Oxonica Materials Limited

Director's report and financial statements

Registered number 03533639

31 December 2010

Company information

Company registration number	03533639
Registered office	Chiltern House Thame Road Haddenham Bucks HP17 8BY
Director	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

Contents

Director's report

The director presents the annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The principal activity of the Company during the year ended 31 December 2010 was the commercialisation of advanced nanomaterials in the field of UV protection The Company's current activities consist of (i) the management of certain royalty-bearing agreements with Croda, a world-leader in specialty chemicals, including personal care products, and (ii) sub-licensing, subject to royalties, of certain patent rights to BD (formerly Beckton Dickinson) in the field of bio-diagnostics

Business results

There was a loss for the year after taxation amounting to £119,000 *(2009 £376,000)*

Dividends

The director does not recommend payment of a dividend *(2009 £nil)*

Directors

The directors who held office during the year and up to the date of signing the report were as follows

Mr G Shaw (appointed 01/10/09)

Supplier payment policy

It is the Company's policy to agree payment terms in advance with individual suppliers at the outset of the contract and abide by those terms

The Company's average number of days purchases outstanding in respect of trade creditors as at 31 December 2010 was 33 days *(2009 33)*

Disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and the 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 Company's auditors are aware of that information

By order of the board

G Shaw
Director

DATED 28 JULY 2011

Chiltern House
Thame Road
Haddenham
Bucks
HP17 8BY

Statement of director's responsibilities in respect of the Director's Report and the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law he has elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws

The financial statements are required by law to present fairly the financial position and the performance of the company, 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 these financial statements, the director is 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 in 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 company will continue in business

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that its financial statements comply with the Companies Act 2006 He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

The director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report to the members of Oxonica Materials Limited

We have audited the financial statements of Oxonica Materials Limited for the year ended 31 December 2010 set out on pages 5 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 page 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (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 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

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Oxonica Materials Limited *(continued)*

Matters on which we are required to report by exception

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

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

Rouse Audit LLP

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

28 July 2011

Chartered Accountants
Statutory Auditor

55 Station Road
Beaconsfield
HP9 1QL

Statement of Comprehensive Income
for the year ended 31 December 2010

	Note	2010 £000	2009 £000
Revenue	*1*	**165**	316
Cost of sales		**(98)**	(212)
Gross profit		**67**	104
Distribution expenses		-	-
Administrative expenses	*2*	**(228)**	(992)
Profit on sale of investment		-	548
Operating loss		**(161)**	(340)
Financial income	*4*	**42**	27
Financial expense	*4*	-	(63)
Net financing income / (expense)		**42**	(36)
Loss before tax		**(119)**	(376)
Taxation	*5*	-	-
Loss for the year and total comprehensive income		**(119)**	(376)

There were no items of other comprehensive income in the year

All activities during the year relate to continuing activities (see note 1)

Statement of Financial Position
at 31 December 2010

	Note	2010 £000	2009 £000
ASSETS			
Non current assets			
Property, plant and equipment	6	8	11
Total non current assets		8	11
Current assets			
Trade and other receivables	7	10	1,232
Cash and cash equivalents		179	38
Total current assets		189	1,270
Total assets		197	1,281
EQUITY			
Share capital	11	3	3
Share premium	11	10,198	10,198
Retained earnings	11	(19,561)	(19 424)
Total equity	11	(9,360)	(9,223)
LIABILITIES			
Current Liabilities			
Trade and other payables	8	9,557	10,504
Total current liabilities		9,557	10,504
Total liabilities		9,557	10,504
Total equity and liabilities		197	1,281

These financial statements were approved by the board of directors on 28 July 2011 and were signed on its behalf by

G Shaw
Director

Statement of Cash Flows
for year ended 31 December 2010

	Note	2010 £000	2009 £000
Cash flows from operating activities			
Profit for the year		**(119)**	(376)
Adjustments for			
Depreciation, amortisation and impairment	*6*	**5**	68
Financial income	*4*	**1**	(27)
Financial expense	*4*	**-**	65
Gain on sale of property, plant and equipment		**(1)**	(21)
Equity settled share-based payment expenses	*12*	**(18)**	(30)
		(132)	(321)
(Increase)/ decrease in trade and other receivables	*7*	**1,222**	(942)
(Decrease)/ increase in trade and other payables	*8*	**(947)**	1,230
Net cash from operating activities		**143**	(33)
Cash flows from investing activities			
Acquisition of property, plant and equipment	*6*	**(2)**	(9)
Net cash from investing activities		**(2)**	(9)
Net increase / (decrease) in cash and cash equivalents		**141**	(42)
Cash and cash equivalents at 1 January		**38**	80
Cash and cash equivalents at 31 December		**179**	38

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

Oxonica Materials Limited (the 'Company') is a company domiciled and incorporated in the UK

The Company financial statements have been prepared and approved by the director 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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, these have not been applied in preparing these consolidated financial statements and are not expected to have a material impact at present

Measurement convention

The financial statements are prepared on the historical cost basis

Going concern

The company is reliant on funding from its ultimate parent undertaking, Oxonica Limited (formerly known as Oxonica PLC) in order to continue as a going concern Oxonica Limited (formerly known as Oxonica PLC) has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as required by the Company, including by not seeking repayment of the intercompany loans and balances outstanding between the two companies

Oxonica Limited (formerly known as Oxonica PLC) has indicated its' ability to provide additional funds to the company following the successful completion of a disposal of part of the business for sales proceeds of $5 2m

Cash flow forecasts have been prepared for Oxonica Limited (formerly known as Oxonica PLC) and Oxonica Materials Limited for the period ending twelve months from the date of the approval of these financial statements The preparation of the forecasts requires the directors of both entities to make certain assumptions regarding measurement and timing of cash flows On the basis of these cash flow forecasts, the directors of both entities believe Oxonica Limited (formerly known as Oxonica PLC) would continue to operate within its existing resources and meet its obligations as they fall due as well as provide the required financial support to the Company

Accordingly, the director believes it is appropriate to adopt the going concern basis of preparing these financial statements

The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern, which might include reducing assets to their recoverable amounts, providing for additional liabilities and reclassifying non-current assets as current

Notes *(continued)*

1 Accounting policies *(continued)*

Revenue

Revenue represents the total amount receivable by the Company 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

Expenses

Net financing costs

Net financing costs comprise interest receivable on funds invested and foreign exchange gains and losses that are recognised in the income statement

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement 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 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 income statement

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Leasehold improvements, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Where parts of an item of plant and equipment have different useful lives, they are accounted for separately

Depreciation is charged to the income statement 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
- Office equipment — 4 years

Depreciation methods, useful lives and residual balances are reviewed at each balance sheet date

Impairment excluding deferred tax assets

The carrying amounts of the Company'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

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 income statement

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 of the fair value of cash balances and call deposits

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis

Trade and other payables

Trade and other payables are stated at their fair value

Equity instruments

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

Notes *(continued)*

1 Accounting policies *(continued)*

Key sources of estimation uncertainty

The preparation of Oxonica Materials Limited'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 the financial statements The 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

The Company 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 in note 12b and note 1 above

Notes *(continued)*

2 Expenses and auditors' remuneration

	2010 £000	2009 £000
Included in operating loss are the following.		
Auditors' remuneration – audit of these financial statements	5	5

3 Remuneration

Staff numbers and costs

The average number of persons employed by the Company during the year was 1 *(2009 8)*

The aggregate payroll costs of these persons were as follows

	2010 £000	2009 £000
Wages and salaries	69	278
Social security costs	10	47
Contributions to defined contribution plans	4	27
Company contribution to share incentive plan	-	1
Share based payments	(18)	(30)
	65	323

Remuneration of directors

Mr G Shaw was remunerated on a group basis (by Oxonica Limited (formerly known as Oxonica PLC)) for his services as director of the group and his remuneration is shown in the accounts of Oxonica Limited (formerly known as Oxonica PLC)

	2010 £000	2009 £000
Wages and salaries	-	118
Pension costs	-	7
Other benefits	-	1
	-	126

Notes *(continued)*

4 Financial income and expense

	2010 £000	2009 £000
Financial income		
Bank interest received	-	27
Net foreign exchange profit	42	
	42	27
Financial expense		
Net foreign exchange losses	-	63
	-	63

5 Taxation

Recognised in the income statement

	2010 £000	2009 £000
Current tax expense		
Research and development tax credit adjustment in relation to the prior year	-	-
Total tax in income statement	-	-

	2010 £000	2009 £000
Reconciliation of effective tax rate		
Loss for the year	(119)	(140)
Total income charge	-	-
Loss excluding income tax	(119)	(140)
Current tax at 28% *(2008 28 %)*	(33)	(39)
Effects of		
Depreciation	2	19
Capital allowances	(16)	(27)
Income not taxable for tax purposes	(6)	(309)
Losses not utilised carried forward	51	422
Non deductible expenses	2	-
Total current tax charge (see above)	-	-

Notes *(continued)*

Provision for deferred taxation

The unrecognised deferred tax asset is set out below

	2010 £000	2009 £000
Accelerated capital allowances	59	73
Short term timing differences	-	-
Tax losses	3,857	3,807
Unrecognised deferred tax asset	3,916	3,880

The deferred tax asset has not been recognised as the timing of realisation is uncertain *(2009 £nil))*

6 Property, plant and equipment

	Leasehold Improvements £000	Laboratory Equipment £000	Office Equipment £000	Total £000
Cost				
Balance at 1 January 2010	-	20	121	141
Additions	-	-	2	2
Disposals	-	-	-	-
Balance at 31 December 2010	-	20	123	143
Depreciation				
Balance at 1 January 2010	-	20	110	130
Charge for year	-	-	5	5
Disposals	-	-	-	-
Balance at 31 December 2010	-	20	115	135
Net book value				
At 31 December 2009	-	-	11	11
At 31 December 2010	-	-	8	8

Notes *(continued)*

7 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	394	441
Provision for bad debts	(390)	(365)
Amounts owed by group undertakings	-	1,139
VAT	1	6
Prepayments	5	9
Sundry receivables	-	2
	10	1,232

8 Trade and other payables

	2010 £000	2009 £000
Current		
Trade payables	92	163
Other taxation and social security	4	12
Other payables	-	1
Accruals	27	72
Deferred Revenue	675	705
Amounts owed to group undertakings	8,759	9,551
	9,557	10,504

9 Financial instruments

The Company's financial instruments comprise short term deposits and cash No interest bearing loans, borrowings or derivatives were used by the Company during the period under review

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

Notes *(continued)*

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material Any impairment in value is also taken into consideration

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date)

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and members of the Oxonica Limited (formerly known as Oxonica PLC) group (see note 1)

The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful receivables, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history In addition, receivables 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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure Therefore, the maximum exposure to credit risk at the balance sheet date was £573,000 (*2009 £1,642,000*) being the total of the carrying amount of financial assets, excluding equity investments

	Carrying amount	
	2010	2009
	£000	£000
Trade receivables	**394**	465
Amounts owed by group undertakings	**-**	1,139
Cash and cash equivalents	**179**	38
Total	**573**	1,642

Notes *(continued)*

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

	Carrying amount	
	2010	2009
	£000	£000
Domestic	**69**	124
Euro-zone countries	**-**	15
USA	**193**	187
Canada	**-**	11
Australia	**132**	128
Total	**394**	465

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

	Carrying amount	
	2010	2009
	£000	£000
End-user customers	**394**	465

The aging of trade receivables at the reporting date was

	2010	2009
	Gross	Gross
	£000	£000
Not past due	**1**	15
Past due 0-30 days	**4**	450
Past due 31-60 days	**-**	-
Past due 61-120 days	**-**	-
Past due 121-365 days	**56**	-
Past due 365+ days	**333**	-
	394	465

The charge made for impairment in respect of trade receivables during the year was £25,043 *(2009 £126,263)*

9 (c) Liquidity risk

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

The company is reliant on funding from its ultimate parent undertaking, Oxonica Limited (formerly known as Oxonica PLC) in order to continue as a going concern, see the going concern paragraph in note 1 regarding the Oxonica Limited's (formerly known as Oxonica PLC) ability to provide this support

Notes *(continued)*

9 (d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments

Interest rate risk

	Assets floating rate £'000	Assets fixed rate £'000	Total £'000
At 31 December 2009			
Cash at bank	38	-	38
Total	38	-	38
At 31 December 2010			
Cash at bank	**29**	**150**	**179**
Total	**29**	**150**	**179**

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have decreased the 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 The analysis is performed on the same basis for 2009, there is expected to be no difference between the impact on equity and the Company's result for the year

	2010 £	2009 £
Profit or loss		
Income	**2**	1

Currency risk

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

The Company's exposure to foreign currency risk is set out in Sterling in the table below

£000	GBP	USD	AUD	31 December 2009 Euro	CAN
Cash and cash equivalents	15	-	-	23	-
Trade receivables	124	187	128	15	11
Gross balance sheet exposure	139	187	128	38	11

Notes *(continued)*

£000	GBP	USD	AUD	31 December 2010 Euro	CAN
Cash and cash equivalents	154	-	-	25	-
Trade receivables	69	193	132	-	-
Trade Payables	(38)	(12)	(42)	-	-
Gross balance sheet exposure	185	181	90	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 2010	Average Rate 2009	Reporting Date Spot Rate 2010	Reporting Date Spot Rate 2009
USD	1 5412	1 6111	1.5657	1 6149
EURO	1 1682	1 1229	1 1671	1 1260
AUD	1 6777	1 9911	1 5274	1 7956
CAN	1 5938	1 8121	1.5557	1 6150

Sensitivity analysis

A 10 percent weakening of the following currencies against the pound sterling at 31 December 2010 would have increased / (decreased) the 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 2009

	Profit or (loss) 2010 £000	2009 £000
Euro	2	3
USD	16	17
AUD	8	11
CAN	-	1
Total	26	32

A 10 percent strengthening of the above currencies against the pound sterling at 31 December 2009 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

Fair values of financial assets and liabilities

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

Notes *(continued)*

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 (See also going concern paragraph in note 1)

10 Capital and reserves

Share capital

	2010 No	2010 £000	2009 No	2009 No
Allotted, called up and fully paid				
Equity Ordinary shares of £0 01 each	**330,319**	**3**	330,319	3

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2009	3	10,198	(19,018)	(8,817)
Total recognised income and expense	-	-	(376)	(376)
Equity-settled share based payment transactions	-	-	(30)	(30)
Balance at 31 December 2009	3	10,198	(19,424)	(9,223)
Balance at 1 January 2010	3	10,198	(19,424)	(9,223)
Total recognised income and expense	-	-	(119)	(119)
Equity-settled share based payment transactions	-	-	(18)	(18)
Balance at 31 December 2010	**3**	**10,198**	**(19,561)**	**(9,360)**

11 Related parties

Oxonica Materials Limited is part of the Oxonica Limited (formerly known as Oxonica PLC) group of companies However, it did not trade with these entities during the current or prior year The intercompany balances with these entities are shown below

Other related party transactions

	Receivables outstanding		Payables outstanding	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Ultimate parent	-	-	**8,759**	9,551
Other related parties	-	3,366	-	-
Provision held against intercompany loan	-	(2,227)	-	-
	-	1,139	8,759	9,551

Notes *(continued)*

12 Share based payments

The company participates in equity-settled share-based payment plans established by its ultimate holding company, Oxonica Limited (formerly known as Oxonica PLC) In accordance with IFRS 2, Share-based Payments, the fair value of options/awards are measured at grant date and the compensation expense is recognised in net income over the period during which the employees become unconditionally entitled to awards Oxonica Limited (formerly known as Oxonica PLC) uses a Black-Scholes option pricing model to determine the fair value of its share based payment plans A small number of the company's directors and senior managers are eligible for share options and/or stock awards under the plans Amounts charged to the Income Statement in respect of the company's statutory directors are disclosed in the Directors' Emoluments footnote The full disclosures required under IFRS 2 in respect of the share-based payment plans for all Oxonica Limited (formerly known as Oxonica PLC) in the UK have been made in the statutory accounts of Oxonica Limited (formerly known as Oxonica PLC) (company registration number 05363273)

13 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 £4,000 *(2009 £27,000)*

14 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of Oxonica Limited (formerly known as Oxonica PLC), incorporated in England and Wales

The largest group in which the results of the Company are consolidated is that headed by Oxonica Limited, incorporated in England and Wales The consolidated accounts of the group are available to the public and may be obtained from Oxonica Limited, Chiltern House, Thame Road, Haddenham, Bucks, HP17 8BY, UK