of which around 60 were selected for further analysis.
- 5.7 Based on this FTO analysis, it is our opinion that Revolymer is free to manufacture, use and sell Rev7 in the European Union, where it operates, without infringing any valid and enforceable granted patent rights held by others. Likewise, it is our opinion that Revolymer is free to manufacture, use and sell (i) a confectionery chewing gum product comprising Rev7, (ii) a medicated chewing gum product comprising nicotine and Rev7, and (iii) lip balm products comprising Rev7, in the European Union, where it operates, without infringement of any valid and enforceable granted patent rights held by others.
- 5.8 Some of the cases selected for further analysis are pending applications, which means that the claims may be amended during Examination to broaden or change their scope of protection, so the potential infringement situation could in principle change in the future. Likewise, some of the pending applications reviewed have broad claims that will require substantial amendment in order to establish novelty and/or inventive step over existing prior art. In this regard, as a precaution we have recommended monitoring certain pending applications to determine the eventual claim scope that proceeds to grant.
- 5.9 We have not undertaken freedom to operate analyses outside the European Union. Specifically in respect of US, the Company has entered into a Manufacture and Supply Agreement with a partner, whereby the partner warrants, to the best of its knowledge, that it has no knowledge of the existence of any third party IP rights that would materially impede the commercial exploitation of the products under the agreement. The partner also indemnifies Revolymer against all liabilities, costs, expense, damages and losses suffered or incurred by Revolymer arising out of or in connection with any claim made against Revolymer if a court of law or any other tribunal

of competent jurisdiction determines that its products infringe any third party rights, including any arising within the US.

- 5.10 In summary, the infringement risk position of Revolymer's activities in relation to Rev7 and compositions containing Rev7 has been analysed through patent searching and FTO analysis and found to be low.
- 5.11 The infringement risk position is unlikely to change significantly in the future, given that Rev7 was disclosed in WO 2006/016179 (published 16 February 2006), so that patent applications filed after that date will need to demonstrate novelty and inventive step over the Rev7 disclosure.
- 5.12 Whilst we have undertaken a comprehensive FTO analysis, with the scope described above, consistent with our professional standards, owing to the inherent limitations of such studies, there can of course be no absolute guarantee of freedom to operate.

## **6. LICENCES, AGREEMENTS & COLLABORATIONS WITH THIRD PARTIES**

- 6.1 Revolymer has informed us of a number of licence agreements, joint development agreements (JDAs) and collaboration agreements that are in place with various third parties. D Young & Co LLP was not involved in drafting or negotiating any of these agreements. For the purposes of the present report D Young has verified the existence of these agreements, together with the identity of the parties. We have also reviewed those aspects of the agreements relevant to IP, including reference to any specific IP rights covered by the agreements, ownership of arising IP, indemnities and the scope of activities covered by the agreements. No significant problem areas have been identified.

## **7. CHALLENGES, DISPUTES & INFRINGEMENT**

### **Challenges or Disputes**

- 7.1 We are not aware of any challenges or disputes relating to any patent rights owned or used by the Group, including any challenges to the validity, subsistence or ownership of such rights including details of any claims or threatened claims by employees for compensation in respect of any patent rights. Nor are we aware of any circumstances which might affect the patent rights owned or used by the Group or the validity, enforceability, subsistence or registration of such patent rights. This is based on the information provided to us by Revolymer.
- 7.2 We are not aware of any challenges or disputes relating to any registered trade marks owned or used by the Group, including any challenges to the validity, subsistence or ownership of such rights. In Canada, Celgene Corporation has threatened to oppose the application to register the trade mark Rev7. However, Celgene Corporation operates within a different field and settlement of the potential conflict is expected.

### **Infringement of Revolymer IP**

- 7.3 We are not aware of any prospective or alleged infringement by third parties of any IP rights owned or used by the Group. This is based on the information provided to us by Revolymer.

## **8. REVOLYMER'S PATENTS & PATENT APPLICATIONS**

### **Introductory Comments**

- 8.1 The individual patent families of Revolymer are set out in the following section. In the tables detailing individual family members, the priority filing, usually UK, and PCT filing are listed first and then the other filings in alphabetic order.
- 8.2 The Revolymer patent families can be sub-divided into:
  - those that relate to novel polymers per se;

- those that relate to chewing gum compositions containing novel polymers;
- those that relate to cosmetic compositions containing novel polymers;
- those that relate to compositions/composites comprising a polymeric coating.

8.3 The patents and applications recited below are currently in the name of Revolymer Limited. In due course, the various patent offices will be notified of the change in name to Revolymer (U.K.) Limited.

### **Agreements and Assignments**

8.4 Revolymer has typically acquired the IP rights for its owned patents and applications in a number of different ways.

- I. For inventions made by Revolymer employees, IP rights vest with Revolymer by virtue of contracts of employment with the inventors. Confirmatory Acknowledgements are generally executed when new IP rights are created;
- II. For inventions made by employees, academics or students of the University of Bristol, IP rights generally vest with the University by virtue of their contracts of employment, supply of services agreement or research agreements. Typically, the practice has been for inventors to execute specific assignments of rights to the University, which are then assigned to Revolymer.
- III. For inventions made by Roger Pettman, the IP rights vest with Revolymer by virtue of a Consultancy Agreement between Revolymer and Innotune BVBA (dated 15 February 2007). In some instances, the assignment of specific IP rights has been further confirmed by way of a separate Acknowledgement.
- IV. For inventions made by Terence Cosgrove, the IP rights vest with Revolymer by virtue of the Consultancy Agreement between Revolymer and Colloidscience (dated 15 February 2007). In some instances, the assignment of specific IP rights has been further confirmed by way of a separate Acknowledgement.

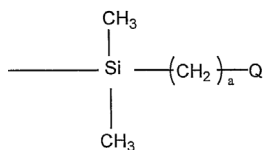
8.5 We have verified the existence of such agreements and assignments, together with the identity of the parties, but have not undertaken an independent, detailed review of the contents.

### **8.6 Non-Stick Chewing Gum (P037404)**

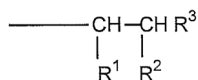
- a. **Owner:** Revolymer Limited (assigned from University of Bristol)
- b. **Priority data:** GB 0417938.8 filed 12.08.04
- c. **Inventors:** Terence Cosgrove  
Henry Craik-White  
Erol Ahmed Hasan,  
Voss Moore Gibson

**d. Abstract:**

A polymeric material having low tack which has a straight or branched chain carbon-carbon polymer backbone and a multiplicity of side chains attached to the backbone wherein the side chains, which are attached directly to carbon atoms of the polymer backbone, have the formula (I)



or have the formula (II)



wherein R<sup>1</sup> is H, -C(O)OR<sup>4</sup> or -C(O)Q and R<sup>2</sup> is -C(O)OR<sup>4</sup> or -C(O)Q provided that at least one of R<sup>1</sup> and R<sup>2</sup> is the group -C(O)Q; R<sup>3</sup> is H or -CH<sub>3</sub>; R<sup>4</sup> is H or an alkyl group having from 1 to 6 carbon atoms; Q is a group having the formula -O-(YO)<sub>b</sub>-(ZO)<sub>c</sub>-R<sup>5</sup>, wherein each of Y and Z is, independently, an alkylene group having from 2 to 4 carbon atoms and R<sup>5</sup> is H or an alkyl group having from 1 to 4 carbon atoms; a is 3 or 4 and each of b and c is, independently, 0 or an integer of from 1 to 125 provided that the sum b + c has a value in the range of from 10 to 250, preferably from 10 to 120. The polymeric material may be used to replace at least part of a water-insoluble gum base in a chewing gum composition to give a composition exhibiting reduced adhesion to surfaces.

**e. Summary of the invention and commercial context:**

The invention relates to novel polymeric materials having low tack. This patent family covers the polymer known as Rev7, which is of high commercial importance to Revolymer. Indeed, the polymeric materials and compositions encompassed by this patent family form the basis of a number of Revolymer's current/proposed commercial embodiments. The claims are directed to the polymer per se, and chewing gum compositions comprising a water insoluble gum base and a sweetening agent, wherein at least part of the water insoluble gum base comprises said polymer. Further claims relate to methods of making said polymeric materials.

**f. Ownership**

Terence Cosgrove, Henry Craik-White, Erol Ahmed Hasan and Voss Moore Gibson assigned their rights in the invention to the University of Bristol. These rights were subsequently assigned from the University of Bristol to Revolymer. Specifically, priority application GB0417938.3 and PCT application PCT/GB2005/003176, together with all patents based thereon, or having equivalent claims thereto, or deriving priority therefrom, were assigned to Revolymer by virtue of an assignment dated 15 February 2007.

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
GB	No. 0417938.8 Filed 12 August 2004	Abandoned	Priority application; continued in PCT
PCT	No. PCT/GB2005/003176 Filed 12 August 2005	Exhausted (WO 2006/016179)	Continued in national filings
European*	No. 05794289.8 Filed 12 August 2005	Granted Expires: 12 August 2025	
Australia	No. 2005271001 Filed 12 August 2005	Granted Expires: 12 August 2025	

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
Canada	No. 2,576,039 Filed 12 August 2005	Pending	Response to Office Action due 20.7.12
China	No. 2005800339996.5 Filed 12 August 2005	Granted Expires: 12 August 2025	
China	No. 201010290414.4 Filed 20 September 2010	Granted Expires: 12 August 2025	
Hong Kong	No. 07111300.5 Filed 12 August 2005	Granted Expires: 11 August 2025	
India	No. 1104/DELNP/2007 Filed 12 August 2005	Pending	
Japan	No. 2007-525362 Filed 12 August 2005	Granted Expires: 12 August 2025	
Russia	No. 2007104179 Filed 12 August 2005	Granted Expires: 12 August 2025	
Singapore	No. 200700879-0 Filed 12 August 2005	Granted Expires: 12 August 2025	
US	No. 11/659,196 Filed 12 August 2005	Pending	Claims allowed Issue fee 2.6.12
South Africa	No. 2007-01149 Filed 12 August 2005	Granted Expires: 11 August 2025	

#### **h. Prosecution**

The claims were amended during the international phase under Article 34 PCT. The International Preliminary Report on Patentability acknowledged that the amended claims filed under Article 34 PCT were novel and inventive. Minor amendments were made during the national/regional phase to satisfy local requirements. The patent is granted in most jurisdictions. A Notice of Allowance has been received in the US. We have no reason to believe that application will not proceed to issue in India and Canada with a claim scope commensurate to that obtained in other jurisdictions.

#### **8.7 Gum Base (P037232)**

**a. Owner:** Revolymer Limited (assigned from University of Bristol)

**b. Priority data:** EP 07103052.2 filed 26.02.07  
EP 07121564.4 filed 26.11.07

**c. Inventors:** Terence Cosgrove  
Erol Ahmed Hasan  
Voss Moore Gibson

#### **d. Abstract:**

There is provided chewing gum base comprising:

- 1 to 99% by weight of a polymeric material which has a straight or branched chain carbon-carbon backbone and a multiplicity of side chains, and is substantially insoluble in water;
- from 0-6% by weight wax;
- up to 99% by weight of an elastomeric material different to the polymeric material; and
- 0 to 20% by weight of an elastomer plasticiser;



in which the total amount of polymeric material and elastomeric material is at least 10% by weight of the chewing gum base. A chewing gum composition comprising this chewing gum base, and methods of manufacture, are also provided.

**e. Summary of the invention and commercial context:**

This patent family is directed to chewing gum base containing a polymeric material which has a straight or branched chain carbon-carbon backbone and a multiplicity of side chains, and is substantially insoluble in water. The incorporation of this polymeric material into the gum base in place of part of, or all, the wax, elastomeric material and/or plasticiser, reduces adhesion and allows greater ease of removal of the chewing gum cud from surfaces. A high proportion of wax in a chewing gum base is generally undesirable. The present patent family therefore seeks to address this problem by replacing some or all of the wax.

**f. Ownership**

Terence Cosgrove's rights in inventions vest with Revolymer in accordance with the terms of the Consultancy Agreement between Revolymer and Colloidscience (dated 15 February 2007). Terence Cosgrove, Erol Ahmed Hasan and Voss Moore Gibson assigned specific rights in the invention to the University of Bristol. These rights were then assigned from the University of Bristol to Revolymer. Specifically, priority applications EP07121564.4 and EP07103052.2, together with all patents based thereon, or having equivalent claims thereto, or deriving priority therefrom, were assigned to Revolymer by virtue of an assignment dated 13 February 2008.

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comment</i>
European	No. 07103052.2 Filed 26 February 2007	Withdrawn	Priority application; continued in PCT
European	No. 07121564.4 Filed 26 November 2007	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/052325 Filed 26 February 2008	Exhausted (WO 2008/104546)	Continued in national filings
European	No. 08717147.6 Filed 26 February 2008	Pending	Divisional application due 12.8.13
US	No. 12/449,622 Filed 26 February 2008	Pending	

**h. Prosecution**

The International Search Report cited two documents: WO 1999031944 and WO 2006016179, the latter of which is the earlier Revolymer application. The Written Opinion of the International Search Authority acknowledged that the claims are novel, but raised an inventive step objection. However, we believe there are reasonable grounds for arguing against the inventive step objection based on the cited art. The application is undergoing national/regional phase processing. Prosecution is still at an early stage in Europe, and no Office Action has issued to date in the US.

**8.8 Medicated Gum (P037234)**

- a. Owner:** Revolymer Limited (assigned from University of Bristol)
- b. Priority data:**

EP 07103052.2	filed 26.02.07
EP 07118487.3	filed 15.10/07
EP 07121564.4	filed 26.11.07

**c. Inventors:** Beth Mary Foster  
 Hongli Yang  
 Terence Cosgrove  
 Erol Ahmed Hasan

**d. Abstract:**

The present invention provides a chewing gum composition comprising a chewing gum base, a biologically active ingredient, a polymeric material and one or more sweetening and flavouring agents, wherein the polymeric material is amphiphilic, has a straight or branched chain carbon-carbon backbone and a multiplicity of side chains attached to the backbone. A method of making the chewing gum composition is also provided.

**e. Summary of the invention and commercial context:**

This patent family is directed to chewing gum compositions comprising Revolymer's polymers of interest, including Rev7, together with a biologically active agent. In particular, the claims encompass chewing gum compositions comprising nicotine, which are of potential commercial interest to Revolymer.

**f. Ownership**

Terence Cosgrove's rights in inventions vest with Revolymer in accordance with the terms of the Consultancy Agreement between Revolymer and Colloidscience (dated 15 February 2007). Hongli Yang is an employee of Revolymer, thus any rights to the invention vest with Revolymer by virtue of a contract of employment, as confirmed by the Acknowledgment executed on 18 December 2007. Beth Mary Foster, Terence Cosgrove and Erol Ahmed Hasan assigned specific rights in the invention to the University of Bristol. These rights were then assigned from the University of Bristol to Revolymer. Specifically, priority applications EP07121564.4, EP07103052.2 and EP07118487.3, together with all patents based thereon, or having equivalent claims thereto, or deriving priority therefrom, were assigned to Revolymer by virtue of an assignment dated 13 February 2008.

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
European	No. 07103052.2 Filed 26 February 2007	Withdrawn	Priority application; continued in PCT
European	No. 07118487.3 Filed 15 October 2007	Withdrawn	Priority application; continued in PCT
European	No. 07121564.4 Filed 26 November 2007	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/052326 Filed 26 February 2008	Exhausted (WO 2008/104547)	Continued in national filings
European*	No. 08717148.4 Filed 26 February 2008	Pending	Divisional application due 12.8.13
Australia	No. 2008220845 Filed 26 February 2008	Pending	Exam requested Awaiting OL
Brazil	No. PI0808122-0 Filed 26 February 2008	Pending	Exam requested Awaiting OL
Canada	No. 2,679,168 Filed 26 February 2008	Pending	Request exam 26.2.13
India	No. 5434/DELNP/2009 Filed 26 February 2008	Pending	Exam requested Awaiting OL

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
Japan	No. 2009-550730 Filed 26 February 2008	Pending	Exam requested Awaiting OL
Mexico	No. MX/a/2009/008997 Filed 26 February 2008	Pending	Grant fee paid Awaiting Letters Patent
New Zealand	No. 579205 Filed 26 February 2008	Pending	Notice of Acceptance issued
Russia	No. 2009134941 Filed 26 February 2008	Pending	OL due 12.4.12 (extendible by up to 10 months)
US	No. 12/449,628 Filed 26 February 2008	Pending	
South Africa	No. 2009/05734 Filed 26 February 2008	Granted Expires: 28 Feb 2028	

#### **h. Prosecution**

The Written Opinion of the International Search Authority acknowledged that the claims are novel, but raised an inventive step objection. The International Search Report cited three documents in relation to inventive step, including WO 2006016179, the earlier Revolymer application. A number of other documents were cited as background art. However, we believe there are reasonable grounds for arguing against the inventive step objection based on the cited art. The application is undergoing national/regional phase processing, although prosecution is still at an early stage in most jurisdictions.

### **8.9 Solvent Free Process (P037235)**

- a. Owner:** Revolymer Limited
- b. Priority data:**
- |                   |                |
|-------------------|----------------|
| EP 07118487.3     | filed 15.10.07 |
| EP 07121564.4     | filed 26.11.07 |
| PCT/EP2008/052325 | filed 26.02.08 |
| PCT/EP2008/052326 | filed 26.02.08 |
| EP 08157683.7     | filed 05.06.08 |
| EP 08157684.5     | filed 05.06.08 |
- c. Inventors:** Terence Cosgrove  
Roger Pettman  
Erol Ahmed Hasan

#### **d. Abstract:**

The present invention provides a method for making a composition comprising an amphiphilic polymeric material which comprises a straight or branched chain carbon-carbon backbone and a multiplicity of side chains attached to the backbone; wherein in the method, backbone precursors comprising acylating groups are mixed with side chain precursors which comprise a nucleophilic group at at least one terminus, to form a reaction mixture; the backbone precursors, side chain precursors and/or the reaction mixture are heated; the reaction mixture is stirred; and the nucleophilic groups react with the acylating groups to form the amphiphilic polymeric material wherein the side chains are linked to the backbone via acyl linkages; characterised in that the reaction mixture does not comprise organic solvent.

#### **e. Summary of the invention and commercial context:**

This patent family is directed to an improved method of preparing Revolymer's polymers of interest, including Rev7. The patent family also includes product-by-process claims directed to compositions obtainable by the claimed method. The claimed process is advantageous in that the

resultant polymeric material does not contain residual amounts of reaction solvents, such as toluene. The resultant polymeric material retains all of the desirable characteristics of material prepared using conventional solvent routes (e.g. low tack), but eliminates the cost and handling difficulties associated with the use of potentially harmful organic solvents.

**f. Ownership**

Terence Cosgrove's rights in inventions vest with Revolymer in accordance with the terms of the Consultancy Agreement between Revolymer and Colloidscience (dated 15 February 2007). Terence Cosgrove and Erol Ahmed Hasan assigned specific rights in relation to EP07121564.4 and EP07118487.3 to the University of Bristol. These rights were then assigned from University of Bristol to Revolymer. Specifically, priority applications EP07121564.4 and EP07118487.3, together with all patents based thereon, or having equivalent claims thereto, or deriving priority therefrom, were assigned from University of Bristol to Revolymer by virtue of an assignment dated 13 February 2008. Roger Pettman's rights in the invention vest with Revolymer in accordance with the terms of the Consultancy Agreement between Revolymer and Innolute BVBA (dated 15 February 2007) and as acknowledged in a separate Acknowledgement and Assignment in relation to EP 07121564.4 dated 26 February 2008.

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
European	No. 07118487.3 Filed 15 October 2007	Withdrawn	Priority application; continued in PCT
European	No. 07121564.4 Filed 26 November 2007	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/052325 Filed 26 February 2008	Continuing as P037232WO	Priority application; continued in PCT
PCT	No. PCT/EP/2008/052326 Filed 26 February 2008	Continuing as P037234WO	Priority application; continued in PCT
European	No. 08157683.7 Filed 5 June 2008	Withdrawn	Priority application; continued in PCT
European	No. 08157684.5 Filed 5 June 2008	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/063879 Filed 15 October 2008	Exhausted (WO 2009/050203)	Continued in national filings
European*	No. 08839288.1 Filed 15 October 2008	Pending	Divisional application due 10.6.12 OL due 8.7.12
Canada	No. 2,700,818 Filed 15 October 2008	Pending	Request exam 15.10.13
India	No. 2156/DELNP/2010 Filed 15 October 2008	Pending	Exam requested Awaiting OL
Japan	No. 2010-529373 Filed 15 October 2008	Pending	Exam requested Awaiting OL
US	No. 12/733,698 Filed 15 October 2008	Pending	

## **h. Prosecution**

The Written Opinion of the International Search Authority acknowledged that the process claims are novel, but raised an inventive step objection. Two documents were cited in relation to inventive step, including WO 2006016179, the earlier Revolymer application. A number of other documents were cited as background art. However, we believe there are reasonable grounds for arguing against the inventive step objection based on the cited art. The application is undergoing national/regional phase processing, although prosecution is still at an early stage in most jurisdictions.

## **8.10 Amine Ethers (P037236)**

**a. Owner:** Revolymer Limited

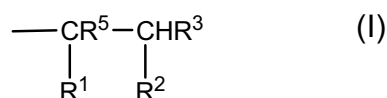
**b. Priority data:**

EP 07121564.4	filed 26.11.07
PCT/EP2008/052325	filed 26.02.08
PCT/EP2008/052326	filed 26.02.08
EP 08157684.5	filed 05.06.08
EP 08157683.7	filed 05.06.08

**c. Inventors:** David Alan Pears  
Pennadam Shanmugam Sivanand  
Thomas Charles Castle

## **d. Abstract:**

The present invention concerns an amphiphilic polymeric material which comprises a straight or branched chain carbon-carbon backbone and a multiplicity of side chains attached to the backbone, wherein the side chains have formula (I)



At least one of R<sup>1</sup> and R<sup>2</sup> is the group –C(O)Q; wherein Q comprises a hydrophilic polymeric group terminated with an amine. Chewing gum bases and chewing gum compositions comprising the amphiphilic polymeric material are provided.

## **e. Summary of the invention and commercial context:**

This patent family relates to amphiphilic graft polymeric materials containing side chains with terminal amine groups. The claims encompass amphiphilic graft polymeric materials per se and chewing gum bases/compositions comprising said polymeric materials. Further claims are directed to a method for producing the polymeric materials. Advantageously, the invention involves minimizing the use of materials required to produce polymeric materials by using side chain precursors terminated with amine groups, which react more fully with acylating groups than their corresponding hydroxy equivalents. The resultant polymers retain all of the qualities associated with material prepared from side chain precursors terminated with hydroxy groups, for example, low tack and the ability to reduce the adhesive nature of chewing gums.

## **f. Ownership**

David Alan Pears, Pennadam Shanmugam Sivanand and Thomas Charles Castle are all Revolymer employees, thus ownership of the invention vests with Revolymer by virtue of their respective contracts of employment, as confirmed in Acknowledgements executed on 19 June 2008 and 16 June 2008.

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
European	No. 07121564.4 Filed 26 November 2007	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/052325 Filed 26 February 2008	Continuing as P037232WO	Priority application; continued in PCT
PCT	No. PCT/EP2008/052326 Filed 26 February 2008	Continuing as P037234WO	Priority application; continued in PCT
European	No. 08157684.5 Filed 5 June 2008	Withdrawn	Priority application; continued in PCT
European	No. 08157683.7 Filed 5 June 2008	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/063879 Filed 15 October 2008	Continuing as P037235WO	Priority application; continued in PCT
PCT	No. PCT/EP2008/66256 Filed 26 November 2008	Exhausted (WO 2009/068569)	Continued in national filings
European*	No. 08853690.9 Filed 26 November 2008	Pending	Divisional application due 5.7.12
US	No/ 12/734, 317 Filed 26 November 2008	Pending	

**h. Prosecution**

In the Written Opinion of the International Search Report, the Examiner alleged that the priority claim was invalid. However, on closer examination this allegation proved to be unfounded. The Examiner also alleged that the claims lacked novelty and inventive step over WO 2008104546 and WO 2006016179, the latter of which is the earlier Revolymer application. However, the novelty objection over WO 2006016179 was based on the Examiner's misunderstanding of the claim scope; the present invention is limited to amine-terminated side chains, which were not disclosed in the earlier Revolymer application. The application is undergoing national/regional phase processing. In Europe, a number of claim amendments have been made in order to address novelty and clarity objections. Arguments have also been filed in relation to inventive step based on the advantageous properties of the claimed polymeric materials, as demonstrated in the examples. Claim amendments have also been filed in the US to address novelty and inventive step objections. At this stage, in the light of the prior art cited to date, we have no reason to think that the application will not proceed to issuance.

**8.11 New Polymers (P037233)**

- a. Owner:** Revolymer Limited
- b. Priority data:**
- |                   |                |
|-------------------|----------------|
| EP 07121564.4     | filed 26.11.07 |
| PCT/EP2008/052325 | filed 26.02.08 |
| PCT/EP2008/052326 | filed 26.02.08 |
| EP 08157684.5     | filed 05.06.08 |
| EP 08157683.7     | filed 05.06.08 |
| PCT/EP2008/063879 | filed 15.10.09 |
- c. Inventors:** Thomas Charles Castle  
Roger Pettman  
Terence Cosgrove



**d. Abstract:**

An amphiphilic polymeric material which has a straight or branched chain polymer backbone and a multiplicity of side chains attached to the backbone, wherein the backbone is a copolymer of at least one ethylenically-unsaturated aliphatic hydrocarbon monomer and maleic anhydride, or is a terpolymer of maleic anhydride, ethylene, and a further ethylenically unsaturated monomer. A method of synthesising said polymeric material is also provided, together with chewing gum bases, compositions and emulsions comprising amphiphilic polymeric materials.

**e. Summary of the invention and commercial context:**

This patent family relates to new amphiphilic polymeric materials based on copolymers comprising a backbone of maleic anhydride and an ethylenically-unsaturated monomer and having a multiplicity of side chains attached to the backbone. The material has utility in reducing the adhesiveness or tack of compositions into which it is incorporated, particularly chewing gum compositions. Advantageously, the incorporation of maleic anhydride into the backbone of the polymer results in more points of attachment for side chains than certain polymers described in the prior art. This allows the degree of derivatisation with side chains to be carefully controlled, which in turn allows greater control over the physical properties of the resulting polymers.

**f. Ownership**

Thomas Charles Castle is an employee of Revolymer, thus any rights to the invention vest with Revolymer by virtue of his contract of employment, as confirmed by the Acknowledgment executed on 18 December 2007. Roger Pettman's rights in the invention vest with Revolymer in accordance with the terms of the Consultancy Agreement between Revolymer and Innotune BVBA (dated 15 February 2007) and as acknowledged in a separate Acknowledgement and Assignment in relation to EP 07121564.4 dated 26 February 2008. Terence Cosgrove's rights in the invention vest with Revolymer in accordance with the terms of the Consultancy Agreement between Revolymer and Colloidscience (dated 15 February 2007).

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
European	No. 07121564.4 Filed 26 November 2007	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/052325 Filed 26 February 2008	Continuing as P037232WO	Priority application; continued in PCT
PCT	No. PCT/EP2008/052326 Filed 26 February 2008	Continuing as P037234WO	Priority application; continued in PCT
European	No. 08157684.5 Filed 5 June 2008	Withdrawn	Priority application; continued in PCT
European	No. 08157683.7 Filed 5 June 2008	Withdrawn	Priority application; continued in PCT
PCT	No. PCT/EP2008/063879 Filed 15 October 2008	Continuing as P037235WO	Priority application; continued in PCT
PCT	No. PCT/EP2008/066257 Filed 26 November 2008	Exhausted (WO 2009/068570)	Continued in national filings
European*	No. 08854143.8 Filed 26 November 2008	Pending	Divisional application due 11.2.13
Brazil	No. PI0819846-2 Filed 26 November 2008	Pending	Exam requested Awaiting OL

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
Canada	No. 2,705,015 Filed 26 November 2008	Pending	Request exam 26.11.13
China	No. 200880117707.3 Filed 26 November 2008	Pending	
India	3009/DELNP/2010 Filed 26 November 2008	Pending	Exam requested Awaiting OL
Japan	No. 2010-534502 Filed 26 November 2008	Pending	Exam requested Awaiting OL
Russia	No. 2010121754 Filed 26 November 2008	Pending	Exam requested Awaiting OL
US	No. 12/734,318 Filed 26 November 2008	Pending	

#### **h. Prosecution**

The International Search Report cited three documents as being relevant to novelty and inventive step, including the earlier Revolmer application, WO 2006016179. Three further documents were cited as background art. In the Written Opinion of the International Search Authority, the Examiner raised novelty and inventive step objections based on the cited art. A closer examination revealed that some of the novelty objections appear to be unfounded as the prior art does not appear to disclose polymer backbones comprising ethylenically-unsaturated aliphatic hydrocarbon monomers. Moreover, WO 2006016179 does not disclose polymers in which the maleic anhydride forms part of the backbone *per se*. The application is being nationally/regionally processed, although prosecution is still in an early stage in most jurisdictions. In view of the nature of the backbone, it is our belief that the polymeric materials claimed in this patent family are structurally distinct from – and thus arguably patentable over – those described in the cited art. Arguments to this effect have been filed in Europe, together with clarifying amendments to more clearly define the nature of the polymer backbone. Amendments have also been filed in the US, together with arguments in support of novelty and inventive step.

#### **8.12 TAED (P037239)**

- a. Owner:** Revolmer Limited
- b. Priority data:** GB 0918914.3                      filed 28.10.09
- c. Inventors:** Stephen Armstrong  
Terence Cosgrove  
John Jeffrey Gerrard,  
Melanie Jane Hughes  
David Alan Pears

#### **d. Abstract:**

A first aspect of the invention relates to a composite comprising:

- one or more core units comprising a bleach activating agent; and
- an alkali soluble polymer coating on the surface of said one or more core units.

Further aspects of the invention relate to a process for preparing said composite, laundry products comprising the composite and methods for the preparation thereof.

**e. Summary of the invention and commercial context:**

This patent application relates to composites comprising core units containing a bleach activating agent which are coated with an alkali soluble polymer. Advantageously, the alkali soluble polymer coating renders the composite suitable for use in liquid laundry products as it allows the bleach activator to be physically isolated from other components of the laundry product. The claimed composite is particularly suitable for inclusion in acidic or neutral liquid laundry products as a coated suspension. When subjected to an alkaline wash environment, the polymer coating dissolves, whereupon the bleach activating agent is released.

**f. Ownership**

Stephen Armstrong, John Jeffrey Gerrard, Melanie Jane Hughes and David Alan Pears are all Revolymer employees, thus ownership of the invention and associated patent rights vests with Revolymer by virtue of their respective contracts of employment. Terence Cosgrove's rights in the invention vest with Revolymer in accordance with the terms of the Consultancy Agreement between Revolymer and Colloidscience (dated 15 February 2007).

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
GB	No. 0918914.3 Filed 28 October 2009	Abandoned	Priority application; continued in PCT
PCT	No. PCT/GB2010/002007 Filed 28 October 2010	Exhausted (WO2011/051681)	Continued in national filings
Australia	Associate instructed; awaiting filing details	Pending	
Brazil	Associate instructed; awaiting filing details	Pending	Request exam 28.10.13
Canada	Associate instructed; awaiting filing details	Pending	Request exam 28.10.15
US	No. 13/504,735 Filed 28th October 2010	Pending	
European	No. 10774254.6 Filed 28 October 2010	Pending	

**h. Prosecution**

The International Search Report cited seven documents as being relevant to novelty/ inventive step. Specifically, the Written Opinion of the International Search Authority alleges that claim 1 lacks novelty. However, novelty has been acknowledged for certain dependent claims directed to specific subgroups of alkali soluble polymers. The claims are also alleged to lack inventive step. The prosecution strategy will involve limiting the scope of the claims to establish novelty, and submitting argumentation and/or comparative data to demonstrate an inventive step over the cited art.

**8.13 Lipstick Patent (P038512)**

- a. Owner:** Revolymer Limited
- b. Priority data:** GB 0920879.4      filed 27.11.09
- c. Inventors:** Thomas Charles Castle  
Yasmine El Mourabit  
David Alan Pears

**d. Abstract:**

The present invention relates to a cosmetic composition comprising:

- at least one amphiphilic copolymer; and
- one or more cosmetically acceptable diluents, excipients or carriers;

wherein the amphiphilic copolymer is selected from the group consisting of a graft copolymer comprising a hydrophobic straight or branched chain carbon-carbon backbone having at least one hydrophilic side chain attached thereto; a graft copolymer comprising a hydrophilic straight or branched chain backbone having at least one hydrophobic side chain attached thereto; a block copolymer comprising at least one hydrophilic block and at least one hydrophobic block in a straight or branched chain backbone; and a cross-linked/network copolymer; and to a process for the preparation of such a composition.

**e. Summary of the invention and commercial context:**

This application is directed to cosmetic compositions comprising amphiphilic copolymers of interest to Revolymer in combination with one or more cosmetically acceptable diluents, excipients or carriers. In particular, the claims encompass cosmetic compositions comprising amphiphilic copolymers which are graft copolymers comprising a hydrophobic straight or branched chain carbon-carbon backbone having at least one hydrophilic side chain attached thereto, such as Rev7. This application encompasses Revolymer's proposed lip balm formulations.

**f. Ownership**

Thomas Charles Castle, Yasmine El Mourabit and David Alan Pears are all Revolymer employees, thus ownership of the invention vests with Revolymer by virtue of their respective contracts of employment.

**g. Patent Summary Table:**

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
GB	No. 0920879.4 Filed 27 November 2009	Abandoned	Priority application; continued in PCT
PCT	No. PCT/GB2010/002193 Filed 29 November 2010	Exhausted (WO2011/064555)	Continued in national filings
Australia	Associate instructed; awaiting filing details	Pending	
Brazil	Associate instructed; awaiting filing details	Pending	
Canada	Associate instructed; awaiting filing details	Pending	
China	Associate instructed; awaiting filing details	Pending	
Japan	Associate instructed; awaiting filing details	Pending	
Korea	Associate instructed; awaiting filing details	Pending	
Mexico	Associate instructed; awaiting filing details	Pending	

<i>Country</i>	<i>Application Details</i>	<i>Status</i>	<i>Comments</i>
Russia	Associate instructed; awaiting filing details	Pending	
US	Associate instructed; awaiting filing details	Pending	
EP			To be filed by 27.06.12

#### **h. Prosecution**

The International Search Examiner raised a unity objection, alleging that the claims related to four separate inventions, corresponding to the four different classes of polymer recited in claim 1. In response, three additional search fees were paid to ensure that all of the inventions were searched in the international phase. The International Search Report issued on 29 March 2012 and cites various documents as being relevant to novelty/inventive step of each of the four searched inventions. The future prosecution strategy of this application will be tailored to focus on pursuing protection for lipstick and lip balm compositions, particularly those containing Rev7 and related polymers, corresponding to Revolymer's proposed commercial products in the cosmetic area.

#### **Unpublished patent applications**

8.14 Revolymer has three further patent families pending. Two of these are currently pending in the international phase, but are not yet published. A further unpublished application is pending in the priority year.

### **9. REVOLYMER'S TRADE MARKS & TRADE MARK APPLICATIONS**

#### **Trade Marks**

9.1 The trade marks of Revolymer which are the subject of registrations or pending applications take the form of word marks or logo marks. The logo marks to which reference is made below are as follows:

**REVOLYMER Logo**



**R Logo**



**REV7 Logo**



9.2 The trade mark and trade mark applications are currently in the name of Revolymer Limited. In due course, the various trade mark offices will be notified of the change in name to Revolymer (U.K.) Limited.

9.3 We understand that Revolymer is not using any trade marks that are not the subject of pending trade mark applications or existing trade mark registrations.

9.4 Details of each registration/application are confirmed in Schedule 1. In addition to the renewal date, the filing date and the registration date are provided. In the majority of countries, rights date from the filing date, but the registration date can be relevant for the calculation of the non use period should a registration be vulnerable to cancellation on this ground.

**10. CONCLUSION AS TO THE PATENT PROTECTION ESTABLISHED BY THE GROUP**

- 10.1 Revolymer has a business model of patenting the materials it discovers so that these rights can be licensed to companies capable of commercializing them. In our opinion, Revolymer has a comprehensive and well managed patent and trade mark portfolio.
- 10.2 In particular, Revolymer has comprehensive IP protection around the polymer Rev7 (i.e. the polymer *per se*). The European patent encompassing the polymer Rev7 granted in December 2008. Corresponding patents have also granted in Australia, Hong Kong, Japan, Russia, Singapore, China and South Africa. The claims have also been allowed in US. The application is still pending in India and Canada.
- 10.3 Revolymer also has IP rights directed to processes for the preparation of Rev7 and possible commercial applications of Rev7, including confectionery gum, medicated gum and cosmetic formulations. In addition, Revolymer has further applications pending in relation to various other technologies (aside from Rev7), including new polymers, applications/uses of such new polymers, and processes for the preparation thereof.
- 10.4 We have verified that Revolymer appears to have good title to all the IP rights it owns.

Yours faithfully

for D Young & Co LLP

Dr Zöe Clyde-Watson



**SCHEDULE 1**  
**Trade Marks in the name of Revolymer Limited**

<i>Country/Jurisdiction</i>	<i>Registration No.</i>	<i>Trade Mark</i>	<i>Class(es)</i>	<i>Filing Date</i>	<i>Registration Date</i>	<i>Renewal Date</i>	<i>Comments</i>
International designating the EU and US	936689	REVOLYMER (word)	1	28 June 2007	28 June 2007	28 June 2017	
United Kingdom	2443020	REVOLYMER (word)	1	8 January 2007	29 June 2007	8 January 2017	
International designating Australia, EU and Japan	1048563	REVOLYMER Logo	1, 3, 5 and 30	11 March 2010	11 March 2010	11 March 2020	
Canada	1474961	REVOLYMER Logo	1, 3, 5 and 30	29 March 2010			
Israel	228430	REVOLYMER Logo	1	25 March 2010	7 April 2011	25 March 2020	
Israel	228881	REVOLYMER Logo	3	25 March 2010	2 November 2011	25 March 2020	
Israel	228880	REVOLYMER Logo	5	25 March 2010	2 November 2011	25 March 2020	
Israel	228879	REVOLYMER Logo	30	25 March 2010	17 May 2011	25 March 2020	
South Africa	2011/08463	REVOLYMER Logo	1	8 April 2011			Has been published for opposition purposes
South Africa	2011/08464	REVOLYMER Logo	3	8 April 2011			Has been published for opposition purposes
South Africa	2011/08465	REVOLYMER Logo	5	8 April 2011			Has been published for opposition purposes
South Africa	2011/08466	REVOLYMER Logo	30	8 April 2011			Has been published for opposition purposes
United Kingdom	2527493	REVOLYMER Logo (series of 2 in b&w and colour)	1, 3, 5 and 30	29 September 2009	1 January 2010	29 September 2019	
USA	4075694	REVOLYMER Logo	1, 3, 5 and 30	26 March 2010	27 December 2011	27 December 2021	

<i>Country/Jurisdiction</i>	<i>Registration No.</i>	<i>Trade Mark</i>	<i>Class(es)</i>	<i>Filing Date</i>	<i>Registration Date</i>	<i>Renewal Date</i>	<i>Comments</i>
International designating Australia, China, Japan, Singapore, Switzerland & Turkey	1046742	R Logo	1	5 November 2009	5 November 2009	5 November 2019	
Argentina	2391429	R Logo	1	6 November 2009	10 September 2010	10 September 2020	
Mexico	1189558	R Logo	1	5 November 2009	19 November 2010	5 November 2019	
New Zealand	815398	R Logo	1	6 November 2009 (claiming priority from 6 May 2009)	6 May 2010	6 May 2019	
South Africa	2009/22091	R Logo	1	5 November 2009			Has been published for opposition purposes.
USA	3909874	R Logo	1	5 November 2009	25 January 2011	25 January 2021	
International designating Australia, China, EU, Japan, Norway, Russia, Singapore, Switzerland, Turkey and USA	1001959	Rev7	1, 3, 5 and 30	30 January 2009	30 January 2009	30 January 2019	Only the EU extends to all four classes. The US designation covers classes 1, 5 and 30 and the remaining designations extend only to class 1.
Argentina	2391805	Rev7	1	30 January 2009	10 September 2010	10 September 2020	
Brazil	830174605	Rev7	1	30 January 2009	4 October 2011	4 October 2021	

<i>Country/Jurisdiction</i>	<i>Registration No.</i>	<i>Trade Mark</i>	<i>Class(es)</i>	<i>Filing Date</i>	<i>Registration Date</i>	<i>Renewal Date</i>	<i>Comments</i>
Canada	1426286	Rev7	1	30 January 2009			Has been published for opposition purposes. An opposition has been threatened by Celgene Corporation, owner of an earlier REV mark that was registered for "pharmaceutical preparations, namely, cytokine inhibitory drugs; pharmaceutical preparations that modulate the immune system". The parties are negotiating and it is hoped that an opposition will be avoided.
India	1779501	Rev7	1	30 January 2009	30 January 2009	31 July 2018	
Mexico	1188256	Rev7	1	30 January 2009	11 September 2010	30 January 2019	
New Zealand	801951	Rev7	1	30 January 2009 claiming priority from 31 July 2008	8 April 2010	31 July 2018	
South Africa	2009/01528	Rev7	1	30 January 2009			
United Kingdom	2494018	Rev7	1	31 July 2008	28 November 2008	31 July 2018	
United Kingdom	2504956	Rev7	3, 5 and 30	18 December 2008	20 March 2009	18 December 2018	
Canada	1516296	Rev7 Logo	5 and 30	22 February 2011			
USA	85/115336	Rev7 Logo	5 and 30	25 August 2010			Mark has been accepted. A statement of use is due to be filed on 26 July 2012.

<i>Country/Jurisdiction</i>	<i>Registration No.</i>	<i>Trade Mark</i>	<i>Class(es)</i>	<i>Filing Date</i>	<i>Registration Date</i>	<i>Renewal Date</i>	<i>Comments</i>
International designating Australia, China, EU and USA	996298	CHU	5	12 February 2009	12 February 2009	12 February 2019	
Canada	1427710	CHU	3, 5 and 30	12 February 2009			
India	1785079	CHU	3, 5 and 30	13 February 2009			
Mexico	1133244	CHU	3	12 February 2009	30 November 2009	12 February 2019	
Mexico	1112646	CHU	5	12 February 2009	29 July 2009	12 February 2019	
New Zealand	802482	CHU	3, 5 and 30	13 February 2009 claiming priority from 15 August 2008	13 August 2009	15 August 2018	
South Africa	2009/02511	CHU	5	13 February 2009	13 February 2009	13 February 2019	
United Kingdom	2495276	CHU	3, 5 and 30	15 August 2008	12 December 2008	15 August 2018	
United Kingdom	2515569	R Stylised Logo (series of 20 in several different colours)	1	6 May 2009	21 August 2009	6 May 2019	
United Kingdom	2569634	JARREV	3	20 January 2011	15 April 2011	20 January 2021	
United Kingdom	2601539	LONJEVE	3	17 November 2011	6 April 2012	17 November 2021	

## PART V

### FINANCIAL INFORMATION

#### SECTION A – ACCOUNTANTS’ REPORT ON REVOLYMER PLC

The following is the full text of a report on Revolymer plc from Ernst & Young LLP, the Reporting Accountants, to the Directors and the Proposed Director of Revolymer:

The Directors  
Revolymmer plc  
1 Newtech Square  
Zone 2  
Deeside Industrial Park  
Flintshire  
CH5 2NT

 **ERNST & YOUNG**

Panmure Gordon (UK) Limited  
Moorgate Hall  
155 Moorgate  
London  
EC2M 6XB

4 July 2012

Dear Sirs

#### **Revolymmer plc**

We report on the financial information set out in section B which comprises the Company Statement of Financial Position and the supporting notes to the financial information 1 to 3 as at 10 April 2012. This financial information has been prepared for inclusion in the AIM admission document dated 4 July 2012 of Revolymer plc on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM admission document.

#### **Responsibilities**

The Directors of Revolymer plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 4 July 2012, a true and fair view of the state of affairs of Revolymer plc as at the date stated in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1 to the financial information.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Ernst & Young LLP



## SECTION B – FINANCIAL INFORMATION ON REVOLYMER PLC

### Company statement of financial position

	<i>Notes</i>	<i>As at 10 April 2012 £</i>
<b>Current assets</b>		
Cash and cash equivalents		—
<b>Net assets</b>		—
<b>Equity</b>		
Equity share capital	2	—
<b>Total equity</b>		—

### Notes to the financial information

#### 1. Accounting policies

##### *Basis of preparation*

The financial information has 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. Since incorporation on 10 April 2012, Revolymer plc has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no income statement is presented.

#### 2. Share capital

	<i>No.</i>	<i>As at 10 April 2012 £</i>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 0.008p each	2	—

#### 3. Post balance sheet events

On 7 June 2012 the Company issued 248 ordinary shares for a total consideration of £0.02.

On 2 July 2012 the Company acquired 100 per cent. of the share capital of the Revolymer (U.K.) Limited Group for a total consideration of £280,151.68.

## SECTION C – ACCOUNTANTS’ REPORT ON REVOLYMER (U.K.) LIMITED

The Directors  
Revolymmer plc  
1 Newtech Square  
Zone 2  
Deeside Industrial Park  
Flintshire  
CH5 2NT



Panmure Gordon (UK) Limited  
Moorgate Hall  
155 Moorgate  
London  
EC2M 6XB

4 July 2012

Dear Sirs

### **Revolymmer (U.K.) Limited (formerly Revolymmer Limited) (incorporating its subsidiary undertaking, Revolymmer (US) Inc)**

We report on the financial information set out in section D 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 supporting notes to the financial information 1 to 25 for the years ended 31 December 2009, 2010 and 2011. This financial information has been prepared for inclusion in the AIM admission document dated 4 July 2012 of Revolymmer PLC on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM admission document.

#### **Responsibilities**

The Directors of Revolymmer plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 4 July 2012, a true and fair view of the state of affairs of Revolymer (U.K.) Limited as at the 31 December 2009, 31 December 2010 and 31 December 2011 and of its profits, cash flows, recognised gains and losses and changes in the statements of equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Ernst & Young LLP

## SECTION D – FINANCIAL INFORMATION ON REVOLYMER (U.K.) LIMITED

### Group income statement

		<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
	<i>Notes</i>			
<b>Revenue</b>	4	12	5	150
Cost of sales		(15)	(6)	(66)
<b>Gross (loss)/profit</b>		(3)	(1)	84
Other operating income	5	271	190	505
Administrative expenses		(4,081)	(4,602)	(4,521)
<b>Group operating loss</b>	6	(3,813)	(4,413)	(3,932)
Finance income	9	280	106	7
<b>Loss for the year before tax</b>		(3,533)	(4,307)	(3,925)
Taxation expense	10	—	—	—
<b>Loss for the year</b>		<u>(3,533)</u>	<u>(4,307)</u>	<u>(3,925)</u>

All amounts relate to continuing activities.

### Group statement of comprehensive income

		<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Loss for the year		(3,533)	(4,307)	(3,925)
<b>Total recognised income and expense for the year attributable to equity holders</b>		<u>(3,533)</u>	<u>(4,307)</u>	<u>(3,925)</u>

## Group statement of financial position

		<i>As at</i> <i>31 December</i> <i>2009</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2011</i> <i>£000</i>
<b>Non-current assets</b>				
Property, plant and equipment	11	240	254	739
		<u>240</u>	<u>254</u>	<u>739</u>
<b>Current assets</b>				
Inventories	13	—	75	770
Trade and other receivables	14	306	462	441
Cash and cash equivalents	15	5,636	1,995	3,083
		<u>5,942</u>	<u>2,532</u>	<u>4,294</u>
<b>Total assets</b>		<u>6,182</u>	<u>2,786</u>	<u>5,033</u>
<b>Non-current liabilities</b>				
Finance lease obligations	17	—	—	(156)
		<u>—</u>	<u>—</u>	<u>(156)</u>
<b>Current liabilities</b>				
Trade and other payables	16	(509)	(700)	(928)
		<u>(509)</u>	<u>(700)</u>	<u>(1,084)</u>
<b>Net assets</b>		<u>5,673</u>	<u>2,086</u>	<u>3,949</u>
<b>Equity</b>				
Equity share capital	20	—	—	—
Equity share premium		12,327	12,327	17,906
Foreign currency retranslation reserve		—	—	2
Other reserves		821	1,541	1,748
Retained earnings		(7,475)	(11,782)	(15,707)
<b>Total equity</b>		<u>5,673</u>	<u>2,086</u>	<u>3,949</u>

## Company statement of financial position

		<i>As at</i> <i>31 December</i> <i>2009</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2011</i> <i>£000</i>
	<i>Notes</i>			
<b>Non-current assets</b>				
Property, plant and equipment	11	240	229	714
Investment in subsidiary	12	—	1	1
		<u>240</u>	<u>230</u>	<u>715</u>
<b>Current assets</b>				
Inventories	13	—	75	293
Trade and other receivables	14	306	483	874
Cash and cash equivalents	15	5,636	1,969	3,055
		<u>5,942</u>	<u>2,527</u>	<u>4,222</u>
<b>Total assets</b>		<u>6,182</u>	<u>2,757</u>	<u>4,937</u>
<b>Non-current liabilities</b>				
Finance lease obligations	17	—	—	(156)
		<u>—</u>	<u>—</u>	<u>(156)</u>
<b>Current liabilities</b>				
Trade and other payables	16	(509)	(676)	(861)
		<u>(509)</u>	<u>(676)</u>	<u>(1,017)</u>
<b>Net assets</b>		<u>5,673</u>	<u>2,081</u>	<u>3,920</u>
<b>Equity</b>				
Equity share capital	20	—	—	—
Equity share premium		12,327	12,327	17,906
Other reserves		821	1,541	1,748
Retained earnings		(7,475)	(11,787)	(15,734)
<b>Total equity</b>		<u>5,673</u>	<u>2,081</u>	<u>3,920</u>



## 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>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2009	12,327	—	155	(3,942)	8,540
Retained loss for the year	—	—	—	(3,533)	(3,533)
Share options	—	—	666	—	666
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>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2009	12,327	155	(3,942)	8,540
Retained loss for the year	—	—	(3,533)	(3,533)
Share options	—	666	—	666
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

		<i>Year to</i> <i>31 December</i> <i>2009</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2010</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2011</i> <i>£000</i>
<b>Net cash outflow from operating activities</b>	21	(2,710)	(3,618)	(3,851)
<b>Cash flows from investing activities</b>				
Interest received		531	106	7
Purchase of property, plant and equipment		(134)	(132)	(647)
<b>Net cash inflow/(outflow) from investing activities</b>		397	(26)	(640)
Cash received from issue of shares		—	—	5,832
Transaction costs of issuing shares		—	—	(253)
<b>Net cash inflow from financing activities</b>		—	—	5,579
<b>Net (outflow)/inflow in cash and cash equivalents</b>		(2,313)	(3,641)	1,088
Cash and cash equivalents at beginning of year		7,949	5,636	1,995
<b>Cash and cash equivalents at end of year</b>	15	<u>5,636</u>	<u>1,995</u>	<u>3,083</u>

## Company statement of cash flows

		<i>Year to</i> <i>31 December</i> <i>2009</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2010</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2011</i> <i>£000</i>
<b>Net cash outflow from operating activities</b>	22	(2,710)	(3,667)	(3,865)
<b>Cash flows from investing activities</b>				
Interest received		531	106	7
Purchase of property, plant and equipment		(134)	(106)	(635)
<b>Net cash inflow/(outflow) from investing activities</b>		397	—	(628)
Cash received from issue of shares		—	—	5,832
Transaction costs of issuing shares		—	—	(253)
<b>Net cash inflow from financing activities</b>		—	—	5,579
<b>Net (outflow)/inflow in cash and cash equivalents</b>		(2,313)	(3,667)	1,086
Cash and cash equivalents at beginning of year		7,949	5,636	1,969
<b>Cash and cash equivalents at end of year</b>	15	<u>5,636</u>	<u>1,969</u>	<u>3,055</u>

## Notes to the financial information

### 1. Statement of compliance with IFRS and company information

The Group's financial information 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. Revolymer (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 information for the years ended 31 December 2009, 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 information is presented in Sterling and all values are rounded to the nearest thousand (£000) unless otherwise indicated.

The financial information is 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 their expected approval of the 2011 financial statements which is subsequent to the submission of the AIM admission document. 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 2010 financial year were consistent with the policies adopted during the 2009 financial year. Adoption of the revised standards and interpretations introduced during the 2010 financial year did not have any effect on the financial information of the Group for the financial year ending 31 December 2010. 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 information 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.

***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 information 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.

### ***IFRS 9 Financial Instruments: Classification and Measurement***

IFRS 9 as issued reflects the first phase of the IASB's 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 information comprises the financial statements of Revolymer (U.K.) Limited and its subsidiary as at 31 December 2009, 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 information 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.

### ***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.



### ***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.

### ***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 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.

### ***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 from 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 preparation of the Group's financial information 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 information:

#### *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>Year to</i> <i>31 December</i> <i>2009</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2010</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2011</i> <i>£000</i>
Sale of goods	12	5	150
	<u>12</u>	<u>5</u>	<u>150</u>

#### **Geographical information**

Revenues from external customers

	<i>Year to</i> <i>31 December</i> <i>2009</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2010</i> <i>£000</i>	<i>Year to</i> <i>31 December</i> <i>2011</i> <i>£000</i>
Denmark	2	5	1
Netherlands	10	—	—
United States	—	—	149
	<u>12</u>	<u>5</u>	<u>150</u>

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

## 5. Other operating income

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Research income	60	190	459
Government grants	211	—	46
	<u>271</u>	<u>190</u>	<u>505</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 which was then sponsored by the Department for Business Enterprise and Regulatory Reform (BERR).

## 6. Group operating loss

This is stated after charging:

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Auditors' remuneration – audit services	12	14	14
– other services relating to taxation	16	8	18
– all other services	2	5	6
	<u>30</u>	<u>27</u>	<u>38</u>
Depreciation: Owned assets	103	118	162
	<u>103</u>	<u>118</u>	<u>162</u>
Minimum operating lease payments: – land and buildings	65	66	56
– motor vehicles	8	8	8
Research and development expenditure	1,596	1,693	1,288
	<u>1,669</u>	<u>1,885</u>	<u>1,464</u>

## 7. Directors' remuneration

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Wages and salaries	333	305	330
Directors' fees invoiced by third parties	114	115	133
	<u>447</u>	<u>420</u>	<u>463</u>

Remunerations of the highest paid director consist of:

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Wages and salaries	298	287	330
Directors' fees invoiced by third parties	—	—	—
	<u>298</u>	<u>287</u>	<u>330</u>

None of the directors exercised any share options during the year to 31 December 2011 (2009 & 2010: none).

## 8. Staff costs

Staff costs, including directors, consist of:

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Wages and salaries	1,523	1,865	2,068
Invoiced by third parties	259	188	145
Equity settled share based payment expense	666	720	207
	<u>2,448</u>	<u>2,773</u>	<u>2,420</u>

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

	<i>Year to 31 December 2009 No.</i>	<i>Year to 31 December 2010 No.</i>	<i>Year to 31 December 2011 No.</i>
Executive directors	2	2	2
Non-executive directors	4	4	4
Research and development	21	21	24
Finance and administration	3	3	4
Sales	—	5	6
Contract Staff	2	2	1
Other Staff	1	—	—
	<u>33</u>	<u>37</u>	<u>41</u>

## 9. Finance income

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Interest receivable on bank deposits	280	106	7
Finance income	<u>280</u>	<u>106</u>	<u>7</u>



## 10. Tax

### Tax on loss on ordinary activities

(a) *Tax charge in the income statement:*

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
<b>Current income tax:</b>			
UK corporation tax on the loss for the year	—	—	—
Adjustment in respect of prior years	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
<b>Deferred tax:</b>			
Origination and reversal of temporary differences	—	—	—
Tax charge in the income statement	<u>—</u>	<u>—</u>	<u>—</u>

(b) *Reconciliation of the total tax charge*

The tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 26.5 per cent. (2010 & 2009 – 28 per cent.). The differences are reconciled below:

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Loss on ordinary activities before tax	<u>(3,533)</u>	<u>(4,307)</u>	<u>(3,925)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 & 2009 – 28%)	(989)	(1,206)	(1,040)
<i>Effects of:</i>			
Expenses not deductible for tax purposes	90	48	(44)
Other temporary differences	—	—	1
Capital allowances in excess of depreciation	3	9	(16)
Unrelieved tax losses carried forward	896	1,149	1,099
Total tax expense reported in the income statement	<u>—</u>	<u>—</u>	<u>—</u>

(c) *Deferred tax*

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

	<i>As at 31 December 2009 £000</i>	<i>As at 31 December 2010 £000</i>	<i>As at 31 December 2011 £000</i>
Accelerated capital allowances	(19)	(12)	(37)
Other temporary differences	—	—	2
Tax losses carried forward	1,947	3,079	3,847
Share-based payments	311	236	467
	<u>2,239</u>	<u>3,303</u>	<u>4,279</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.

(d) *Factors affecting future tax charge*

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

As at 31 December 2011, only the reduction in the tax rate to 24 per cent. 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 per cent. 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 2009	78	226	—	304
Additions	19	115	—	134
At 31 December 2009	97	341	—	438
Additions	48	84	—	132
At 31 December 2010	145	425	—	570
Additions	55	378	214	647
At 31 December 2011	200	803	214	1,217
Accumulated depreciation:				
At 1 January 2009	20	75	—	95
Charge	30	73	—	103
At 31 December 2009	50	148	—	198
Charge	32	86	—	118
At 31 December 2010	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 31 December 2010	63	191	—	254
At 31 December 2009	47	193	—	240

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).

<i>Company</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 2009	78	226	—	304
Additions	19	115	—	134
At 31 December 2009	97	341	—	438
Additions	22	84	—	106
At 31 December 2010	119	425	—	544
Additions	45	376	214	635
At 31 December 2011	164	801	214	1,179
Accumulated depreciation:				
At 1 January 2009	20	75	—	95
Charge	30	73	—	103
At 31 December 2009	50	148	—	198
Charge	31	86	—	117
At 31 December 2010	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 31 December 2010	38	191	—	229
At 31 December 2009	47	193	—	240

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 Revolymer (U.K.) Limited established a newly incorporated US company, Revolymer (US) Inc, acquiring 100 per cent. of the share capital for \$1,000.

### 13. Inventories

	<i>As at 31 December 2009</i>		<i>As at 31 December 2010</i>		<i>As at 31 December 2011</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Raw materials	—	—	46	46	25	13
Work in progress	—	—	29	29	280	280
Finished goods	—	—	—	—	510	—
Goods in transit	—	—	—	—	9	—
Provisions	—	—	—	—	(54)	—
	<u>—</u>	<u>—</u>	<u>75</u>	<u>75</u>	<u>770</u>	<u>293</u>

### 14. Trade and other receivables

	<i>As at 31 December 2009</i>		<i>As at 31 December 2010</i>		<i>As at 31 December 2011</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Trade receivables	165	165	160	160	265	253
Amounts owed from group companies	—	—	—	23	—	457
Other receivables	141	141	302	300	176	164
	<u>306</u>	<u>306</u>	<u>462</u>	<u>483</u>	<u>441</u>	<u>874</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.

As at 31 December 2011, no trade and other receivables were considered to be impaired and no provision for impairment has been recognised (2010 & 2009 – £nil).

The analysis of Group trade receivables that were past due but not impaired at 31 December is as follows:

	<i>Total £000</i>	<i>Neither past Due nor impaired £000</i>	<i>&lt; 30</i>	<i>30 – 60</i>	<i>60 – 90</i>	<i>90 – 120</i>	<i>&gt; 120</i>
			<i>days £000</i>	<i>days £000</i>	<i>days £000</i>	<i>days £000</i>	<i>days £000</i>
2011	265	—	95	94	76	—	—
2010	160	—	—	131	29	—	—
2009	165	—	147	18	—	—	—

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

	<i>Total £000</i>	<i>Neither past Due nor impaired £000</i>	<i>&lt; 30</i>	<i>30 – 60</i>	<i>60 – 90</i>	<i>90 – 120</i>	<i>&gt; 120</i>
			<i>days £000</i>	<i>days £000</i>	<i>days £000</i>	<i>days £000</i>	<i>days £000</i>
2011	253	—	83	94	76	—	—
2010	160	—	—	131	29	—	—
2009	165	—	147	18	—	—	—

## 15. 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:

	<i>As at 31 December 2009</i>		<i>As at 31 December 2010</i>		<i>As at 31 December 2011</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Cash at bank and in hand	<u>5,636</u>	<u>5,636</u>	<u>1,995</u>	<u>1,969</u>	<u>3,083</u>	<u>3,055</u>

## 16. Trade and other payables

	<i>As at 31 December 2009</i>		<i>As at 31 December 2010</i>		<i>As at 31 December 2011</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Trade payables	76	76	309	299	287	248
Current finance lease obligations	—	—	—	—	82	82
Amounts due to related parties (note 24)	7	7	9	9	17	17
Other payables	<u>426</u>	<u>426</u>	<u>382</u>	<u>368</u>	<u>542</u>	<u>514</u>
	<u>509</u>	<u>509</u>	<u>700</u>	<u>676</u>	<u>928</u>	<u>861</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

	<i>As at 31 December 2009</i>		<i>As at 31 December 2010</i>		<i>As at 31 December 2011</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Finance lease obligations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>156</u>	<u>156</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>156</u>	<u>156</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.

#### *Currency risk*

The Group makes most of its purchases in Sterling 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 & 2009 – 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, 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 based on contractual undiscounted payments.

At 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>&gt; 5 years</i> £000	<i>Total</i> £000
Trade and other payables	—	746	182	156	—	1,084
	—	746	182	156	—	1,084

At 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>&gt; 5 years</i> £000	<i>Total</i> £000
Trade and other payables	—	700	—	—	—	700
	—	700	—	—	—	700



At 31 December 2009:

	<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>&gt; 5 years</i> £000	<i>Total</i> £000
Trade and other payables	—	509	—	—	—	509
	—	509	—	—	—	509

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

At 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>&gt; 5 years</i> £000	<i>Total</i> £000
Trade and other payables	—	679	182	156	—	1,017
	—	679	182	156	—	1,017

At 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>&gt; 5 years</i> £000	<i>Total</i> £000
Trade and other payables	—	676	—	—	—	676
	—	676	—	—	—	676

At 31 December 2009:

	<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>&gt; 5 years</i> £000	<i>Total</i> £000
Trade and other payables	—	509	—	—	—	509
	—	509	—	—	—	509

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

31 December 2010:

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

31 December 2009:

	<i>Within 1 year £000</i>	<i>1-2 years £000</i>	<i>2-3 years £000</i>	<i>3-4 years £000</i>	<i>4-5 years £000</i>	<i>Over 5 years £000</i>	<i>Total £000</i>
Cash and cash equivalents	5,636	—	—	—	—	—	5,636
	<u>5,636</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,636</u>

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

The maturity profiles of the Company's cash and cash equivalents was all within 1 year for the financial years ending 31 December 2009, 31 December 2010 and 31 December 2011.

### ***Committed facilities***

The Group and Company has no floating rate committed borrowing facilities as at 31 December 2011 (2010 & 2009 – none).

### ***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 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>As at 31 December 2009 £000</i>	<i>As at 31 December 2010 £000</i>	<i>As at 31 December 2011 £000</i>
Within one year	74	34	78
In two to five years	1	—	316
Over five years	—	—	—
Total future minimum lease payments	<u>75</u>	<u>34</u>	<u>394</u>

The Group has no sub-leases.

## 20. Share capital

Group and Company:

	<i>As at 31 December 2009</i>		<i>As at 31 December 2010</i>		<i>As at 31 December 2011</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
<i>Allotted, called up and fully paid</i>						
Ordinary shares of 0.008p each	710,150	<u>57</u>	722,986	<u>58</u>	933,839	<u>75</u>

On 8 February 2010, the issued share capital of the Company was increased by the issue of 12,836 ordinary shares of 0.008p each for a total of £1.

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 flows from operating activities

	<i>As at 31 December 2009 £000</i>	<i>As at 31 December 2010 £000</i>	<i>As at 31 December 2011 £000</i>
Operating loss	(3,813)	(4,413)	(3,932)
Adjustments for:			
Depreciation of property, plant and equipment	103	118	162
Foreign currency retranslations	—	—	2
Share option charge	666	720	207
Increase in inventories	—	(75)	(686)
Decrease/(increase) in receivables	108	(168)	20
Increase in payables	226	203	376
Net cash outflow from operating activities	<u>(2,710)</u>	<u>(3,615)</u>	<u>(3,851)</u>

## 22. Reconciliation of company cash flows from operating activities

	<i>As at</i> <i>31 December</i> <i>2009</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>£000</i>	<i>As at</i> <i>31 December</i> <i>2011</i> <i>£000</i>
Operating loss	(3,813)	(4,419)	(3,956)
Adjustments for:			
Depreciation of property, plant and equipment	103	117	150
Foreign currency retranslations	—	—	2
Share option charge	666	720	207
Increase in inventories	—	(75)	(218)
Decrease/(increase) in receivables	108	(177)	(391)
Increase in payables	226	167	341
Net cash outflow from operating activities	<u>(2,710)</u>	<u>(3,667)</u>	<u>(3,865)</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, 2009 – £666,341) 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>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Share price at grant date	£37.03	£27.66	£27.66
Exercise price	£7.85	£7.85	£7.85
Expected volatility	30%	50%	50%
Risk free rate	0.5%	0.5%	0.5%
Expected dividend yield	0%	0%	0%
Expected option life	2 years	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 ending 31 December 2011 was £20.03 (2010 – £26.76, 2009 – £29.26). The range of exercise prices for options outstanding at the end of the year ending 31 December 2011 was £6.00 – 7.85 (2010 & 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 6,218 ordinary shares were granted under this plan ("the EMI plan") up to 31 December 2011 (2010 – nil, 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.

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 years ending 31 December:

	2009		2010		2011	
	<i>Number of shares</i>	<i>WAEP</i>	<i>Number of shares</i>	<i>WAEP</i>	<i>Number of shares</i>	<i>WAEP</i>
	£	£	£	£	£	£
Balance at beginning of year	27,826	£7.77	56,086	£7.81	42,880	£7.80
Awarded during year	28,760	£7.85	—	—	6,218	£7.85
Vested during year	—	—	—	—	—	—
Lapsed during year	(500)	£7.64	(13,206)	£7.85	(200)	£7.85
Forfeited during year	—	—	—	—	—	—
Exercised during the year	—	—	—	—	—	—
Balance at end of year	56,086	£7.81	42,880	£7.80	48,898	£7.80

The lapses during 2011 and in 2009 relate to options held by employees who resigned during those respective years.

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 ending 31 December 2011 is estimated at 1 year (2010 & 2009 – 2 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 Revolymer (U.S.) Inc. During the year ending 31 December 2011 options over nil ordinary shares were granted under this plan (“the Unapproved plan”) up to 31 December 2011 (2010 – 27,762 ordinary shares, 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 years ending 31 December:

	2009		2010		2011	
	<i>Number of shares</i>	<i>WAEP</i>	<i>Number of shares</i>	<i>WAEP</i>	<i>Number of shares</i>	<i>WAEP</i>
	£	£	£	£	£	£
Balance at beginning of year	78,865	£6.89	58,011	£6.72	45,430	£7.05
Awarded during year	—	—	27,762	£4.22	—	—
Vested during year	—	—	—	—	—	—
Lapsed during year	—	—	—	—	—	—
Surrendered during year	(20,854)	£7.37	(27,507)	£6.79	—	—
Forfeited during year	—	—	—	—	—	—
Exercised during the year	—	—	(12,836)	£0.00	—	—
Balance at end of year	58,011	£6.72	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 ending 31 December 2011), (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 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 options surrendered during 2009 relate to options held by Prof T Cosgrove and R Pettman that were replaced by approved grants when they became employees in that year.

The weighted average remaining contractual life of the options outstanding at the end of the year ending 31 December 2011 is estimated at 1 year (2010 & 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 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’.

	<i>Year to 31 December 2009 £000</i>	<i>Year to 31 December 2010 £000</i>	<i>Year to 31 December 2011 £000</i>
Wages and salaries	333	305	330
Directors’ fees invoiced by third parties	114	115	133
Equity settled share based payment expense	247	124	124
	<u>694</u>	<u>544</u>	<u>587</u>

#### **Other related party transactions**

The Group entered into the following related party transactions during the three year period under review:

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 2009 and 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 Revolymer (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 Revolymer (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>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>
<i>Year to 31 December 2011</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	—

	<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>
<i>Year to 31 December 2010</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	—

	<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>
<i>Year to 31 December 2009</i>				
Innotune BVBA	—	162	—	—
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 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.

## **PART VI**

### **ADDITIONAL INFORMATION**

#### **1. RESPONSIBILITY**

- 1.1 The Company, whose registered office appears on page 4 of this document, and the Directors and the Proposed Director, whose names, addresses and functions appear on page 4, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Director (each of which has taken reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.
- 1.2 Ernst & Young LLP, whose address appears on page 4 of this document, accepts responsibility of the information contained in Part V of this document. To the best of the knowledge of Ernst & Young LLP (which has taken reasonable care to ensure that such is the case), the information contained in Part V of this document is in accordance with the facts and makes no omission likely to affect the import of such information.
- 1.3 D Young & Co LLP, whose address appears on page 4 of this document, accepts responsibility of the information contained in Part IV of this document. To the best of the knowledge of D Young & Co LLP (which has taken reasonable care to ensure that such is the case), the information contained in Part IV of this document is in accordance with the facts and makes no omission likely to affect the import of such information.
- 1.4 Cambridge Consultants Limited, whose address appears on page 4 of this document, accepts responsibility of the information contained in Part III of this document. To the best of the knowledge of Cambridge Consultants (which has taken reasonable care to ensure that such is the case), the information contained in Part III of this document is in accordance with the facts and makes no omission likely to affect the import of such information.

#### **2. THE COMPANY**

- 2.1 The Company was incorporated in England and Wales on 10 April 2012 under the 2006 Act as a public company limited by shares with the name Revolymer (U.K.) plc and the registered number 08024489. The Company is domiciled within the United Kingdom.
- 2.2 The Company changed its name to Revolymer plc on 2 July 2012.
- 2.3 The liability of the members of the Company is limited to the amount paid up or to be paid up on their shares.
- 2.4 The registered office of the Company is at One London Wall, London EC2Y 5AB and its telephone number is +44 (0)1244 283500.

#### **3. SHARE CAPITAL**

- 3.1 On incorporation two ordinary shares of 0.008p each were issued to the subscribers.
- 3.2 By an ordinary resolution dated 7 June 2012 the share capital of the Company was consolidated into 2 ordinary shares of 1p each.
- 3.3 By a special resolution dated 7 June 2012 the Company adopted articles of association providing that the share capital of the Company be comprised of ordinary shares of 1p each and A ordinary shares of 1p each.
- 3.4 By a special resolution dated 7 June 2012 conditional upon, and with effect from, Admission each of the ordinary shares of 1p each and A ordinary shares of 1p each then in issue are to be re-designated as Ordinary Shares with the rights set out in the Articles.

3.5 By a special resolution dated 7 June 2012 the Company adopted, conditional upon, and with effect from, Admission, the Articles providing that the share capital be comprised of Ordinary Shares. The Ordinary Shares will be created under the 2006 Act under the laws of England and Wales. The ISIN number of the Ordinary Shares to be admitted is GB00B84LVH87.

3.6 As at the date of this document, the Company's issued share capital is as follows:

	<i>Nominal value (£)</i>	<i>Number of ordinary shares of 1p each</i>	<i>Number of A ordinary shares of 1p each</i>
Issued and fully paid	280,151.70	15,757,140	12,258,030

3.7 Following implementation of the Placing and Admission, the Company's issued share capital is expected to be as follows (assuming the Placing is fully subscribed):

	<i>Nominal value (£)</i>	<i>Number of Ordinary Shares</i>
Issued and fully paid	530,151.70	53,015,170

3.8 Since incorporation the following changes have been made to the issued and fully paid share capital of the Company:

3.8.1 on 7 June 2012 a further 248 ordinary shares of 0.008p each were issued to the subscribers; and

3.8.2 on 2 July 2012 15,757,138 ordinary shares of 1p each and 12,258,030 A ordinary shares of 1p each were issued to the shareholders of Revolymer UK at nominal value pursuant to share for share exchange agreements entered into by the Company with the shareholders of Revolymer UK and to a drag along notice dated 29 June 2012 whereby the Company acquired the entire issued share capital of Revolymer UK.

3.9 Save as disclosed in paragraph 3.8 above, there has been no change in the amount of the issued share or loan capital of the Company since its incorporation.

3.10 By ordinary and special resolutions passed on 29 June 2012:

3.10.1 the directors of the Company were authorised for the purposes of section 551 of the 2006 Act to allot relevant securities in the capital of the Company:

- (a) up to an aggregate nominal amount of £280,151.68, in respect of the issue of ordinary shares of 1p each and A ordinary shares of 1p each in connection with the Company's acquisition of the entire issued share capital of Revolymer UK;
- (b) conditional on Admission, up to an aggregate nominal amount of £63,473.40 in connection with the grant of options over 6,347,340 Ordinary Shares pursuant to the Share Plan;
- (c) conditional on Admission, an aggregate nominal amount of £3,162.90 in connection with the issue of warrants to XCAP Securities Plc to subscribe for 316,290 Ordinary Shares;
- (d) up to an aggregate nominal amount of £250,000.00 in respect of the Placing;
- (e) conditional on Admission, an aggregate nominal amount of £2,500.00 in connection with the issue of warrants to Panmure Gordon to subscribe for 250,000 Ordinary Shares; and
- (f) conditional on Admission, otherwise than pursuant to sub-paragraphs (a) – (e) above, up to an aggregate nominal amount of £176,717.00;

such authorisation to expire at midnight on 31 October 2013 or at the conclusion of the next annual general meeting of the Company (whichever is the earlier); and

3.10.2 subject to the passing of the resolution detailed in paragraph 3.10.1 above (the “Section 551 Resolution”), the directors of the Company were empowered to allot equity securities pursuant to the Section 551 Resolution as if section 561(1) of the 2006 Act did not apply to such allotment, such power being limited to:

- (a) conditional on Admission, the allotment of equity securities pursuant to subparagraphs (b) – (e) of the Section 551 Resolution;
- (b) conditional on Admission, the allotment of equity securities in connection with an offer to all holders of Ordinary Shares in proportion (as nearly as may be) to the respective numbers of Ordinary Shares held by them (but subject to such exclusions, limits or restrictions or other arrangements as the directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems, in or under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and
- (c) conditional on Admission, otherwise than pursuant to paragraphs (a) – (b) above, the allotment of equity securities up to an aggregate nominal amount of £53,015.17;

such power to expire at midnight on 31 October 2013 or at the conclusion of the next annual general meeting of the Company (whichever is the earlier to occur).

- 3.11 The proposed issue of Ordinary Shares pursuant to the Placing will be carried out by virtue of the authorities contained in paragraph 3.10 above.
- 3.12 The provisions of section 561 of the 2006 Act (to the extent not disapplied pursuant to section 570 of the 2006 Act) confer on Shareholders rights or pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are, or are to be, paid in cash, and apply to the unissued share capital of the Company to the extent not disapplied as described in this paragraph 3.11. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of existing Ordinary Shares on a *pro rata* basis.
- 3.13 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.14 The Company does not have in issue any securities not representing share capital.
- 3.15 The Placing Shares will rank in full for all dividends and other distributions hereafter declared, paid or made on the ordinary share capital of the Company.
- 3.16 There are no shares held by or on behalf of the Company in itself or by any other member of the Group.
- 3.17 In connection with the acquisition of Revolymer UK referred to in paragraph 3.8.2 of this Part VI, certain Directors and employees of the Group and certain persons who are not such directors or employees will be offered the opportunity after Admission to exchange their existing options over shares in the capital of Revolymer UK for equivalent options granted under the Share Plan over Ordinary Shares on the basis of new options over 30 times the number of shares the subject of each existing option at an exercise price per share of one thirtieth of the exercise price per share of the existing options. The options over the shares in Revolymer UK will be exercisable with effect from Admission and all the new options over Ordinary Shares will be exercisable from the date of grant.

Assuming all individuals who are offered the opportunity to exchange their options as referred to above do so, then a total of 6,347,340 options to subscribe for Ordinary Shares will be granted under the Share Plan and will be in existence following Admission as follows:

	<i>Number of Ordinary Shares under option</i>	<i>Options exercisable to dates in the following ranges</i>	<i>Exercise prices per Share (£)</i>
Exchange EMI Options	2,220,870	16/04/2017 to 09/07/2022	0.01 to 0.26
Exchange Unapproved Options	4,126,470	02/01/2013 to 09/07/2022	0.01 to 0.26

A summary of the terms of the Share Plan is set out in paragraph 8 of this Part VI.

- 3.18 The Company has agreed to award Panmure Gordon warrants over 250,000 Ordinary Shares, being 1 per cent. of the Ordinary Shares issued pursuant to the Admission, at the Placing Price which will be exercisable within two years of Admission.
- 3.19 The Company has agreed to grant XCAP Securities Plc warrants over 316,290 Ordinary Shares exercisable at 92 pence until May 2016 pursuant to a letter agreement dated 27 January 2011. Whilst such warrant instrument has not yet been executed, the Directors have agreed with XCAP Securities Plc that such instrument will be executed after Admission. Further details are provided in paragraph 17.8 of this Part VI.
- 3.20 Save as is disclosed in paragraphs 3.17, 3.18 and 3.19 of this Part VI, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option, nor are there any outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company.
- 3.21 Save as disclosed in paragraphs 3.17, 3.18 and 3.19 of this Part VI, no person has any acquisition right over, and the Company has incurred no obligation over, its unissued share capital or given any undertaking to increase its capital.

#### **4. DIRECTORS', PROPOSED DIRECTOR'S AND OTHERS' INTERESTS**

- 4.1 As at the date of this document and immediately following the Placing and Admission, the interests (within the meaning of sections 820 to 855 of the 2006 Act) of the Directors and the Proposed Director and (so far as is known to the Directors and the Proposed Director having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with the AIM Rules) in the issued share capital of the Company (all of which are beneficial unless otherwise stated) currently and as they are expected to be immediately following the Placing and Admission are as follows:

<i>Name</i>	<i>As at the date of this document</i>			<i>Following the Placing and Admission</i>	
	<i>Number of ordinary shares of 1p each</i>	<i>Number of A ordinary shares of 1p each</i>	<i>Percentage of existing issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
<b>Directors</b>					
Jack Keenan	—	357,270	1.28	457,270	0.86
Roger Pettman <sup>(Note)</sup>	465,030	—	1.66	488,030	0.92
Rob Cridland	—	—	—	16,800	0.03
Mike Townend	35,940	—	0.13	35,940	0.07
Robert Frost	—	—	—	—	—
<b>Proposed Director</b>					
Julian Heslop	—	—	—	30,000	0.06

*Note:*

Roger Pettman's ordinary shares are registered in the name of Innotune LLC.

- 4.2 Assuming they had immediately before the date of this document exchanged their options over shares in Revolymer UK for new options over Ordinary Shares in accordance with the arrangements referred to in paragraph 3.17 of this Part VI, the Directors and the Proposed Director and (so far as is known to the Directors and Proposed Director having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with the AIM Rules) would at the date of this document have and are expected to have immediately following the Placing and Admission the following options to subscribe for Ordinary Shares:

<i>Name</i>	<i>Number of Ordinary Shares subject to option as at the date of this document</i>	<i>Number of Ordinary Shares subject to option following the Placing and Admission</i>
<b>Directors</b>		
Jack Keenan	324,480	324,480
Roger Pettman	1,157,280	2,532,240
Rob Cridland	648,930	1,198,920
Mike Townend	—	—
Robert Frost	—	—
<b>Proposed Director</b>		
Julian Heslop	—	—

- 4.3 Save as disclosed in paragraphs 4.1 and 4.2 of this Part VI, immediately following Admission no Director, Proposed Director nor (so far as is known to the Directors and the Proposed Director having made appropriate enquiries) any persons connected with them (which expression shall be construed in accordance with the AIM Rules) is expected to have any interest, beneficial or non-beneficial, in the share capital of the Company or of any of its subsidiaries.

- 4.4 The Directors and the Proposed Director currently hold (in addition to their directorships of the Company since incorporation) the following directorships and have held the following directorships within the five years prior to the publication of this document.

**Director**

***Jack Keenan***

*Current directorships*

Grand CRU Consulting Limited  
National Angels Limited  
Panrico S.A.U.  
Revolymmer UK Limited  
Stock Spirits Group Luxembourg SARL

*Past directorships held in last five years*

Bavaria Yacht Bau GmbH  
Marks & Spencer plc  
Stock Spirits Group Limited

***Roger Pettman***

*Current directorships*

Innotune LLC  
Revolymmer UK Limited

*Past directorships held in last five years*

Innotune BVBA

***Rob Cridland***

*Current directorships*

Revolymmer UK Limited (*Secretary*)

*Past directorships held in last five years*

Renovo Group plc  
Renovo Technologies Limited



***Mike Townend***

*Current directorships*

Evocutis PLC  
Green Urban Transport Limited  
IP2IPO Limited  
IP Group plc  
IP Venture Fund (GP) Limited  
Modern Water PLC  
Top Technology Ventures Limited

*Past directorships held in last five years*

None

***Robert Frost***

*Current directorships*

Elevance Renewable Sciences Inc.  
Recycoal Holdings Limited  
Sowams Capital Limited  
105Hallamflat6 Limited  
105Hallamflat12 Limited  
105Hallamflat43 Limited

*Past directorships held in last five years*

Allianz Capital Partners Limited  
Allianz Infrastructure Partners Limited  
Ceram Hyd S.A.

**Proposed Director**

***Julian Heslop***

*Current directorships*

*Past directorships held in last five years*

Edinburgh Pharmaceutical Industries Limited  
Glaxo Group Limited  
Glaxo Investments (UK) Limited  
Glaxo Venture Limited  
Glaxo Wellcome Holdings Limited  
Glaxo Wellcome International B.V.  
Glaxo Wellcome Investments B.V.  
Glaxochem (UK) Unlimited  
GlaxoSmithKline (Netherlands) B.V.  
GlaxoSmithKline Capital Inc.  
GlaxoSmithKline Capital plc  
GlaxoSmithKline Export Limited  
GlaxoSmithKline Finance plc  
GlaxoSmithKline Holdings (Americas) Inc.  
GlaxoSmithKline Holdings Limited  
GlaxoSmithKline plc  
GlaxoSmithKline Services Unlimited  
GlaxoSmithKline UK Limited  
SB Holdings Capital Inc.  
Setfirst (No. 2) Limited  
Setfirst Limited  
Smith Kline & French Laboratories Limited  
SmithKline Beecham Holdings (UK) Limited  
SmithKline Beecham Limited  
SmithKline Beecham Overseas Limited  
SmithKline Beecham Pension Trustees Limited  
VIIV Healthcare Limited  
Wellcome Foundation Limited (The)  
Wellcome Limited

- 4.5 Mr. Frost is a member of Zegona Capital LLP and Zegona Capital (Holdings) LLP, both of which are in members' voluntary liquidation. Save for those partnerships, none of the Directors nor the Proposed Director currently hold partnerships or have held partnerships within the five years prior to the publication of this document:
- 4.6 In addition to the interests of the Directors and the Proposed Director disclosed in paragraph 4.1 above, insofar as is known to the Company, the Directors and the Proposed Director, the following persons as at the date of this document and immediately following the Placing and Admission will be interested, directly or indirectly, jointly or severally, in 3 per cent. or more of the Company's issued share capital or existence or could exercise control over the Company:

Name	As at the date of this document			Following the Placing and Admission	
	Number of ordinary shares of 1p each	Number of A ordinary shares of 1p each	Percentage of existing issued share capital	Number of Ordinary Shares	Percentage of Enlarged Issued Share Capital
IAML	—	—	—	16,049,000	30.27
Swarraton Partners <sup>(1)</sup>	3,601,440	1,352,460	17.68	4,953,900	9.34
IP2IPO Limited <sup>(2)</sup>	2,407,230	705,000	11.11	5,612,230	10.59
Naxos Capital Partners SCA Sicar	—	2,722,980	9.72	3,072,980	5.80
IP Venture Fund <sup>(3)</sup>	1,800,720	622,680	8.65	2,773,350	5.23
Lehman Brothers International (Europe) Limited	—	1,620,300	5.78	1,620,300	3.06
Esprit Nominees Limited	1,080,420	405,090	5.30	1,485,510	2.80
Bristol Innovations Limited	1,101,000	—	3.93	1,101,000	2.08
Lieven de Smedt	850,110	21,690	3.11	871,800	1.64

Notes:

<sup>(1)</sup> Comprised of Swarraton Partners LLP and Swarraton Partners (Nominees) Limited.

<sup>(2)</sup> IP2IPO Limited is a wholly owned subsidiary of IP Group plc.

<sup>(3)</sup> IP Venture Fund is a fund managed by Top Technology Venture Limited (a subsidiary of IP Group plc).

The figures relating to the percentage of Enlarged Issued Share Capital are based on the assumption that there are full subscriptions under the Placing.

- 4.7 The Ordinary Shares held by the Shareholders set out at paragraph 4.6 above rank *pari passu* with the Existing Ordinary Shares and, in particular, have no different voting rights than other existing Shareholders.
- 4.8 Other than as disclosed in this document, the Directors and the Proposed Director are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise, control over the Company. Neither the Directors, the Proposed Director nor any major Shareholders have different voting rights to other Shareholders.
- 4.9 None of the Directors and the Proposed Director has:
- 4.9.1 any unspent convictions relating to indictable offences;
  - 4.9.2 had a bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;
  - 4.9.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;

- 4.9.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
- 4.9.5 had any asset belonging to him made the subject of a receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; and
- 4.9.6 been publicly criticised by any statutory or regulatory authorities (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.10 Save as disclosed in this document, none of the Directors nor the Proposed Director has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during an earlier financial year and remains in any respect outstanding or unperformed.
- 4.11 Save as disclosed in this document, none of the Directors, the Proposed Director nor members of their family has a financial product whose value in whole or part is determined directly or indirectly by reference to the price of the Ordinary Shares.
- 4.12 There are no outstanding loans granted by the Company to any Director or the Proposed Director nor has any guarantee been provided by the Company for the benefit of any Director or the Proposed Director.
- 4.13 Save as disclosed in this document, there are no actual or potential conflicts of interest between the duties of the Directors or the Proposed Director to the Company and their respective private interests or other duties.

## **5. DIRECTORS' AND PROPOSED DIRECTOR'S SERVICE AGREEMENTS, LETTERS OF APPOINTMENT AND EMOLUMENTS**

- 5.1 The following contracts of service have been entered into between the Company and the executive directors:

<i>Name</i>	<i>Date</i>	<i>Commencement date</i>	<i>Notice period</i>	<i>Salary and entitlements</i>
Roger Pettman	4 July 2012	10 July 2012	12 months	Salary of £180,000 per annum, plus discretionary bonus, rent free accommodation in the UK and reimbursement of council tax and utilities related to the same, reimbursement of rental of telephone line and cost of business call costs, two company cars, reimbursement of US family medical expenses, personal accident and travel insurance, contribution of 10 per cent. of gross salary per annum to a personal pension scheme and tax equalisation arrangements so that Mr. Pettman is no worse off from an income tax and social security position than if he had continued to live and work in Florida, US.

<i>Name</i>	<i>Date</i>	<i>Commencement date</i>	<i>Notice period</i>	<i>Salary and entitlements</i>
Rob Cridland	4 July 2012	10 July 2012	12 months	Salary of £168,000 per annum, plus discretionary bonus, reimbursement of family health insurance costs and personal accident and travel insurance and contribution of 10 per cent. of gross salary per annum to a personal pension scheme.

5.2 The following letters of appointment have been entered between the Company and the non-executive directors and proposed non-executive director:

<i>Name</i>	<i>Date</i>	<i>Commencement date</i>	<i>Notice period</i>	<i>Fees (per annum)</i>
Jack Keenan	4 July 2012	10 July 2012	3 months	£60,000
Mike Townend	4 July 2012	10 July 2012	3 months	£15,000
Robert Frost	4 July 2012	10 July 2012	3 months	£15,000
Julian Heslop	4 July 2012	10 July 2012	3 months	£40,000

5.3 Save as disclosed in this paragraph 5, none of the Directors or the Proposed Director has a service agreement with the Company that has been entered into or varied within six months prior to the date of this document or which is a contract which expires or which is determined by the Company without payment of compensation (other than statutory compensation) after more than one year.

5.4 Save for any payments to the Directors and the Proposed Director on termination in lieu of notice, no benefits on termination are payable by the Company.

## **6. SIGNIFICANT INVESTMENTS**

Save as disclosed in this document, there have been no significant investments by the Company or any of its subsidiaries since 31 December 2011 being the date to which the last audited accounts of the Company have been made up.

## **7. SUMMARY OF THE ARTICLES**

### **(A) Objects**

Pursuant to section 31 of the 2006 Act, the objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by law.

### **(B) Articles**

The Articles, which have been adopted conditional on Admission, contain provisions, *inter alia*, to the following effect:

#### **7.1 Variation of class rights and class meetings**

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may, subject to all statutes (and any regulations subordinate thereto) for the time being in force concerning companies and affecting the Company (the "Statutes"), be varied or abrogated either in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any

such shares held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

The provisions of the Articles and of the Statutes relating to general meetings of the Company apply to every separate general meeting of the holders of a particular class of shares except that:

- 7.1.1 no member is entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote may be given except in respect of a share of that class;
- 7.1.2 the necessary quorum (other than at an adjourned meeting) is two individuals, being two members present in person (including by authorised representative) or by proxy together holding not less than one-third in nominal value of the issued shares of that class (excluding any such shares held as treasury shares), unless all the shares of the class are registered in the name of a single member, in which case the quorum is that single member, and where a member is present by proxy, he is treated as holding only the shares in respect of which that proxy or those proxies are authorised to exercise voting rights;
- 7.1.3 if any such separate general meeting is adjourned, the quorum at the adjourned meeting is one individual, being a member present in person (including by authorised representative) or by proxy, holding shares of that class;
- 7.1.4 on a show of hands, every holder of shares of the class in question entitled to vote on the resolution who is present in person has one vote, each authorised person appointed by a corporate Shareholder has one vote and every proxy present who has been appointed by a holder of shares of the class in question entitled to vote on the resolution has one vote, unless he has been appointed by more than one such holder and has been instructed by one or more of such holders to vote for the resolution and by one or more others to vote against it, in which case he has one vote for and one vote against the resolution;
- 7.1.5 any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and
- 7.1.6 on a poll, every holder of shares of the class in question entitled to vote has one vote for every share of the class held by him and his voting rights may be exercised by one or more proxies.

## **7.2 Convening general meetings**

- 7.2.1 Annual general meetings of the Company shall be convened in accordance with the Statutes. The directors may convene other general meetings whenever they think fit, and are required to do so if requisitioned by members in accordance with the Statutes. If the directors fail to convene a general meeting when requisitioned, the meeting may be convened by the requisitionists.
- 7.2.2 If at any time there are not within the United Kingdom sufficient directors to call a general meeting, any director may convene a general meeting. If the Company has fewer than two directors and the director (if any) is unable or unwilling to appoint sufficient directors to make up a quorum or to call a general meeting to do so, two or more members may call a general meeting for the purpose of appointing one or more directors.
- 7.2.3 The Company shall determine the time, being no more than 48 hours (excluding non-working days) before the time fixed for the meeting, by which a person must be entered on the register of members in order to be entitled to attend or vote at a general meeting.

### **7.3 *Ownership threshold and change of control***

7.3.1 The Articles do not prescribe any ownership threshold above which Shareholder ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

### **7.4 *Alteration of capital***

7.4.1 The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law.

### **7.5 *Transfer of shares***

7.5.1 Shares may be held in uncertificated form and uncertificated shares may be transferred otherwise than by a written instrument in accordance with the rules, procedures and practices of the relevant system (CREST) and the Uncertificated Securities Regulations. The directors may refuse to register a transfer of any such share if the transfer is in favour of more than four persons jointly or in any other circumstances permitted by those Regulations, except where to do so would disturb the market in the shares.

7.5.2 Transfers of shares in certificated form may be effected by an instrument of transfer in any usual form or in any other form approved by the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

7.5.3 The directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer:

- (i) is in respect of only one class of share;
- (ii) is in favour of a single transferee or not more than four joint transferees;
- (iii) is duly stamped (if required); and
- (iv) is delivered for registration to the registrar's office, or such other place as the directors have specified and is accompanied by the certificate(s) for the shares to which it relates (except in the case of a financial institution where a certificate has not been issued) and such other evidence as the directors may reasonably require to prove the title of the transferor to make the transfer and the due execution by the transferor or authority of the person executing the transfer on the transferor's behalf.

7.5.4 In addition, the directors may refuse to register the transfer of a share which is not fully paid provided that such refusal shall not be exercised so as to disturb the market in those shares.

7.5.5 A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.

### **7.6 *Restrictions on voting, dividends and transfer of default shares***

7.6.1 If a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 793 of the Companies Act 2006 and is in default in supplying to the Company the information thereby required within the period stipulated in such notice (which must not be less than 14 days after the service of such notice), the board may serve on such member a notice ("a direction notice") in respect of the shares in relation to which the default occurred ("default shares").



- 7.6.2 A direction notice may direct that the default shares shall not confer on the member concerned any entitlement to attend or vote or speak, either personally or by proxy, at a general meeting or class meeting of the Company.
- 7.6.3 Where default shares represent at least 0.25 per cent. of the class of shares concerned (excluding any shares of that class held as treasury shares), the direction notice may in addition direct that:
- (i) the whole or any part of any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on the default shares shall be retained by the Company without liability to pay interest or compensation; and/or
  - (ii) no transfer of certificated default shares shall be registered unless it is an approved transfer and/or that the holder of any uncertificated default shares shall be divested of the power to transfer such shares unless the transfer is an approved transfer and/or that the holder of any uncertificated default shares must convert such shares into certificated form.

For this purpose, an “approved transfer” is a transfer by the acceptance of a takeover offer or a transfer on sale to a *bona fide* unconnected third party (including through a sale through a recognised investment exchange as defined in the FSMA).

- 7.6.4 The terms of a direction notice shall apply as soon as it has been duly served and shall cease to have effect seven days following due compliance, to the reasonable satisfaction of the directors, with the notice under section 793 of the 2006 Act or, if earlier, the transfer of any default shares by an approved transfer, but only in respect of the default shares which are transferred.

#### **7.7 Pre-emption rights**

- 7.7.1 The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of Ordinary Shares.

#### **7.8 Redemption and conversion**

- 7.8.1 The Ordinary Shares are not redeemable or convertible.

#### **7.9 Participation in profits and assets**

- 7.9.1 Subject to the superior rights of any other class or classes of shares that are, or may be, issued by the Company, the rights and restrictions attaching to the Ordinary Shares as regards participation in the profits and assets of the Company are as follows:
- (i) any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of the Ordinary Shares *pro rata* according to the amounts paid up or credited as paid up on such shares held by them.
  - (ii) the capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of the Ordinary Shares the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held by them respectively.

#### **7.10 Voting**

- 7.10.1 On a show of hands, every member present in person has one vote, each authorised person appointed by a corporate Shareholder has one vote and every proxy present has one vote, unless he has been appointed by more than one member and has been instructed by one

or more of those members to vote for the resolution and by one or more others to vote against it, in which case he has one vote for and one vote against the resolution.

- 7.10.2 In the case of a poll every member has one vote for every share held by him and his voting rights may be exercised by one or more proxies.
- 7.10.3 These voting rights are subject to any special rights or restrictions as to entitlement to vote on a particular resolution or at particular meetings imposed by or pursuant to the Articles or attached to any shares. These include, for example, that a person becoming entitled to a share by reason of a transmission event (such as death or bankruptcy) shall not be entitled to vote with respect to those shares before being registered as holder of such shares.

## **7.11 Dividends**

- 7.11.1 The Ordinary Shares confer no fixed dividend entitlement. The Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors. The directors may from time to time pay such interim dividends as they think fit.
- 7.11.2 Where the Company has a lien on any share and a sum in respect of which the lien exists is presently payable, the directors may retain any dividend payable in respect of that share instead of enforcing the lien.
- 7.11.3 In addition, the directors may retain any dividend in the circumstances where a person who has become entitled to a share as a consequence of a transmission event (such as death or bankruptcy) fails to comply within 90 days of receipt of a notice from the directors requiring that person to elect to be registered as the holder of the share concerned or to transfer that share.
- 7.11.4 All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years from the date on which such dividend became due for payment shall be forfeited and shall revert to the Company.

## **7.12 Directors**

### *7.12.1 Number of directors*

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be less than two nor more than ten.

### *7.12.2 Shareholding qualification*

A director is not required to hold any shares in the Company. A director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings.

### *7.12.3 Directors' remuneration and expenses*

- (i) Remuneration paid to the directors for their services as officers of the Company shall be such aggregate amount as the directors shall decide, provided that such fees do not exceed the sum of £500,000 per annum or such higher sum as the Company may by ordinary resolution determine, and shall accrue daily. Any such remuneration shall be distinct from any salary, remuneration or other amounts payable to the director pursuant to any other provision of the Articles or any service agreement between the Company or any associated company and the relevant director.

- (ii) Any director who performs services which, in the opinion of the directors, go beyond the ordinary duties of a director, may be paid such additional remuneration and may receive such other benefits as the directors or the remuneration committee may determine.
- (iii) The Company may also pay or repay to any director all travelling, hotel and other expenses reasonably and properly incurred in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise incurred in connection with the business of the Company.
- (iv) The directors may establish and/or contribute to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or was at the time a director or officer or employee of the Company or any associated company, for his benefit or for the benefit of any member of his family. The directors may also establish and/or contribute to any death and/or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

#### 7.12.4 *Interests and conflicts*

- (i) The directors are empowered pursuant to section 175 of the 2006 Act to authorise any matter which would or might otherwise constitute a breach of the duty of a director to avoid a situation in which he has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the directors at any time. Neither the director in question nor any other interested director shall vote on any resolution concerning any such authorisation. Under section 175(3) of the 2006 Act, no such authorisation is required in relation to a conflict of interest arising in relation to a transaction or arrangement with the Company.
- (ii) A director, notwithstanding his office may be or become a director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any associated company. In such circumstances the director is authorised to act subject to any guidance from time to time issued by the directors for dealing with conflict situations arising in relation to associated companies. The directors may exercise any voting rights exercisable by the Company in any associated company in such way as they think fit, including voting in favour of any resolution appointing them, or any of them, as directors or officers of the associated company or approving the payment of remuneration to directors or officers of the associated company.
- (iii) Where a director has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company or his duties to the Company and the matter constituting such conflict has been authorised by the directors or by the Company or is otherwise permitted by the Articles, subject to the terms on which any authorisation has been given:
  - (a) the director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a director or employee of the Company

and in respect of which he owes a duty of confidentiality to a person other than the Company;

- (b) the director in question shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a consequence and no contract, transaction or arrangement relating to the relevant matter shall be liable to be avoided on the grounds of his conflict of interests or duties;
- (c) the director in question need not consider board papers, nor participate in discussion of the directors, relating to the relevant matter;
- (d) any director may act in any way authorised by any guidance for dealing with conflicts of interest or duty issued by the directors from time to time.

#### 7.12.5 *Alternate directors*

- (i) Any director (other than an alternate director) has the power to appoint as his alternate, to exercise his powers and carry out his responsibilities during his absence (whether for a limited or an unlimited term), either another director or any other person approved for that purpose by a resolution of the directors. The appointment of an alternate director automatically determines: if his appointor terminates the appointment; or on the happening of any event which, if he were a director, would cause him to vacate the office of director; or if he resigns such appointment; or if his appointor ceases for any reason to be a director otherwise than by retiring and being re-appointed at the same general meeting.
- (ii) An alternate director is entitled to receive notice of meetings of the directors and to attend and, in place of his appointor, to vote and be counted for the purpose of a quorum at any such meeting at which his appointor is not personally present and generally to perform all functions as a director of his appointor in his absence.
- (iii) An alternate director may be paid or repaid by the Company such expenses as might properly have been paid or repaid to him if he had been a director but shall not in respect of his office of alternate director be entitled to receive any remuneration from the Company except such part of his appointor's remuneration as his appointor may direct by notice in writing to the Company. An alternate director shall be entitled to be indemnified by the Company to the same extent as if he were a director.

#### 7.12.6 *Vacation of office*

A director shall cease to be a director on the happening of any of the following events:

- (i) he becomes prohibited by law from acting as a director, or shall cease to be a director by virtue of any provision of the Statutes;
- (ii) not being a director holding executive office for a fixed period, he resigns or offers to resign and the directors resolve to accept such offer;
- (iii) having been appointed for a fixed term, the term expires;
- (iv) he has a bankruptcy order made against him or settles or makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

- (v) he becomes incapable by reason of illness or injury of managing and administering his property and affairs and the directors resolve that his office be vacated;
- (vi) he and his alternate (if any) are absent from meetings of the directors for the greater of six consecutive months and six consecutive meetings without the consent of the directors and the directors resolve that his office be vacated;
- (vii) having retired by rotation at an annual general meeting, he is not re-appointed as a director; or
- (viii) he is removed from office as a director by notice in writing signed by all his co-directors, but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed to be an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company or otherwise.

#### 7.12.7 *Retirement by rotation*

At each annual general meeting of the Company, the following directors shall retire from office and be eligible for re-appointment: (a) any director who has been appointed by the directors since the last annual general meeting and (b) any director who was not appointed at one of the two preceding annual general meetings.

#### 7.12.8 *Appointment*

The Company may by ordinary resolution appoint any person who is willing to act and is permitted by law to do so to be a director. Without prejudice thereto, the directors have power at any time so to do, but so that the total number of directors shall not thereby exceed any maximum number fixed by or in accordance with the Articles. Any person so appointed by the directors shall hold office only until the conclusion of business at the next annual general meeting.

- (i) No person, other than a director retiring at the meeting, shall be eligible for appointment or re-appointment as a director at any general meeting unless: (a) he is recommended by the directors; or (b) the resolution to propose him is accompanied by notice in writing signed by a Shareholder other than the nominee, containing specified information about the nominee and notifying the Shareholder's intention to propose him for appointment, together with a notice signed by the nominee of his willingness to be appointed.

#### 7.12.9 *Proceedings of directors*

- (i) The quorum necessary for the transaction of the business of the directors may be fixed from time to time by the directors and unless so fixed at any other number shall be two.
- (ii) Questions arising at any meeting of the directors shall be determined by a majority of votes and, subject to the restrictions on voting noted below, each director present has one vote. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.
- (iii) The continuing directors or a sole continuing director may act notwithstanding any vacancies but, if and so long as the number of directors is reduced below the minimum number fixed by or in accordance with the Articles, the continuing directors or director may act only for the purpose of appointing directors or of calling a general meeting to do so. Any additional director so appointed by the

directors or director shall hold office until the conclusion of business at the following annual general meeting.

- (iv) If at the end of any annual general meeting there would otherwise be no directors, each director who retired and offered himself for re-appointment at that meeting will remain in office, notwithstanding that the resolution to re-appoint him was lost, until at least one director is appointed or re-appointed by ordinary resolution. Unless and until he is re-appointed, any such director may act only for the purpose of calling a general meeting to appoint directors and otherwise as may be necessary to comply with any legal or regulatory requirement applicable to the Company or the directors.
- (v) A resolution in writing signed by such number of the directors as are for the time being entitled to receive notice of a meeting of directors and comprise together in number not less than a quorum for a meeting of the directors shall be as effective as a resolution duly passed at a meeting of the directors.

#### 7.12.10 *Restrictions on voting*

- (i) Save as provided in the Articles, a director shall not vote (or, if he does, his vote shall not be counted) at a meeting of the directors in respect of any contract, arrangement, transaction or any other kind of proposal in which he has a direct or indirect interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company. This prohibition does not apply if the director's interest cannot reasonably be regarded as likely to give rise to conflict of interests, or to any resolution concerning any of the following matters:
  - (a) any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in an offer in which he is or may be entitled to participate;
  - (b) any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which he does not to his knowledge, directly or indirectly, hold an interest in shares (as that term is defined in sections 820 to 825 (inclusive) of the Companies Act 2006) representing one per cent. or more of either any class of the equity share capital of, or the voting rights in, such body corporate (excluding any shares, or voting rights attached to any shares, held as treasury shares);
  - (c) any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which he may benefit and which either has been approved, or is conditional on approval, by HMRC for taxation purposes; or relates both to employees and directors of the Company (or any associated company) and does not award him any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and
  - (d) any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any persons including directors.



- (ii) A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

#### 7.12.11 *Borrowing powers*

- (i) Subject to the Statutes and the Articles, the directors may exercise all the powers of the Company to borrow or raise money and mortgage, charge or grant any security over all or any part of its undertaking, property and assets (present and future), and uncalled capital, to create and issue debentures, other loan stock and other securities and to give security, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.
- (ii) The directors shall take all necessary steps, including the exercise of all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any), for securing (as regards subsidiary undertakings, in so far as they are able) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Company and all of its subsidiary undertakings (if any) (other than intra-Group borrowing) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to two times the Company's adjusted total of capital and reserves (as defined in the Articles).

#### 7.12.12 *Indemnity and insurance*

- (i) Subject to the Statutes, but without prejudice to any indemnity to which he may otherwise be entitled, every director, alternate director or secretary (or former director or secretary) of the Company or of any associated company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in the execution or discharge of his duties or in the exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.
- (ii) The indemnity provisions do not operate to provide an indemnity against any liability attaching to a director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company except as permitted by law.
- (iii) The directors have power to purchase and/or maintain insurance at the expense of the Company for, or for the benefit of, anyone who is or was at any time a director, alternate director or secretary of the Company or any associated company or who is or was at any time a trustee of any retirement benefits scheme or employee share scheme in which employees of the Company or any associated company are or were interested, including insurance against any liability incurred by such persons which may lawfully be insured against by the Company in respect of any act or omission in the execution of their powers and/or otherwise in relation to the Company or in connection with their duties, powers or offices in relation to any associated company, or any such retirement benefits scheme or employee share scheme.

### 7.13 *Untraced shareholders*

- 7.13.1 The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such shares placed after the

expiry of the period of 12 years, the Company, so far as the directors are aware, has not received any communication from such member or person (in his capacity as member or person entitled by transmission). The net proceeds of any such sale shall belong to the Company.

## **8. SHARE OPTION SCHEMES**

### **8.1 *Exchange arrangements***

Historically, Revolymer granted options to subscribe for ordinary shares of 0.008p each in the capital of Revolymer UK to directors, employees and others. All options so granted were granted on the terms of the Revolymer Limited Employee Incentive Plan 2006.

Under this scheme, the options that had been granted to employees of Revolymer UK had been granted so as to qualify as EMI Options and the options that had been granted to persons who were not such employees or which did not fulfill the conditions of the EMI Code had been granted as Unapproved Options.

Following Admission, each holder of the existing options referred to in the preceding two paragraphs will be offered the opportunity to release their existing options, in each case, in exchange for options over Ordinary Shares granted by the Company under the Share Plan.

Full details of all of the options over Ordinary Shares that are expected to exist following Admission by virtue of these arrangements (assuming all holders of options over shares in Revolymer UK accept the offer of the option exchange made to them) (“Exchange Options”) are set out at paragraph 3.17 of this Part VI.

To the extent that each Exchange Option comes into existence it will be capable of exercise from the date of its grant until the range of dates set out for each Exchange Option at paragraph 3.17 of this Part VI.

The principal terms of the Share Plan are summarised below.

### **8.2 *Exchange EMI Options***

The Exchange EMI Options will be granted under the Share Plan so as to qualify as EMI Options.

#### *Exercise price*

The range of exercise prices payable for each Ordinary Share under each Exchange EMI Option is set out in the table at paragraph 3.17 of this Part VI.

In the event of any issue of ordinary shares in the capital of the Company by way of capitalisation of profits or reserves or rights issue, open offer or by way of any consolidation or sub-division or reduction of capital or otherwise then the exercise price (as well as the number of shares under each Exchange EMI Option) may be adjusted by the Company in such manner and with effect from such date as the Company may determine to be appropriate, provided the exercise price is not reduced below the nominal value of a share, the adjustment is not a disqualifying event for the purposes of the EMI Code and following the adjustment the shares continue to satisfy the conditions specified in paragraph 35 of Schedule 5 to ITEPA.

#### *Lapse and suspension of Exchange EMI Option*

Each Exchange EMI Option shall lapse and cease to be exercisable forthwith on the earliest to occur of:

- the tenth anniversary of the date of grant;
- the first anniversary of the date of an option holder’s death;

- 5.00 p.m. on the date that is 30 days after the date of any Disqualifying Event for the purposes of Schedule 5 to the ITEPA other than cessation of employment of an option holder;
- 30 days from the date on which the option holder ceases to be a director or employee of the Company or a subsidiary for whatever reason other than where the option holder's cessation of employment occurs for reason of gross misconduct;
- forthwith upon the cessation of employment of the option holder for reason of gross misconduct; or
- the date upon and time at which the Exchange EMI Option lapses following a takeover or asset sale.

An Exchange EMI Option cannot be exercised while an option holder's employment is suspended on the grounds of suspected gross misconduct or where the option holder has given or is under notice of termination of his employment or is subject to any formal disciplinary procedure.

#### *Takeover*

Each option holder is entitled to exercise his Exchange EMI Options, in whole or in part, either:

- during the period of 40 days beginning with the time when the person making the offer (or on whose behalf the offer is made) has obtained control of the Company and any conditions subject to which the offer had been made have been satisfied. To the extent that such Exchange EMI Options have not been exercised by the expiry of the said 40 day period they shall cease to be exercisable and shall lapse and determine; or
- if the Board reasonably determines that the Company might otherwise suffer adverse taxation consequences, immediately before the person making the offer obtains control of the Company, and to the extent that any Exchange EMI Option is not exercised before such person obtains control, the Exchange EMI Option shall lapse and determine.

#### *Asset sale*

Each option holder shall be entitled to exercise his Exchange EMI Options, in whole or in part during the period of not less than 72 hours specified in a notice given by the board to the option holder as soon as reasonably practicable after the board concludes that the sale of 90 per cent. or more of the business, assets or undertaking of the Company (except as part of a scheme of reconstruction) is likely to occur. Each Exchange EMI Option shall lapse on the occurrence of such an asset sale.

#### *Exchange EMI Options not transferable*

An option holder may not assign, transfer, charge or part with all or any of his rights and/or obligations in respect of the Exchange EMI Option. If he shall do or purport to do any of the same, the Exchange EMI Option shall lapse forthwith and be of no further force or effect.

#### *No compensation on cessation of employment*

In the event of the termination of the employment of an option holder for any reason and in whatever circumstances he shall not be entitled to any compensation or damages in respect of any loss or diminution in the value of his rights pursuant to the Exchange EMI Option which may occur as a result of such termination.

### *Amendments*

No alteration or addition to the rules of the Share Plan shall be made which shall materially and adversely affect the rights of an option holder as regards an Exchange EMI Option granted prior to the alteration or addition being made. No alteration or addition to any option certificate shall be made without the written agreement of the option holder.

No alteration or addition to the rules of the Share Plan or any option certificate shall, at any time when it is intended that the relevant Exchange EMI Options shall continue to qualify under Schedule 5 to ITEPA, contravene the provisions of Schedule 5 to ITEPA or the EMI Code, generally.

The board, subject to the above rights of option holders and with shareholder consent may from time to time in its absolute discretion make such amendments to the Share Plan as it deems desirable.

The board may from time to time, subject to the above rights of option holders, alter or add to any option certificate in such manner and to such extent as the board may think fit.

### *Administration*

The Share Plan shall be administered by the board whose decision on all disputes and matters concerning the interpretation of the rules of the Share Plan shall be final.

## **8.3 Exchange Unapproved Options**

The Exchange Unapproved Options will be granted under Revolymer Unapproved Share Option Plan 2012. They will not be granted as enterprise management incentives pursuant to the provisions of Schedule 5 to ITEPA and will have no beneficial tax status.

### *Exercise price*

The range of exercise prices payable for each Ordinary Share under each Exchange Unapproved Option is set out in the table at paragraph 3.17 of this Part VI.

In the event of any issue of ordinary shares in the capital of the Company by way of capitalisation of profits or reserves or rights issue, open offer or by way of any consolidation or sub-division or reduction of capital or otherwise then the exercise price (as well as the number of shares under each Exchange Unapproved Option) may be adjusted by the Company in such manner and with effect from such date as the Company may determine to be appropriate, provided the exercise price is not reduced below the nominal value of a share.

### *Lapse and suspension of Exchange Unapproved Option*

Each Exchange Unapproved Option shall lapse and cease to be exercisable forthwith on the earliest to occur of:

- the tenth anniversary of the date of grant;
- the first anniversary of the date of an option holder's death;
- 30 days from the date on which the option holder ceases to be an employee, former employee, director or (including a non-executive director) or a consultant of the Company or a subsidiary for whatever reason other than where the option holder's cessation of employment occurs for reason of gross misconduct;
- forthwith upon the cessation of employment of the option holder for reason of gross misconduct; or

- the date upon and time at which the Exchange Unapproved Option lapses following a takeover or asset sale.

An Exchange Unapproved Option cannot be exercised while an option holder's employment is suspended on the grounds of suspected gross misconduct or where the option holder has given or is under notice of termination of his employment or is subject to any formal disciplinary procedure.

*Takeover*

Each option holder is entitled to exercise his Exchange Unapproved Options, in whole or in part, either:

- during the period of 40 days beginning with the time when the person making the offer (or on whose behalf the offer is made) has obtained control of the Company and any conditions subject to which the offer had been made have been satisfied. To the extent that such Exchange Unapproved Options have not been exercised by the expiry of the said 40 day period they shall cease to be exercisable and shall lapse and determine; or
- if the Board reasonably determines that the Company might otherwise suffer adverse taxation consequences, immediately before the person making the offer obtains control of the Company, and to the extent that any Exchange Unapproved Option is not exercised before such person obtains control, the Exchange Unapproved Option shall lapse and determine.

*Asset sale*

Each option holder shall be entitled to exercise his Exchange Unapproved Options, in whole or in part during the period of not less than 72 hours specified in a notice given by the board to the option holder as soon as reasonably practicable after the board concludes that the sale of 90 per cent. or more of the business, assets or undertaking of the Company (except as part of a scheme of reconstruction) is likely to occur. Each Exchange Unapproved Option shall lapse on the occurrence of such an asset sale.

*Exchange Unapproved Options not transferable*

An option holder may not assign, transfer, charge or part with all or any of his rights and/or obligations in respect of the Exchange Unapproved Option. If he shall do or purport to do any of the same, the Exchange Unapproved Option shall lapse forthwith and be of no further force or effect.

*No compensation on cessation of employment*

In the event of the termination of the employment of an option holder for any reason and in whatever circumstances he shall not be entitled to any compensation or damages in respect of any loss or diminution in the value of his rights pursuant to the Exchange Unapproved Option which may occur as a result of such termination.

*Amendments*

No alteration or addition to the rules of the Share Plan shall be made which shall materially and adversely affect the rights of an option holder as regards an Exchange Unapproved Option granted prior to the alteration or addition being made. No alteration or addition to any option certificate shall be made without the written agreement of the option holder.

The board, subject to the above rights of option holders and with shareholder consent may from time to time in its absolute discretion make such amendments to the Share Plan as it deems desirable.

The board may from time to time, subject to the above rights of option holders, alter or add to any option certificate in such manner and to such extent as the board may think fit.

#### *Administration*

The Share Plan shall be administered by the board whose decision on all disputes and matters concerning the interpretation of the rules of the Share Plan shall be final.

#### **LTIP**

The Company has adopted the LTIP pursuant to which it may award (each an “Award”) to any person (a “Participant”) who is an executive director or *bona fide* employee of any company which is at the relevant date a member of the Group (an “Eligible Employee”):

- EMI Options;
- a non-contractual promise to deliver Ordinary Shares to the Participant (a “Performance Share Award”);
- joint ownership of Ordinary Shares between the trustee (the “Trustee”) of any employee benefit trust established by the Company and the Participant to receive the increase in value of an Ordinary Share pursuant to an agreement (a “Joint Ownership Agreement”) between the Participant and the Trustee (a “Jointly Owned Share Award”); or
- Unapproved Options.

#### *Restrictions on the making of Awards*

The maximum number of Ordinary Shares which may on any day be awarded under the LTIP for the first ten years following Admission, when added to the number of Ordinary Shares which have been awarded since Admission under the LTIP and any other employees’ share scheme adopted by the Company, shall not exceed ten per cent. of the Company’s issued ordinary share capital immediately prior to the date of Award. For the purpose of calculating this limit:

- any Ordinary Shares comprised in an Award or other right under any other employees’ shares scheme adopted by the Company that has lapsed, been released or surrendered or which otherwise become incapable of exercise will be disregarded.
- any treasury shares will count for the purposes of the limits.

The expiry date of any Award may not be later than the tenth anniversary of the date of the Award.

An Award shall not be transferred, charged, pledged or otherwise encumbered.

#### *Conditions attaching to Awards*

The remuneration committee of the board of directors of the Company (the “Committee”) may determine that an Award will be subject to a performance condition relating to the Group, the Company, any other member of the Group or the relevant Participant (as the case may be). Any performance condition and the determination of the start and end of any performance period shall be judged according to such criteria as the Committee shall from time to time determine.

If in relation to an Award there occurs any event which causes the Committee to consider that:

- an amended performance condition would be a fairer measure of the performance of the Group, the Company, any other member of the Group or the relevant Participant (as the case may be); or
- an amended performance condition would provide a more effective incentive to the relevant Participant;



the Committee may amend the performance condition in such manner as it in its absolute discretion determines provided that the amended performance condition is neither materially easier nor materially more difficult to achieve than the original performance condition.

The Committee may determine that any Award shall be subject to such additional and/or modified terms and conditions relating to its making, vesting and/or exercise case of an EMI Option or an Unapproved Option and/or transfer of the Ordinary Shares comprised in the Performance Share Award that has vested to the Participant and/or the sale of the Ordinary Shares subject to Jointly Owned Share Awards by the Trustee or the transfer of the Trustee's interest in the Jointly Owned Ordinary Shares to the Participant (any such exercise, transfer or sale being a "Release") as may be necessary to comply with or take account of any securities, exchange control or tax laws, regulations or changes in legislation or practice of any territory which may have application to the relevant Participant or member of the Group.

#### *Release of Awards*

When an Award vests:

- in relation to a Performance Share Award, the Committee shall, subject to rules of the LTIP, procure that the relevant Ordinary Shares are Released within 30 days of the vesting date;
- in relation to an Unapproved Option and an EMI Option, the Committee shall notify the Participant of the vesting of the Award and the Participant shall then be entitled to exercise his option; and
- in relation to a Jointly Owned Share Award, the Committee shall notify the Participant and the Trustee of the vesting of the Award and the Participant shall then be entitled to deal with his Award in accordance with the terms of the Joint Ownership Agreement.

#### *Taxation and social security*

Any liability (other than stamp duty) of a Participant to taxation or national insurance contributions (or overseas equivalent or similar charge) in respect of an Award shall be for the account of the relevant Participant.

The award of a Jointly Owned Share Award and the Release of an Award shall be conditional on the Participant complying with arrangements specified by the Company for the payment of taxation (including the deduction of tax at source) and/or national insurance contributions (or overseas equivalent or similar charge). The Company, any member of the Group or the Trustee shall be entitled to make arrangements for the sale of some or all of the Ordinary Shares or the retention of some or all of the cash (as the case may be) to be Released to satisfy such Participant's tax liability and/or liability to national insurance contributions (or overseas equivalent or similar charge).

Each Participant agrees to indemnify the Company and every other member of the Group and the Trustee against any tax or national insurance (or overseas equivalent or similar charge) claim of whatever nature or any other liability or obligation incurred by the Company or any member of the Group or the Trustee which relates to the liability of a Participant in the LTIP to taxation or national insurance contributions (or overseas equivalent or similar charge).

If the vesting and/or Release of Ordinary Shares could be in contravention of the AIM Rules or any securities, tax or other laws of any territory which may be applicable to a member of the Group, the Trustee, Eligible Employee, Participant or his nominee, such vesting and/or Release shall be deferred until such time when such vesting and/or Release would not be in contravention of the AIM Rules or any such securities, tax or other laws and the relevant Ordinary Shares shall

vest and/or be Released as soon as reasonably practicable following the first date on which the vesting and/or Release would not be in such contravention.

#### *Dividends*

On the Release of an Award and to the extent that the Award has vested, an amount, calculated as the gross dividends paid on a Share during the performance period multiplied by the number of Ordinary Shares that the Committee has determined shall vest, shall be transferred to the Participant in the form of either cash or Ordinary Shares at the discretion of the Committee.

#### *Lapse of Awards*

Awards other than Jointly Owned Share Awards will lapse without notice on the earliest of the following:

- in the case of an Unapproved Option only, on the expiry of the period of seven years following the final vesting date;
- following the determination of the Committee that the performance condition has not been satisfied at the final vesting date, the date of such determination;
- where relevant, the date the Participant ceases to be an Eligible Employee before the vesting of an Award otherwise than where an Award may be retained after any cessation of employment;
- the expiry of the applicable periods following the cessation of employment before Release or a change in control or liquidation on which an Award lapses;
- subject as provided in relation to a change in control or liquidation, the commencement of the winding-up of the Company; or
- a bankruptcy order (or overseas equivalent) being made in respect of the Participant.

The Trustee will become entitled, pursuant to the Joint Ownership Agreement, to acquire the Participant's interest in the Award, to the extent it has not vested, on the earliest of the following:

- following the determination of the Committee that the performance condition has not been satisfied at the final vesting date, the date of such determination;
- where relevant, the date the Participant ceased to be an Eligible Employee before the vesting of an Award otherwise than where an Award may be retained after any cessation of employment; and
- a bankruptcy order being made in respect of the Participant between the date of Award and the vesting date.

#### *Cessation of employment before Release*

If a Participant ceases to be an Eligible Employee before the vesting of an Award by reason of:

- injury, ill health or disability;
- redundancy;
- retirement with the agreement of his employer;
- the company by which he is for the time being employed ceasing to be controlled by the Company or a sale by such company of its assets and undertaking; or
- any other reason as determined by the Committee in its absolute discretion;

then, subject to the provisions referred to below, his Award shall not lapse by reason of such cessation but shall vest as if there had been no cessation of employment.

Where a Participant ceases to be an Eligible Employee before the vesting of his Award, the Committee shall have absolute discretion, such discretion to be exercised within three months of cessation of employment, to determine:

- that the relevant performance period will end on the date of cessation of employment or such later date as the Committee shall determine. In the case of an Unapproved Option only, any vested Unapproved Option may be exercised within a period of 12 months after such cessation; and
- that the number of Ordinary Shares to vest (if any) shall be reduced in accordance with the following formula:

$$X = \frac{A}{B} \times C$$

Where:

X = the number of Ordinary Shares (if any) to vest rounded down to the nearest whole number

A = the number of days between the first day of the performance period and the day on which the Participant ceases to be an Eligible Employee or such later date as the Committee in its discretion shall determine (both days inclusive)

B = the number of days in the performance period

C = the number of Ordinary Shares that would have vested had such Participant not ceased to be an Eligible Employee.

If a Participant dies before the vesting of an Award the relevant performance period will end on the date of death. In the case of an Unapproved Option only, any vested Unapproved Option may be exercised by the personal representatives of the Participant during the period of twelve months following the date of death.

The Committee shall have absolute discretion, such discretion to be exercised within 12 months of cessation of employment, to determine the terms on which an Award does not lapse.

#### *Change in control and liquidation*

If a general offer is made to acquire the whole or part of the issued ordinary share capital of the Company as a result of which the offeror gains control of the Company the relevant performance period relating to any Award will end on the date on which control of the Company passes. Awards will lapse at the end of the period of 6 months following such date.

If a person becomes bound or entitled to acquire Ordinary Shares under sections 974 to 991 of the 2006 Act, the relevant performance period relating to any Award will end on the date on which such person becomes so bound or entitled. Awards will lapse when that person ceases to be so bound or entitled.

If the court sanctions a compromise or arrangement under sections 895 to 901 of the 2006 Act proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies the relevant performance period relating to any Award will end on the date on which the compromise or arrangement is sanctioned by the court. Awards will lapse at the end of the period of 6 months following such date.

If the Ordinary Shares have ceased to be listed on AIM at the date an Award is Released, the Award may be satisfied in such manner as the Committee thinks fit.

In the event of a resolution being passed by the Company for the voluntary winding up of the Company (except for the purposes of a reconstruction or amalgamation sanctioned by the court), the relevant performance period relating to any Award will end on the date such resolution is passed. Awards will lapse at the end of the period of 6 months following such date.

In the event of the Committee becoming aware that the Company is or is expected to be affected by any demerger, dividend in specie, super or special dividend or other transaction which, in the opinion of the Committee, would affect the current or future value of any Award, the relevant performance period relating to any Award will end on a date determined by the Committee. The Committee will specify whether and when such Awards will lapse following such events.

If any of the events described in this section on change of control and liquidation happens, the Committee in its discretion may require that the number of Ordinary Shares to vest (if any) shall be reduced in accordance with the following formula:

$$X = \frac{A}{B} \times C$$

Where:

X = the number of Ordinary Shares (if any) to vest rounded down to the nearest whole number

A = the number of days between the first day of the performance period and the date determined by the Committee to be the end of the performance period (both days inclusive)

B = the number of days in the performance period

C = the number of Ordinary Shares that would have vested had the relevant events not happened.

The Committee may, in its absolute discretion, decide not to pro rate an Award if it regards it as inappropriate to do so in the particular circumstances.

If any of the events described in this section on change of control and liquidation happens, the Committee in its discretion may waive any performance condition if it regards it as appropriate to do so in the particular circumstances.

If any of the events described in this section on change of control and liquidation happens, the Committee in its discretion may require any Participant to relinquish his rights under his Award (the "Old Award") in consideration of the award to him of new rights over shares in a different company ("the" Replacement Award").

#### *Adjustment of awards*

Upon the occurrence of any capitalisation issue or rights issue or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, sub-division or reduction of capital of the Company or any other event affecting the share capital of the Company or a demerger of the Company (an "Issue or Reorganisation") the number and/or nominal value of Ordinary Shares comprised in each Award may be adjusted in such manner as the Committee (with the written concurrence of the Company's auditors (acting as experts and not as arbitrators) that in their opinion the adjustments proposed are fair and reasonable) may deem appropriate.

### *Administration*

The Committee shall have power from time to time to make and vary such regulations (not being inconsistent with the rules of the LTIP) for the implementation and administration of the LTIP as it thinks fit.

The decision of the Committee in any dispute or question concerning the construction or effect of the LTIP or any other questions arising in connection with the LTIP shall be final and conclusive subject to the concurrence of the auditors whenever required under the rules of the LTIP.

### *Amendments to the rules of the LTIP*

Subject as referred to below, the rules of the LTIP may be amended by resolution of the Committee from time to time in any manner provided that no amendments shall be made to:

- the class of Eligible Employees;
- the terms upon which Ordinary Shares may be transferred to a Participant under an Award;
- the adjustment of Awards in the event of an Issue or Reorganisation;

which are to the advantage of Participants (present or future) without the previous sanction of the Company in general meeting.

The Committee may make any minor amendments without the approval of the Company in general meeting to:

- benefit the administration of the LTIP;
- comply with or take account of a change in legislation; or
- obtain or maintain favourable tax, exchange control or regulatory treatment of any Participant or member of the Group;

provided that no amendment shall be made which is to the disadvantage of, or places an obligation on, the Trustee without the prior written consent of the Trustee to such amendment.

## **9. PROPERTY, PLANT AND EQUIPMENT**

- 9.1 Revolymer UK is a tenant of the premises at One Newtech Square, Deeside Industrial Park, Deeside, Flintshire CH5 2NT for a term of approximately five years from and including 21 July 2011 to 20 July 2016. The current rent per annum is £85,000 with Revolymer UK paying half rent until 21 July 2012.
- 9.2 Revolymer UK is the tenant of the premises at 2 Cherry Orchard, off Smithfield Drive, Holt, Wrexham LL13 9AH for a term of approximately one year from and including 9 March 2012 to 8 March 2013. The current rent per annum is £11,700 (£975 per month). Revolymer UK provides these premises rent free to Roger Pettman as accommodation pursuant to the terms of his service agreement referred to in paragraph 5.1 of this Part VI.
- 9.3 Revolymer (U.S.) Inc. is the tenant of the premises at Building II, South Park Office, Warehouse and Industrial Complex McEwen Road, Dayton, Ohio, USA (known as 977 Senate Drive, Dayton, Ohio 45459, USA) for a term of approximately three years from 1 December 2010. The commencing rent was \$15,600 per annum which is to increase by 3 per cent. in the second and third years of the term.
- 9.4 There are no environment issues that may affect the Company's utilisation of its tangible fixed assets.

## 10. SUBSIDIARIES

10.1 The Company is the holding company of a group of companies whose principal activities are to develop, market and supply fast moving consumer goods.

10.2 The Company's significant subsidiaries and associated undertakings are:

<i>Company name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion of capital held (ordinary shares)</i>	<i>Proportion of voting power held</i>
Revolmer (U.K.) Limited	England	Develop, market and supply fast moving consumer goods	100%	100%
Revolmer (U.S.) Inc.	State of Delaware U.S.A	Sale of consumer goods in the USA	100%	100%

All the above subsidiaries and associated undertakings operate in their country of incorporation.

## 11. LITIGATION

Neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings and, so far as the Directors are aware, there are no governmental, legal or arbitration proceedings, pending or threatened against them or being brought by the Company or any of its subsidiaries, during the previous 12 months, which may have, or had in the recent past, a significant effect on the financial position or profitability of the Company.

## 12. EMPLOYEES

12.1 The Group employed on average 33 people during the financial year ended 31 December 2009, 37 people during the financial year ended 31 December 2010 and 36 people during the financial year ended 31 December 2011.

12.2 As at 31 December 2011, the Group had 36 employees as follows:

<i>Activity</i>	<i>Number of Employees</i>	<i>Territory</i>
Senior management	4	3-UK, 1-US
Sales and marketing	6	3-UK, 3-US
Research and development	24	UK
Finance and administration	2	UK

12.3 As at 4 July 2012, the Group had 34 employees.

## 13. WORKING CAPITAL

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Company and the members of its Group will, from Admission, be sufficient for their present requirements, that is for at least the next twelve months.

## 14. SIGNIFICANT CHANGE IN FINANCIAL OR TRADING POSITION

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2011, the date to which the latest audited consolidated accounts of Revolmer UK were prepared.



## 15. UNITED KINGDOM TAXATION

### 15.1 *Introduction*

The following paragraphs are intended as a general guide based on current legislation and HMRC practice as at the date of this document regarding the UK tax position of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account (“ISA”)).

**The following paragraphs do not constitute tax advice. In particular, Shareholders who receive shares in connection with an employment contract with the Company or as an office holder, should seek specific advice on their tax position. Any Shareholder who is in doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.**

### 15.2 *Income tax*

#### *Taxation of dividends*

Under current UK taxation legislation, no tax is withheld at source from dividend payments made by the Company.

An individual Shareholder who is resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will currently be entitled to receive a tax credit equal to 1/9th of the cash dividend. The individual will be taxable upon the total of the dividend and the related tax credit (the “gross dividend”) which will be regarded as the top slice of the individual’s income. An individual Shareholder who is not liable to income tax at a rate greater than the basic rate (currently 20 per cent.) will pay tax on the gross dividend at the dividend ordinary rate (currently 10 per cent.). Accordingly, the tax credit will be treated as satisfying the individual’s liability to income tax in respect of the dividend and there will be no further tax to pay. It should be noted however that there is no right to claim any repayment of the tax credit from HMRC.

To the extent that the gross dividend (taken together with other taxable income) exceeds the individual’s threshold for the higher rate of income tax the individual will, to that extent, pay tax on the gross dividend at the dividend upper rate (currently 32.5 per cent.). A UK resident individual Shareholder who is liable to tax at the new “additional” rate will be liable to tax on the gross dividend at the rate of 42.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate tax payer will have further income tax to pay at the rate of 22.5 per cent. on the gross dividend (equivalent to 25 per cent. of the dividend received). An additional rate taxpayer will have further income tax to pay at the rate of 32.5 per cent. on the gross dividend (equivalent to 36.11 per cent. of the dividend received). Tax credits are not repayable to Shareholders with no income tax liability or whose liability to income tax does not exceed the amount of tax credit.

Subject to exceptions for certain insurance companies and companies which hold shares as trading stock, a Shareholder which is a company resident (for tax purposes) in the United Kingdom and which receives a dividend paid by the Company will not in most circumstances be liable to corporation tax or income tax on the dividend.

Trustees of discretionary trusts are liable to account for income tax at the dividend trust rate, currently 42.5 per cent. of the gross dividend (equivalent to 36.11 per cent. of the dividend received).

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but are not entitled to claim repayment of the tax credit.

Shareholders who are resident in countries other than the UK may be entitled to repayment of all or a proportion of the tax credit in respect of the dividends paid to them. This will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is

resident and the United Kingdom. In addition, a Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders not resident in the UK should consult their own tax adviser on the application of such provisions and the procedure for claiming relief.

### **15.3 Taxation on capital gains for Shareholders**

To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will generally constitute the base cost of a Shareholder's holding.

A disposal or deemed disposal of Ordinary Shares by a UK resident Shareholder may give rise to a chargeable gain (or allowable loss) for the purposes of UK capital gains tax ("CGT") (where the Shareholder is an individual or a trustee of a settlement) or UK corporation tax on chargeable gains (where the Shareholder is within the charge to UK corporation tax), depending on their circumstances and subject to any available exemption or relief.

As regards an individual Shareholder or trustees of settlements, the principal factors that will determine the extent to which a gain will be subject to CGT are (i) the extent to which he realises any other capital gains in the tax year of assessment in which the gain arises, (ii) the extent to which he was incurred capital losses in that or any earlier tax year or assessment and (iii) the level of annual allowance of tax-free gains in the tax year of assessment in which the disposal takes place.

Subject to the availability of any such exemptions, reliefs and/or allowable losses, a disposal of Ordinary Shares by UK resident (or ordinarily resident) individuals, trustees and personal representatives will generally be subject to CGT at the rate of 28 per cent. Individuals whose taxable income for the year in question is less than the upper limit of the basic rate income tax band are subject to CGT at the rate of 18 per cent., except to the extent that the aggregate of their total taxable income and gains (less allowable deductions) in that year exceeds the upper limit of the basic rate income tax band. Any such excess over the upper limit is subject to CGT at the rate of 28 per cent.

Subject to the availability of any exemptions, reliefs and/or allowable losses, a disposal of Ordinary Shares by companies subject to UK corporation tax will generally be subject to UK corporation tax at the prevailing rate of up to 24 per cent. Indexation allowance may be available to reduce any chargeable gain arising on such disposal but cannot act to create or increase a chargeable loss.

### **15.4 Stamp duty and stamp duty reserve tax ("SDRT")**

Dealings in Ordinary Shares will normally be subject to stamp duty or SDRT. The transfer on sale of Ordinary Shares will usually be liable to *ad valorem* stamp duty, at the rate of 0.5 per cent. (rounded up, if necessary, to the next multiple of 0.5) of the amount or value of the consideration paid. Stamp duty will normally be paid by the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of

0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not give rise to stamp duty or SDRT.

## **16. MANDATORY BIDS, SQUEEZE-OUT AND SELL OUT RULES**

### **16.1 *Mandatory bid***

The City Code on Takeovers and Mergers applies to the Company. Under that code, if an acquisition of Ordinary Share were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

### **16.2 *Squeeze-out rules***

Under the 2006 Act, if a person who has made a general offer to acquire Ordinary Shares (the “offeror”) were to acquire, or contract to acquire, 90 per cent. of the Ordinary Shares which are the subject of such offer within four months of making its offer, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that the offeror will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror’s favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the general offer.

### **16.3 *Sell-out rules***

16.3.1 The 2006 Act gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 16.1 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s Ordinary Shares.

16.3.2 The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months

after the end of the acceptance period. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

## 17. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years immediately preceding the date of this document or which are expected to be entered into shortly after Admission and which are, or may be, material in the context of the Group:

- 17.1 the Placing Agreement dated 4 July 2012 and made between (1) the Company, (2) the Directors and the Proposed Director and (3) Panmure Gordon whereby, subject to the conditions stated below, Panmure Gordon, as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares.

The Placing (other than the EIS Placing and the VCT Placing) is conditional, *inter alia*, upon Admission taking place on or before 8.00 a.m. on 10 July 2012 or such later date as Panmure and the Company may agree but in any event no later than 31 August 2012. The EIS Placing and the VCT Placing are conditional upon the Directors delivering a certificate to Panmure Gordon confirming that they expect Admission to occur at 8.00 a.m. on the following day and the Placing Agreement otherwise becoming unconditional, save for conditions relating to Admission. Such conditions having been satisfied, the EIS Placing Shares and the VCT Placing Shares will be issued to investors on the Business Day prior to Admission.

Subject to the terms and conditions of the Placing Agreement, the Company will pay to Panmure a corporate finance fee of £200,000, a commission of 5 per cent. of the aggregate proceeds from the issue of Placing Shares to new Shareholders, a commission of 1 per cent. of the aggregate proceeds from the issue of Placing Shares to existing Shareholders and warrants to subscribe for 250,000 Ordinary Shares. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to Placing, including printing and distribution charges, registrars' fees and the fees payable to the London Stock Exchange.

The Placing Agreement contains certain customary warranties given by the Company, the Directors and the Proposed Director in favour of Panmure as to, *inter alia*, the accuracy of the information contained in this document and a customary indemnity from the Company in favour of Panmure.

Panmure may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it, where any event or omission relating to the Company is, or will be, in the opinion of Panmure, materially prejudicial to the successful outcome of the Placing, or where any change in financial, monetary, economic, political or market conditions is, or will be, in the opinion of Panmure, materially prejudicial to the successful outcome of the Placing;

- 17.2 the Lock-in Agreement dated 4 July 2012 and made between (1) the Company (2) Panmure Gordon and (3) each of the Directors, pursuant to which the latter have agreed conditional on Admission not, directly or indirectly, to transfer, sell, mortgage, charge, assign, grant options or other rights over or otherwise dispose of, or enter into any agreement to do the same, directly or indirectly, any part of their interests in any Ordinary Shares (and any Ordinary Shares which are issued to them on the exercise of any options over Ordinary Shares) held at Admission for the period of 12 months from Admission, subject to certain customary exceptions

Furthermore, each of the Directors has undertaken that, for a further 12 month period, any such disposals of such Ordinary Shares are to be conducted through Panmure Gordon in accordance with its requirements for an orderly market, subject to certain customary exceptions;

- 17.3 the Lock-in Agreements dated 4 July 2012 and made between (1) the Company (2) Panmure Gordon and (3) certain institutional shareholders, pursuant to which the latter have agreed conditional on Admission not, directly or indirectly, to transfer, sell, mortgage, charge, assign, grant options or other rights over or otherwise dispose of, or enter into any agreement to do the same, directly or indirectly, any part of their interests in any Ordinary Shares at Admission for the period of 12 months from Admission, subject to certain customary exceptions.

Furthermore, each of the parties has undertaken that, for a further 12 month period, any such disposals of such Ordinary Shares are to be conducted through Panmure Gordon in accordance with its requirements for an orderly market, subject to certain customary exceptions;

- 17.4 the Orderly Market Agreements dated 4 July 2012 and made between (1) the Company (2) Panmure Gordon and (3) each of the Senior Managers, pursuant to which the latter have undertaken conditional on Admission that, for the period of 12 months from Admission, subject to certain customary exceptions, any disposals of Ordinary Shares (and any Ordinary Shares which are issued to them on the exercise of any options over Ordinary Shares) held at Admission are to be conducted through Panmure Gordon in accordance with its requirements for an orderly market;

- 17.5 the share for share exchange agreements dated 2 July 2012 and made between (1) the Company and (2) certain of the former shareholders of Revolymer UK (the "Transferors") in terms of which the Transferors agreed to transfer their shares in Revolymer UK to the Company in consideration for the allotment and issue to each of the Transferors of ordinary shares of 1p each and A ordinary shares of 1p each in the capital of the Company. The Transferors were each allotted and issued 30 ordinary shares of 1p each for every 1 ordinary share of 0.008p which they held in Revolymer UK and 30 A ordinary shares of 1p each for every 1 A ordinary share of 0.008p which they held in Revolymer UK with effect from 2 July 2012;

- 17.6 a nominated adviser and broker engagement letter dated 28 June 2012 and made between (1) the Company and (2) Panmure Gordon pursuant to which the Company has appointed Panmure Gordon to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Panmure Gordon an annual fee of £60,000 for its services as nominated adviser and broker under the agreement along with certain out of pocket expenses. The agreement contains certain undertakings and indemnities given by the Company to Panmure Gordon. The agreement is terminable upon not less than 7 days' prior written notice by either the Company or Panmure Gordon;

- 17.7 the Placing Warrant Instrument constituted by the Company on 4 July 2012, pursuant to which the Company will issue Placing Warrants to Panmure Gordon over 250,000 Ordinary Shares in accordance with the terms of the Placing Agreement. The Placing Warrants are exercisable in whole or in part at any time up to and including 9 July 2014 at an exercise price equal to the Placing Price. The Placing Warrants are not transferable save in certain limited circumstances. The Placing Warrant Instrument contains undertakings from the Company to the holder of the Placing Warrants regarding the Placing Warrants and the Ordinary Shares to be allotted pursuant to the Placing Warrant Instrument; and

- 17.8 a letter agreement dated 27 January 2011 executed between XCAP Securities Plc ("XCAP") and Revolymer UK pursuant to which Revolymer UK appointed XCAP to act as financial adviser in relation to a private placement that raised gross proceeds of £5.8m in May 2011 (the "Private Placement"). Under the letter agreement, in addition to the payment of advisory fees and commissions to XCAP, Revolymer UK agreed to grant XCAP warrants amounting to 5 per cent.



of the gross funds raised, exercisable at the Private Placement price in the five years following its completion, but not before Admission. The letter agreement also stated that the warrants would be the subject of a separate agreement to be executed in due course, but including an orderly market obligation post Admission. Whilst such warrant instrument has not yet been executed and the letter agreement was terminated by Revolymer UK on 24 February 2012, the Directors have agreed with XCAP that such an instrument will be executed by the Company (instead of Revolymer UK) after Admission over 316,290 Ordinary Shares exercisable at 92 pence until May 2016. The letter agreement also provided for a fee of £100,000 to be payable to XCAP should Admission occur within 18 months of its termination. XCAP has agreed to waive its right to this payment in return for a one-time payment of £50,000 which has already been settled between the parties.

## **18. RELATED PARTY TRANSACTIONS**

Save for the related party transactions referred to in note 24 to the financial information on Revolymer UK in Section D of Part V of this document on pages 126 and 127, during the period of two years immediately preceding the date of this document, none of the members of the Group have entered into any related party transactions.

## **19. OTHER INFORMATION**

- 19.1 The registrars of the Company are Capita Registrars Limited, of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 19.2 The auditors of the Company are Ernst & Young LLP, of 100 Barbirolli Square, Manchester M2 3EY. Ernst & Young LLP has audited the Company's accounts for the three years ended 31 December 2011. Ernst & Young LLP reports on such accounts were unqualified and did not contain a statement under subsections 237(2) or (3) of the 2006 Act.
- 19.3 The Company's accounting reference date is 31 December.
- 19.4 Panmure Gordon has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 19.5 Ernst & Young LLP, whose address appears on page 4 of this document, has given and not withdrawn its written consent to the inclusion of its reports in Part V of this document and the references thereto and its name in the form and context in which they are included in this document. Ernst & Young LLP has no material interest in the Company.
- 19.6 D Young & Co LLP, whose address appears on page 4 of this document, has given and not withdrawn its written consent to the inclusion of the Patent Agent's Report in Part IV of this document and the references thereto and its name in the form and context in which they are included in this document. D Young & Co LLP has no material interest in the Company.
- 19.7 Cambridge Consultants Limited, whose address appears on page 4 of this document, has given and not withdrawn its written consent to the inclusion of the Expert's Report in Part III of this document and the references thereto and its name in the form and context in which they are included in this document. Cambridge Consultants has no material interest in the Company.
- 19.8 The promoters of the Company are its Directors, whose names and addresses are set out on page 4 of this document.
- 19.9 Except as described in this document, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, directly or indirectly, from the Company within the 12 months preceding the date of this document, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:



- 19.9.1 fees, totalling £10,000 or more;
- 19.9.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- 19.9.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 19.10 The costs and expenses of, and incidental to, the Placing and Admission are payable by the Company and are estimated to amount to £1.8 million (excluding Value Added Tax).
- 19.11 The Ordinary Shares are in registered form and, following Admission, will be capable of being held in uncertificated form. Settlement of the Placing will, at the option of Placees, be within CREST and Ordinary Shares will be delivered into the CREST account of Placees on 9 July 2012 in respect of the EIS Placing Shares and VCT Placing Shares and on 10 July 2012 in respect of all other Placing Shares. No temporary documents of title will be issued. Definitive share certificates for Placees not settling through CREST will be despatched by 17 July 2012. Prior to the despatch of such certificates, transfers will be certified against the register of members of the Company.
- 19.12 Save as disclosed in this document, no exceptional factors have influenced the Company's activities.
- 19.13 Panmure Gordon is arranging for the Placing Shares to be placed with institutional and other investors. The arrangements for the payment for the Placing Shares to Panmure Gordon and during the period prior to completion of the Placing relating to monies received by Panmure Gordon from such investors are set out in the placing letters sent to such investors.
- 19.14 Panmure Gordon is registered in England and Wales as a private limited company under the Companies Act 1985 with number 04915201 and is a member of the London Stock Exchange and is authorised and regulated by the Financial Securities Authority. Its registered office is at Moorgate Hall, 155 Moorgate, London EC2M 6XB.
- 19.15 The Placing Price of 100p per Ordinary Share represents a premium of 99p over the nominal value of 1p per Ordinary Share.
- 19.16 Save as disclosed in this document, the Company has no significant investments in progress and there are none to be made in the future in respect of which firm commitments have been made.
- 19.17 The Directors are not aware of any significant recent trends in production, sales and inventory and costs and selling prices between 31 December 2011, being the end of its last financial year and the date of this document. There are no known uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.
- 19.18 The unaudited financial information relating to the Company referred to in paragraph 14 of Part I of this document does not comprise statutory accounts of the Company for the purposes of section 240 of the 2006 Act.
- 19.19 Save as set out in Parts I, III and IV of this document, the business of the Group does not rely on any key patents, licences, industrial, commercial or financial contracts or new manufacturing processes which are, or are expected to become, material to its business or profitability.
- 19.20 There are no restrictions on the free transferability of the securities.
- 19.21 There are no arrangements, known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 19.22 No public takeover bids by third parties in respect of the Company's equity, have occurred during the last and current financial year.

## **20. AVAILABILITY OF THIS DOCUMENT**

Copies of this document are available free of charge to the public during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the offices of Panmure Gordon referred to above and shall remain available for at least one month after Admission. Copies of this document will also be available for download at the Company's website at [www.revolymmer.com](http://www.revolymmer.com).

Dated: 4 July 2012

