Oxonica Limited Annual Report and Accounts 2011

Oxonica

Oxonica Limited

Directors’ report and financial statements

Registered number 5363273

31 December 2011

Company information

Company registration number	5363273
Registered office	Squires, Sanders and Dempsey (UK) LLP Rutland House 148 Edmund Street Birmingham B3 2JR
Directors	Mr R Farleigh Mr G Shaw
Secretary	Mr S Parker
Bankers	HSBC Bank Plc Midland House Seacourt West Way Botley Oxon OX2 0PL
Solicitors	Squires, Sanders and Dempsey (UK) LLP 7 Devonshire Square Cutlers Gardens London EC2M 4YH
Auditors	Rouse Audit LLP 55 Station Road Beaconsfield Bucks HP9 1QL

Directors Report

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

Principal activities

Oxonica Limited Group ("the Group") is an advanced materials business whose principal activity during the year was the licencing of patents related to nanomaterials. Such agreements exist with Croda Europe Ltd in the UK and BD in the USA . The Group is headquartered in Haddenham, Bucks., UK. The principal activity of the Company is that of a holding company.

Review of the business

Group turnover for the year was £0.39 million (2010: £4.23 million). Excluding discontinued operations, turnover was £0.39 million, an increase of 129.4% over the previous year reported turnover (2010: £0.17 million). Gross profit reduced to £0.05 million (2010: £4.13 million). After a reduction in expenses to £0.28 million (2010: £4.61 million) the operating loss was £0.16 million (2010: £0.36 million). After financial income/expenses and taxation, the loss for the year was £0.15 million (2010: £0.76 million).

Cash and cash equivalents reduced to £0.81 million at the year-end (2010: £1.64 million) due primarily to the return of capital payments to shareholders of 1p per share totalling £0.66 million.

Key events

During March 2011 following 2 EGM's (14th January 2011 and 23rd February 2011) the Company distributed 1p per share to shareholders in the form of a return of capital payment. The payment totalled £655,559.

Post balance sheet events

On 17 April 2012 the Company distributed 0.9p per share to shareholders in the form of a return of capital payment. The payment totalled £590,039.

The key performance indicators for the Group during 2011 are shown below:

	2011	2010
Turnover	£389,000	£4,231,000
Gross Profit	£51,000	£4,133,000
Gross Profit as % of Turnover	13.1%	97.7%
Loss before interest (EBIT)	(£157,000)	(£359,000)
EBIT as % of Turnover	(40.4%)	(8.5%)

Risks and uncertainties

The key business risks are set out below:

The current adverse economic conditions are likely to impact the Group's business, particularly if they are prolonged, resulting in a slower rate of adoption of the Group's products by licensees and greater pressure on their end-user pricing and margins.

Potential receipt of royalties from the agreement with BD will depend on a lengthy period of product development, trial and evaluation. Delays in the development cycle or in product adoption or acceptance by customers could materially affect the Group's future operating results or financial condition. The Group has no control over any such delays.

The Group may receive revenue and incur costs in foreign currency which may affect the Group's competitiveness and/or profitability should there be an exchange rate movement.

Claims by others that the Group infringes on their intellectual property rights could be costly to defend and could harm the Group's business and licensing arrangements.

The Group has significant contractual agreements with third parties which are subject to interpretation and disputes may arise resulting in legal costs and an inability to enforce all its rights. There is no guarantee that the Group will be able to enforce all its rights under its agreements or arrangements with third parties and disputes may result.

The Group's strategy has been formulated in the light of the current regulatory and legal environment. However, due to the early nature of this industry the regulatory and legal environment may change both rapidly and significantly in the near term. Any such changes to, or increases in, regulation or legal requirements may have a material adverse effect on the Group

Taxation
The Group had did not have a tax charge in the year (2010: £3,000) The Group has substantial tax losses available in the UK for carry forward against future profits.

Currency
The Group has both translational and transactional currency exposures. Translational exposures arise on the translation of overseas results into sterling. Transactional exposures arise where the currency of sale or purchase invoices differs from the functional currency in which each Group company prepares its local accounts. The transactional exposures include situations where foreign currency denominated trade debtor, trade creditor and cash balances are held. The largest transactional and translational exposures are to the US dollar. Translational currency exposures are not hedged. However, transactional currency exposures will be hedged to the extent that they become sufficiently material.

Accounting standards and policies
This annual report complies with all Adopted IFRSs applicable to the financial statements at 31 December 2011. Oxonica's accounting policies are set out on pages 11 to 14 and are consistent with previous years.

Future developments
All future revenues will be generated solely from royalties and will depend on the agreements with Croda and with BD. Pending receipt of such royalties, it remains the Board's objective to achieve a cash position which supports a sustainable, relatively low-risk business model.

Proposed dividend
The directors do not recommend the payment of a dividend for the year under review. (2010: £nil).

Directors
The directors in office during the year are listed below. Their beneficial interests in the Group's issued ordinary share capital are listed in Note 21 to the financial statements.

Richard Farleigh
B Comm (age 51)
Non-executive Chairman
Richard worked at Australia's central bank and then pursued a career in finance, including designing derivatives, proprietary trading and hedge fund management. He then established himself as an investor in early stage businesses in emerging technologies and markets and was a founder investor in Oxonica when it was spun-out from the University of Oxford in 1999. Other companies in which he has invested include Wolfson Microelectronics plc, Arc International plc, Cmed Group Ltd, Celoxica Holdings plc, Radiation Watch Ltd, Net-A-Porter Ltd, Green Chemicals plc, Spectral Fusion Technologies plc and ClearSpeed Technology plc. Richard is non-executive chairman of Spectral Fusion Technologies plc and ClearSpeed Technology plc. He has also served as a panellist on BBC 2's popular business show, Dragon's Den.

Graham Shaw
BA Hons London (age 62)
Chief Executive
Graham joined Oxonica in September 2010 to assume the role of Chief Executive. Graham is a director of Signum Technologies Ltd. and part-time Chief Executive of the DIPEx charity. Graham has held senior positions in technology companies over the last 20 years, including Crosfield Electronics Ltd. and SoftPress, and has particular expertise in the management and commercial exploitation of intellectual

property through Group sales and licensing agreements. Graham is a graduate of London University with postgraduate qualifications in international marketing.

Charitable Donations
During the year, the Group made no political or charitable donations (2010: £nil).

Creditor Days
During the year, creditor days averaged 2 days (2010: 33 days)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the directors are required to:
• select suitable accounting policies and then apply them consistently;
• make judgments and estimates that are reasonable and prudent;
• state whether they have been prepared accordance with IFRSs as adopted by the EU; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board.

Graham Shaw
Chief Executive Officer

18 July 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OXONICA LIMITED

We have audited the Group and Parent Company financial statements of Oxonica Limited for the year ended 31 December 2011 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF OXONICA LIMITED

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Rouse Audit LLP

1 August 2012

Bindi Palmer, Senior Statutory Auditor
For and on behalf of Rouse Audit LLP

Chartered Accountants
Statutory Auditor

55 Station Road
Beaconsfield
Bucks
HP9 1QL

Statement of Comprehensive Income
for the year ended 31 December 2011

		2011				2010			
		Before intangible amortisation and exceptional items	**Intangible amortisation and exceptional items (Note 3)**	**Discontinued Operations**	**Total**	Before intangible amortisation and exceptional items Restated	Intangible amortisation and exceptional items (Note 3) Restated	Discontinued Operations Restated	Total Restated
	Note	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue from	1,2								
Continued Operations		**389**	**-**	**-**	**389**	165	-	-	165
Discontinued Operations		**-**	**-**	**-**	**-**	-	-	4,066	4,066
Cost of sales		**(338)**	**-**	**-**	**(338)**	(98)	-	-	(98)
Gross profit		**51**	**-**	**-**	**51**	67	-	4,066	4,133
Other operating income	3	**(3)**	**-**	**-**	**(3)**	14	-	106	120
Administration Expense - Research and development		**(11)**	**-**	**-**	**(11)**	(45)	-	(391)	(436)
Administration Expense - Sales, marketing and other		**(141)**	**-**	**(53)**	**(194)**	(459)	-	(1,051)	(1,510)
Gain on sale of discontinued operations	4	**-**	**-**	**-**	**-**	2,082	-	-	2,082
Impairment Charges	4	**-**	**-**	**-**	**-**	-	(4,748)	-	(4,748)
Operating loss		**(104)**	**-**	**(53)**	**(157)**	1,659	(4,748)	2,730	(359)
Financial income	5	**6**	**-**	**-**	**6**	1	-	1	2
Financial expense	5	**-**	**-**	**-**	**-**	(400)	-	-	(400)
Net financial income		**(6)**	**-**	**-**	**(6)**	(399)	-	1	(398)
Loss before tax		**(98)**	**-**	**(53)**	**(151)**	1,260	(4,748)	2,731	(757)
Taxation	8	**-**	**-**	**-**	**-**	-	-	(3)	(3)
Loss for the year attributable to equity holders of the parent	18	**(98)**	**-**	**(53)**	**(151)**	1,260	(4,748)	2,728	(760)
Basic and diluted loss per share	19				**(0.2)p**				(1.2)p

Other Comprehensive Income

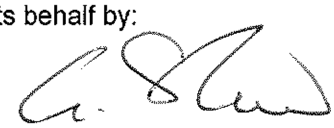
	2011 Group £'000	2011 Company £'000	2010 Group £'000	2010 Company £'000
Exchange differences on translation of foreign operations	-	-	(39)	-
	-	**-**	(39)	-
Loss for the year	**(151)**	**(207)**	(760)	(4,973)
Total comprehensive income for the year attributable to equity holders of the parent	**(151)**	**(207)**	(799)	(4,973)

Statement of Financial Position
at 31 December 2011

	Note	2011 Group £'000	2011 Company £'000	2010 Group £'000	2010 Company £'000
ASSETS					
Non current assets					
Property, plant and equipment	*11*	2	-	7	-
Total non current assets		2	-	7	-
Current assets					
Trade and other receivables	*12*	9	1	160	134
Cash and cash equivalents		801	565	1,641	1,425
Total current assets		810	566	1,801	1,559
TOTAL ASSETS		812	566	1,808	1,559
EQUITY					
Issued share capital	*16*	656	656	656	656
Share premium	*18*	5,094	5,094	26,310	26,310
Exchange reserve	*18*	(225)	-	(225)	-
Other reserves	*18*	9,953	-	9,953	-
Retained earnings	*18*	(15,421)	(5,184)	(35,830)	(25,537)
Total equity attributable to the shareholders of the parent	*18*	57	566	864	1,429
LIABILITIES					
Current liabilities					
Trade and other payables	*13*	755	-	944	130
Total current liabilities		755	-	944	130
Total liabilities		755	-	944	130
TOTAL EQUITY AND LIABILITIES		812	566	1,808	1,559

Company No: 05363273

These financial statements were approved by the Board of Directors on 18 July 2012 and were signed on its behalf by:



Mr G Shaw, Chief Executive Officer

Statement of Cash Flows
for the year ended 31 December 2011

	2011 Group £'000	2011 Company £'000	2010 Group Restated £'000	2010 Company £'000
Cash flows from continuing operations				
Loss before tax	**(98)**	**(207)**	1,260	(4,973)
Adjustments for:				
Depreciation, amortisation, impairment and loss on disposal	**7**	**-**	(2,271)	2,147
Equity settled share-based payment expenses	**-**	**-**	23	5
Financial income and expense	**(6)**	**(1)**	399	398
Operating cash flow before changes in working capital, interest and taxes	**(97)**	**(208)**	(589)	(2,423)
(Increase)/decrease in trade and other receivables	**129**	**132**	(25)	1,501
Increase/(decrease) in trade and other payables	**(186)**	**(129)**	(65)	116
Cash utilised in operations	**(154)**	**(205)**	(679)	(806)
Interest received	**6**	**1**	1	1
Interest paid			(400)	(399)
Net cash inflow (outflow) from operating activities	**(148)**	**(204)**	(1,078)	(1,204)
Cash flows from investing activities				
Capital expenditure	**-**	**-**	(2)	-
Disposal of Subsidiary	**-**	**-**	2,592	2,592
Net cash used in investing activities	**-**	**-**	2,590	2,592
Free cash flow	**(148)**	**(204)**	1,512	1,388
Cash flows from financing activities				
Repayment of Capital	**(656)**	**(656)**	-	-
New loans	**-**	**-**	200	200
Proceeds from the sale of fixed assets	**-**	**-**	1	-
Repayment of loans	**-**	**-**	(200)	(200)
Net cash from/(used in) financing activities	**(656)**	**(656)**	1	-
Net decrease in cash and cash equivalents	**(804)**	**(860)**	1,513	1,388
Cash and cash equivalents at 1 January	**1,605**	**1,425**	92	37
Cash and cash equivalents at 31 December	**801**	**565**	1,605	1,425

Statement of Cash Flows
for the year ended 31 December 2011

	2011 Group £'000	2011 Company £'000	2010 Group Restated £'000	2010 Company £'000
Cash flows from discontinued operations				
Loss before tax	**(53)**	**-**	(2,017)	-
Adjustments for:				
Depreciation, amortisation, impairment and loss on disposal		**-**	4,848	-
Foreign exchange (gains)			(39)	
Financial income and expense		**-**	(1)	-
Operating cash flow before changes in working capital, interest and taxes	**(53)**	**-**	2,791	-
Decrease in trade and other receivables	**20**	**-**	465	-
(Decrease) in trade and other payables	**(3)**	**-**	(3,529)	-
Cash utilised in operations	**(36)**	**-**	(273)	-
Interest received		**-**	1	-
Tax Paid		**-**	(3)	-
Net cash outflow from operating activities	**(36)**	**-**	(275)	-
Free cash flow	**(36)**	**-**	(275)	-
Net decrease in cash and cash equivalents	**36**	**-**	(275)	-
Cash and cash equivalents at 1 January	**-**	**-**	311	-
Cash and cash equivalents at 31 December	**-**	**-**	36	-

Notes to Consolidated Cash Flow Statement	**2010**
Sale of Oxonica Materials Inc.	**£**
Tangible Assets	390,468
Intangible Assets	174,766
Current Assets	428,319
Current Liabilities	(482,806)
Net Assets disposed of	**510,747**
Net gain on disposal	2,081,651
Net Sale proceeds after disposal costs	**2,592,398**
Less: Bank balances (net of borrowings)	(35,763)
Net Cash inflow on sale	**2,556,635**

On 28 July 2011 the Group completed the sale of its 100% interest in Oxonica Materials Inc.

Notes to the financial statements
(forming part of the financial statements)

1 Accounting policies

Oxonica Limited is a company domiciled in the UK. The consolidated financial statements as at, and for, the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group”). The Parent Company financial statements present information about the Company as a separate entity and not about its Group. Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In publishing the Parent Company financial statements here, together with Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes that form a part of these approved financial statements.

Measurement convention
The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and recoverable amount.

Going concern
The financial statements are prepared on a going concern basis which the directors believe to be appropriate. The Company and Group meets its day to day to working capital requirements through existing cash resources.

The directors have prepared projected cash flow forecasts for the period ending twelve months from the date of their approval of these financial statements. On the basis of these cash flow forecasts the directors consider that, for the foreseeable future, the Group will continue to operate within its existing resources and meet its obligations as they fall due.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and all Group subsidiaries. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company’s investments in shares in Group companies are stated at cost less provision for impairment. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Revenue
Revenue represents the total amount receivable by the Group for goods supplied and services provided, excluding value added tax and other sales-related taxes. Revenue from product sales is recognised when substantially all the risks and rewards have been transferred to the customer. Revenue received under assignment and license agreements is accounted for as deferred revenue and will be released to the Statement of Comprehensive Income on a straight line basis over the estimated life of the agreement.

As of October 2011 all revenue derived in the UK is from a third party royalty arrangement. This is calculated in arrears and is recognised on a quarterly basis.

Expenses

Net financing costs
Net financing costs comprise interest payable, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the Statement of Comprehensive Income.

Interest income and interest payable are recognised in the Statement of Comprehensive Income as they accrue, using the effective interest method.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations, and of related qualifying hedges are taken directly to the translation reserve. Such qualifying hedges consist of loans entered into to fund the net assets of foreign operations in the same currency. They are released into the Statement of Comprehensive Income upon disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Short leasehold improvements Over the period of the lease
- Plant, machinery and laboratory equipment 3 years
- Fixtures, fittings and computer equipment 4 years

Impairment excluding inventories and deferred tax assets
The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Trade and other receivables
Trade and other receivables are recorded at their fair value amount less an allowance for any doubtful debts.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short term deposits.

Trade and other payables
Trade and other payables are stated at their fair value.

Government grants
Grants that compensate the Group for expenses incurred are recognised in the Statement of Comprehensive Income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are deducted from the cost of the related asset. Depreciation is based on the net carrying amount of the asset. Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Intra-group financial instruments
Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments
A compound instrument was issued by the Group in the form of a secured loan with an option to purchase shares at a specified future date and price. The liability component of the compound instrument was recognised at the fair value of a similar liability that does not have the attached options. The equity component is recognised initially at the difference between the fair value of the compound instrument as a whole and the fair value of the liability component. Subsequent to recognition the liability component of a compound instrument is measured at amortised cost using the effective interest method. The equity component of the compound instrument is not remeasured subsequent to initial recognition. The unwinding of the discount on the liability component is accounted for as an interest expense.

Key sources of estimation uncertainty

The preparation of Oxonica's financial statements, in accordance with IAS 1, Presentation of Financial Statements, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of Oxonica's financial statements. Oxonica's estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Oxonica makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment reviews

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

(ii) Provisions for receivables

The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

2 Revenue

	2011	2010
	£'000	£'000
Product Sales	**337**	4,175
Licence Income	**52**	56
	389	4,231

3 Other operating income

	2011	2010
	£'000	£'000
Grant Income Received	**-**	115
Profit / (Loss) on Sale of Fixed Assets	**(3)**	(8)
Rental Income / Rent Rebate	**-**	9
Consultancy	**-**	2
Other	**-**	2
	(3)	120

4 Intangible amortisation and exceptional items

The following items have been described as "exceptional" as they are significant by size and/or nature and are expected to be non–recurring.

	2011	2010
	£'000	£'000
Impairment	**-**	**4,748**
Profit on Sale of Subsidiary (Oxonica Materials Inc.)	**-**	**(2,082)**
	-	**2,666**

Included in Administration expenses, Sales, Marketing and other for the year ended 31 December 2012 is an amount of £82,956 relating to a further profit on disposal arising due to the overstatement of the liabilities relating to taxation

	2011	2010
Sale of Subsidiary – Oxonica Materials Inc.		
Sale Proceeds	-	2,593
Less: Net assets at point of disposal	-	(511)
Profit on Disposal	-	2,082

5 Expenses and auditors' remuneration

	2011	2010
	£'000	£'000
Included in operating loss are the following:		
Auditors' remuneration		
audit of these financial statements	**6**	6
audit of subsidiaries' financial statements	**3**	11
other services relating to taxation	**4**	4
Depreciation	**3**	94
(Profit)/loss on disposal of non current assets	**3**	8
Government grants	**-**	(115)
Net (profit)/loss on foreign exchange transactions	**7**	(94)

6 Remuneration

Staff numbers and costs

The average number of persons employed by the Group (including executive directors) during the year, analysed by category was as follows:

	2011 Group	**2011 Company**	**2010 Group**	**2010 Company**
Technical staff	**-**	**-**	6	-
Sales and marketing	**-**	**-**	1	-
Management and administration	**3**	**1**	6	1
	3	**1**	13	1

The aggregate payroll costs of these persons were as follows:

	Group £'000	**Company £'000**	Group £'000	Company £'000
Wages and salaries	**92**	**57**	794	68
Social security costs	**6**	**2**	68	8
Pension costs	**3**	**-**	4	-
	101	**59**	866	76

7 Financial income and expense

	2011 £'000	2010 £'000
Financial income		
Bank interest receivable	**6**	2
Financial expense		
Other loans	**-**	(400)

8 Taxation

Recognised in the Statement of Comprehensive Income

	2011 £'000	2010 £'000
Current tax expense		
Overseas tax	**-**	(3)
Total tax (charge)/ credit in Statement of Comprehensive Income	**-**	(3)

Reconciliation of effective tax rate		**2011 £'000**		2010 £'000
Loss for the year		**(151)**		(783)
Total income tax				(3)
Loss before income tax		**(151)**		(780)
Income tax using the Company's domestic tax rate	*28.0%*	**(42)**	*28.0%*	(218)
Effects of:				
Expenses not deductible for tax purposes		(7)		1,216
Capital Allowances in excess of depreciation		38		16
Overseas taxation		0		3
Increase / (decrease) in tax losses carried forward		11		(1,014)
Total current tax (charge)/ credit (see above)		**-**		3

There is no taxation charge for the period due to losses incurred. At 31 December 2011 the Group had tax losses, subject to the agreement of HM Revenue and Customs of approximately £5.0 million (2010: £5.0m) available for offset against future taxable profits of the same trade.

Provision for deferred taxation

The Group's and the Company's UK net deferred tax, calculated under the liability method at 28% (2010: 28%), is £nil (2010: £nil). A US deferred tax liability of £nil (2010: £nil) has been recognised on the temporary timing differences created by the fair value adjustment on consolidation that recognises the patents. An equal amount of deferred tax asset has been recognised to offset this.

A deferred tax asset has not been recognised in respect of the remaining tax losses as, based on detailed budgets, the Group does not anticipate taxable profits to arise within the immediate future. In the medium term it is anticipated that the Group will generate profits and that the losses will then be recovered.

	Restated	**Restated**	**Restated**		
Movement in unrecognised deferred tax assets	**Balance at 1 January 2010**	**Movement**	**Balance at 31 December 2010**	**Movement**	**Balance at 31 December 2011**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Tax losses	8,243	(3,622)	4,621	38	4,659

9 Loss of the parent company

As permitted by section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the financial year amounted to £207,000 (2010: £4,973,000).

10 Investments in subsidiaries

The Company's investment in subsidiary undertakings comprises 100 percent of the issued share capital of the following companies:

	Country of incorporation	**Principal activity**
Oxonica Materials Limited	England	Development and commercialisation of advanced nanomaterials for UV protection
Oxonica Healthcare Limited	England	Dormant
Oxonica Overseas Holdings Limited	England	Holding company
Oxonica Singapore Pte Limited*	Singapore	Sales and marketing of fuel additive products

*Owned by Oxonica Overseas Holdings Limited

11 Property, plant and equipment

Group

	Short Leasehold improvements £'000	Plant, machinery & laboratory equipment £'000	Fixtures, fittings & computer equipment £'000	Total £'000
Cost				
Balance at 1 January 2010	19	975	197	1,191
Additions	-	-	6	6
Disposals	(19)	(986)	(82)	(1,087)
Foreign Exchange adjustment	-	30	2	32
Balance at 31 December 2010	**-**	**19**	**123**	**142**
Balance at 1 January 2011	-	19	123	142
Disposals	-	-	(118)	(118)
Balance at 31 December 2011	**-**	**19**	**5**	**24**
Depreciation				
Balance at 1 January 2010	**19**	**540**	**159**	**718**
Charge for year	-	82	12	94
Disposals	(19)	(617)	(56)	(692)
Foreign Exchange adjustment	-	13	2	15
Balance at 31 December 2010	**-**	**18**	**117**	**135**
Balance at 1 January 2011	**-**	**18**	**117**	**135**
Charge for year	-	1	1	2
Disposals	-	-	(115)	(115)
Balance at 31 December 2011	**-**	**19**	**3**	**22**
Net book value				
At 1 January 2010	-	435	38	473
At 31 December 2010	**-**	**1**	**6**	**7**
At 1 January 2011	-	1	6	7
At 31 December 2011	**-**	**-**	**2**	**2**

12 Trade and other receivables

	2011 Group £'000	**2011 Company £'000**	2010 Group £'000	2010 Company £'000
Trade receivables	**2**	**-**	5	-
VAT receivable	**-**	**-**	4	3
Prepayments and accrued income	**3**	**1**	3	3
Sundry receivables	**4**	**-**	148	128
	9	**1**	160	134

13 Trade and other payables

	2011 Group £'000	**2011 Company £'000**	2010 Group £'000	2010 Company £'000
Current				
Trade payables	**64**	**-**	92	-
Other taxation and social security	**1**	**-**	4	-
Accruals and deferred income	**686**	**-**	720	-
Other creditors	**4**	**-**	128	130
	755	**-**	944	130

Accruals and deferred revenue includes £625,585 (2010: £674,175) which relates to the deferral of the cash payments received from BD at the start of the licensing agreement. This revenue will be recognised over the 15 year estimated life of the licence agreement.

14 Financial instruments

The Group's financial instruments comprise loans, short term bank deposits and cash. The Group has various other financial instruments, such as trade debtors and trade creditors that arise directly from its operations which have not been included in the credit risk disclosures.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board. The Group does not trade in financial instruments.

No derivatives were used by the Group during the period under review (2010: nil).

Interest rate risk

Interest risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments.

The interest rate profile of the Group's financial assets and liabilities is as follows:

	Assets floating rate £'000	Assets fixed rate £'000	Liabilities floating rate £'000	Liabilities fixed rate £'000	Total £'000
At 31 December 2010					
Cash at bank	1,491	150	-	-	1,641
Total	1,491	150	-	-	1,641

At 31 December 2011					
Cash at bank	**801**	**-**	**-**	**-**	**801**
Total	**801**	**-**	**-**	**-**	**801**

The interest rate profile of the Company's financial assets and liabilities is as follows:

	Assets floating rate £'000	**Assets fixed rate £'000**	**Liabilities floating rate £'000**	**Liabilities fixed rate £'000**	**Total £'000**
At 31 December 2010					
Cash at bank	1,425	-	-	-	1,425
Total	1,425	-	-	-	1,425
At 31 December 2011					
Cash at bank	**565**	**-**	**-**	**-**	**565**
Total	**565**	**-**	**-**	**-**	**565**

Sensitivity analysis

A change of 1 basis point in interest rates at the balance sheet date would have increased / (decreased) profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2010.

	2011 Group £'000	**2011 Company £'000**	2010 Group £'000	2010 Company £'000
Profit or loss				
Increase	**8**	**6**	16	14
Total	**8**	**6**	16	14

Foreign currency risk

Foreign exchange risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments.

During the period under review the Group has entered into only a limited number of transactions with overseas customers and suppliers in currencies other than sterling. The Group's currency exposure is currently small. The Group will continue to monitor any exposure to foreign exchange risk and manage accordingly.

Sensitivity analysis

A 10 percent weakening of the following currencies against the pound sterling at 31 December 2011 would have increased / (decreased) profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2010.

	Profit or loss			Profit or loss
	2011	**2011**	2010	2010
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Euro	**(7)**	**-**	(3)	-
USD	**(53)**	**(36)**	(48)	(32)
SGD	**-**	**-**	-	-
AUD	**(7)**	**-**	(8)	-
CAD	**-**	**-**	-	-

A 10 percent strengthening of the above currencies against the pound sterling at 31 December 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

It is currently the Group's policy to finance its business by means of internally generated funds and new share capital. The cash position of the Group is regularly reviewed by the Board (see also going concern paragraph in note 1 Accounting policies).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2011					2010				
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000
Non-derivative financial liabilities										
Trade and other payables	**755**	**755**	**755**	**-**	**-**	944	944	944	-	-
	755	**755**	**755**	**-**	**-**	944	944	944	-	-

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

	Carrying Amount	
	2011	2010
	£'000	£'000
Trade Receivables	**2**	5
Cash and Cash equivalents	**801**	1,641
Total	**803**	1,646

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying Amount	
	2011	2010
	£'000	£'000
Domestic	**-**	4
United States	**2**	1
Total	**2**	5

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying Amount	
	2011	2010
	£'000	£'000
Distributors	**-**	4
End-user customers	**2**	1
Total	**2**	5

The ageing of trade receivables at the reporting date was:

	2011 Gross £'000	**2011 Impairment £'000**	2010 Gross £'000	2010 Impairment £'000
Not past due	**-**	**-**	1	-
Past due 0-30 days	**-**	**-**	4	-
Past Due 31-60 days	**-**	**-**	-	-
Past Due 61-120 days	**-**	**-**	-	-
Past Due 120-365 days	**2**	**-**	-	-
Past due more than one year	**392**	**392**	390	390
Total	**394**	**392**	395	390

The Company had no trade receivables in either 2011 or 2010 and therefore had no credit risk exposure.

Impairment losses

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying Amount	
	2011	2010
	£'000	£'000
Balance at 1 January 2010	**390**	365
Foreign exchange adjustment	**2**	25
Balance at 31 December 2011	**392**	390

The impairment loss created during the year relates to amounts owed by a Russian distributor which are more than 90 days old. An additional impairment was created to cover trade debts that were assigned to Oxonica Materials on the sale of Oxonica Energy which remain unpaid and are over 90 days old.

Currency risk

The Group's exposure to foreign currency risk is set out in the table below:

	31 December 2011						31 December 2010					
£000's	**GBP**	**AUD**	**USD**	**Euro**	**SGD**	**CAD**	GBP	AUD	USD	Euro	SGD	CAD
Cash and cash equivalents	**333**	**-**	**395**	**73**	**-**	-	1,263	-	353	25	-	-
Trade Receivables	**-**	**-**	**1**	**1**	**-**	-	4	-	1	-	-	-
Trade Payables	**(12)**	**(43)**	**(9)**	**-**	**-**	-	(38)	-	(12)	-	-	-
Gross Balance sheet Exposure	**321**	**(43)**	**387**	**74**	**-**	-	1,229	-	342	25	-	-

At the balance sheet date there were no forward exchange contracts in place.

The exchange rates that were applied during the year were:

	Average Rate		**Reporting Date Spot Rate**	
	2011	2010	**2011**	2010
USD	**1.610**	1.541	**1.554**	1.567
Euro	**1.151**	1.168	**1.197**	1.167
SGD	**2.016**	2.092	**2.015**	2.006
AUD	**1.542**	1.678	**1.516**	1.527
CAD	**-**	1.594	**-**	1.556

Fair values of financial assets and liabilities

There are no material differences between the fair value of any of the Group's financial assets or liabilities and their book value as at the balance sheet date.

Guarantees and security

The Group has no Guarantees or Securities in place over the assets of the Company or the Group

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year.

15 Capital commitments

The Group had no capital commitments outstanding at the year end (2010: £nil).

16 Called up share capital

	2011 Number of shares	**2011** £	2010 Number of shares	2010 £
Allotted, called up and fully paid				
Ordinary shares of £0.01p each	**65,559,943**	**655,599**	65,559,943	655,599

17 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £2,478 (2010: £4,249). At the year end, no accruals were outstanding in relation to pension contributions (2010: £354).

18 Capital and reserves

Reconciliation of movement in capital and reserves
Group

	Share capital £000	**Share premium £000**	**Merger Reserve * £000**	**Exchange reserve Restated £000**	**Retained Earnings Restated £000**	**Total Parent equity £000**
Balance at 1 January 2010	656	26,310	9,953	(186)	(35,047)	1,686
Total recognised income and expense	-	-	-	(39)	(760)	(799)
Issue of shares	-	-	-	-	(23)	(23)
Equity-settled share based payment transactions						
Balance at 31 December 2010	**656**	**26,310**	**9,953**	**(225)**	**(35,830)**	**(864)**
Balance at 1 January 2011	656	26,310	9,953	(225)	(35,830)	(864)
Capital reorganisation **	-	(20,560)	-	-	20,560	-
Repayment of Capital **	-	(656)	-	-	-	(656)
Total recognised income and expense	-	-	-	-	(151)	(151)
Balance at 31 December 2011	**656**	**5,094**	**9,953**	**(225)**	**(15,421)**	**57**

* The merger reserve of £9,953,000 represents the difference between the nominal value of the shares in Oxonica Materials Ltd received and the nominal value of the shares issued in Oxonica Limited as a result of the share exchange and 75 for 1 bonus issue which took place on 16 June 2005 as part of a corporate restructuring prior to the flotation on AIM.

** Following the Company's EGM held on 23 February 2011 a special resolution was passed enabling the Company to transfer £20,560,000 out of Share Premium in to Retained Earnings. At the same EGM a second resolution was passed enabling a return of capital payment of 2 pence per share of which 1 pence per share was paid during 2011.

Company	**Share capital £000**	**Share premium £000**	**Retained Earnings £000**	**Total parent equity £000**
Balance at 1 January 2010	656	26,310	(20,560)	6,406
Total recognised income and expense	-	-	(4,973)	(4,973)
Equity-settled share based payment transactions	-	-	(4)	(4)
Balance at 31 December 2010	**656**	**26,310**	**(25,537)**	**1,429**
Balance at 1 January 2011	656	26,310	(25,537)	1,429
Capital reorganisation **	-	(20,560)	20,560	-
Repayment of Capital **	-	(656)	-	(656)
Total recognised income and expense	-	-	(207)	(207)
Balance at 31 December 2011	**656**	**5,094**	**(5,184)**	**566**

19 Loss per ordinary share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Options over nil ordinary shares (2010: 3,219,460) are not included in the calculation of diluted loss per share as their effect is anti-dilutive.

	2011	2010
	£'000	£'000
Basic and diluted loss attributable to ordinary shareholders	**(151)**	(760)
	No.	No.
Weighted average number of ordinary shares	**65,559,943**	65,559,943
Loss per share – basic and diluted	**(0.2)p**	(1.2)p

20 Contingent liabilities

The Company and its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. There are no Contingent Liabilities as at the date of signing these financial statements

21 Financial Commitments

There are no Financial commitments as at 31 December 2011.

22 Related party disclosures

The following directors or parties related to directors held shares in the Company:

	2011	2010
	No of shares	No of shares
Richard Farleigh	**18,633,545**	13,218,995

* Includes interest in 6,190,476 shares held by The Kyabram Trust, a discretionary family trust

The Group has a related party relationship with its subsidiaries and with its key management personnel. The key management personnel of the Group are the executive directors. Compensation of key management personnel was:

	2011	2010
	£'000	£'000
Remuneration	**57**	103
Social security costs	**2**	7
	59	110

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