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Environmental Recycling Technologies Plc
Annual report and accounts 2014

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COMPANIES HOUSE

Environmental Recycling Technologies plc

Annual Report and Accounts 2014

Officers and professional advisors

The Board of Directors

K W Brooks
R J Baynham
L A Clayton
D C Shepley-Cuthbert
J N Allen
D A Patel
M Cooper
J M Mayfield
J F Viviani

Company secretary

Oxford Corporate Services Limited

Registered office

Regent House
316 Beulah Hill
London
SE19 3HF

Auditors

BDO LLP
125 Colmore Row
Birmingham
B3 3SD

Bankers

Barclays Bank PLC
PO Box 44
Witney
Oxfordshire
OX8 7BA

Nominated advisor

W H Ireland Limited
4 Colston Avenue
Bristol
BS1 4ST

Company number

03443456

Company www site

www.ertplc.com

STRATEGIC REPORT

For the year ended 31 December 2014

Environmental Recycling Technologies plc is pleased to announce its results for the year ended 31 December 2014.

Principal activities

The principal activity of the company is the licencing of the intellectual property of the Powder Impression Moulding (PIM) system to third parties for specific products and geographical areas of the world in order to generate licence fees and on-going royalties. The company works with collaborative partners who assist with the commercialisation of the process.

Highlights

- Installation and commissioning of powder preparation equipment at our specially designed processing facility, in cooperation with AXION Polymers.
- Our collaborative partner AXION Polymers received its first two orders from our global licensees for PIM powdered AXPLAS™ utilizing the powder preparation equipment.
- Cooperation agreement signed with Ceramic Drying Systems Limited for the supply and installation of turn-key PIM processing equipment globally.
- Granted non-exclusive licence in the state of Colorado for the production of flat sheet.
- Signed heads of terms for a £1m UK exclusive licence with a newly established Joint Venture in the UK for the production of flat sheet.
- Successfully exhibited at Plastics Recycling Expo UK an exhibition and conference specifically for plastics recycling professionals.

Results

Revenue from licence fees and royalties was £0.04 million (2013: £0.12 million) arising predominantly from licence and royalty income agreements.

Administrative expenses reduced to £1.14 million (2013: £2.91 million).

The loss on operations was £1.10 million (2013: £2.79 million)

The loss after tax for the year reduced to £3.22 million (2013: £3.54 million)

The loss per share was 0.37 pence (2013: 0.42 pence)

Although the Company has reported another loss for the year, yet again much progress has been made. Our current global licensees did not achieve their expected milestones in bringing their products in to production. These delays impacted on the ability of the Company to earn royalty revenues. Much progress was made with Axion to develop a stream of PIM powdered material supplies for use by our global licensees but this did not result in revenues in the financial year. The year was spent putting the building blocks in place for the future so that new licensees could be supported to enable them to reduce the time to get products in to production.

Revenues include an increased contribution from Contour Showers.

Normal overheads incurred in running the company, excluding the impairment for available-for-sale financial assets and amortisation, were £0.91 million (2013: £0.98 million). Normal running costs include an additional expenditure of £0.15 million on research and development (2013: £0.05 million) demonstrating the increased effort that has been made to support the commercialisation of PIM. In the circumstances the Board considers it more appropriate to expense such additional costs rather than increasing the recorded value of intangible assets.

Financing costs were £2.16 million (2013: £0.75 million) made up of interest paid on the increased borrowings and the high costs of finance for the short term loans that have been raised over the course of the year.

Post Year End

The Company is in advanced discussions for the acquisition of all of the issued share capital of a profitable company which, if completed successfully, will provide the enlarged group with a more balanced business and additional sales opportunities and synergies.

Our licensee operations

United Kingdom

- **Contour Showers** – Contour continues to drive the production forward for which ERT receives royalties. Contour is one of the recent licensees that have capitalised on the availability of the raw material AXPLAST™.
- **Mettalis** – In 2015 ERT signed heads of terms for an exclusive licence for the production of flat sheet into the UK. This is by way of a joint venture between ERT and Mettalis. This represents the opportunity to re-establish the UK market for PIM sheets.

United States

- **Brown Water Plastics (BWP)** – Since receiving the first million plus pound sterling order, BWP have engaged Arup, our preferred construction partner, to work and develop mould improvements. This is expected to reduce raw materials and structural costs in the production of the barge covers. BWP anticipate this will provide it with a commercial advantage over its competitors.
- **North Brook Plastics (NBP)** – Whilst it has taken some time for NBP to refine the PIM process, it is the 2nd licensee to place an order for AXPLAST™. This has provided NBP the opportunity to commission the line and get into production faster. ERT's polymer lab technician has since visited NBP to support them through this stage. We anticipate production formally to start in Q4 2015.
- **Earth Enterprises LLC (EE)** – ERT granted EE a non-exclusive licence for the production of flat sheet. EE was awarded a state grant for the capital to supply and install the equipment. It is anticipated that the facility will be commissioned in Q4 2015.

Collaborative partners

- **Arup** – The ERT relationship with Arup continues to expand. As mentioned previously, Arup are working on a project with our licensee on various programs. ERT also has the benefit of Mathew Copper on our board as a non-executive, to facilitate closer project management development.
- **AXION Polymers** – Since the relocation of ERT's test facility to the AXION polymers facility in Manchester, ERT has commissioned and installed a powder processing facility to facilitate our licensee's needs for suitable raw materials. As part of our cooperation AXION has taken over the management of the equipment. They have subsequently received orders from two licensees with a

further three seeking quotations. This as a milestone in the organic growth of ERT, therefore enabling our licensee to get product to market faster. As part of our relationship with AXION, we are continuing to develop PIM recipes to meet the technical requirements of the industry.

- **Ceramic Drying System's (CDS)** – In May ERT 2015 signed a cooperation agreement with CDS to supply turn-key PIM facilities globally. This also represents a major turning point in ERT's growth. CDS has a global reach, which will enable ERT to continue to expand its licensee portfolio around the world.

Our Board

In January 2014, the appointment of Jeremy Allen and Divyash Patel as Non-Executive Directors was announced.

- Mr Allen, the former Global Head of Dresdner Kleinwort's Equity Research Department, is a highly regarded equity market professional with 21 years' experience in the City.
- Mr Patel is a commercial consultant who advises on and negotiates contracts for companies with innovative environmental technologies for use in Asia.

Subsequently, in 2014, John Mayfield, Mathew Cooper and John Viviani were appointed to the board of ERT.

- Mr. Mayfield joined ERT from Avincis Group where he led a Finance & Operations re-structuring project for London & the Americas. He brings significant experience in technology and international businesses, is ACCA & CIMA qualified, and holds an MBA from Cranfield School of Management.
- Mr. Cooper is an Associate at Arup Group Limited (Arup) and has been instrumental in the collaborative relationship between ERT and Arup, where he focuses on business strategy, new venture development and operational performance improvement.
- Mr. Viviani, as Regional Operations Director at Viridor, was responsible for (amongst other contracts and businesses) Europe's largest municipal integrated waste, recycling and energy-from-waste management contract, namely the Greater Manchester Private Finance Initiative (PFI) contract, comprising £631 million capital investment and operational management contracts worth £3.8 billion over 25 years to Viridor.

Outlook

In 2015 ERT has agreed heads of terms for an exclusive licence in the UK and signed a non-exclusive licence in the USA. The recent announcement of the agreement with CDS will facilitate the continuing traction ERT is experiencing for its exciting technology.

The recent co-operations with AXION, Arup and CDS have provided ERT with a strong competitive advantage in the marketing and delivery of the process, therefore providing the opportunity to offer turn-key support to existing and new licensees.

ERT has positioned itself as the solutions providers to the plastics industry. We are already starting to see the impact of this with the quality of enquiries we are receiving.

ERT is receiving substantial interest from the USA and mainland Europe. We recently hosted a meeting from a potential client from Australasia.

We have seen recent legislation that is calling for the following targets to be met:

- **July 2nd 2014** - The European Commission formally adopted proposals for the future of waste and recycling targets within Europe, as part of measures towards achieving a circular economy.
- **2015 - EU Circular Economy Strategy**; The European Commission is aiming to present a new, more ambitious circular economy strategy late in 2015, to transform Europe into a more competitive resource-efficient economy.
- **June 2015 - Plastics Industry Recycling Action Plan (PIRAP)**; Plastics Europe Federation (PE), the British Plastics Federation (BPF) and the Packaging and Films Association (PAFA).
- **70% Recycling Target of municipal waste by 2030** - Key amongst the proposals is an increased target for the member states to recycle or reuse 70% of municipal waste by 2030, an increase on the current 50% by 2020.
- **2025 Ban on land-filling Plastics** - The Commission is also proposing a ban on sending recyclable materials such as plastics to landfill by 2025, as well as phasing out landfilling of waste by 2030.
- **2025 60% Plastics Recycling Target** - The European Commission legislative proposals set minimum recycling rates for packaging in Europe increasing to 45% by 2020 and 60% by 2025.
- **Resources Action Program (WRAP)** launches PIRAP which provides a road map for the plastic packaging supply chain to take action and contribute towards achieving the UK government's target for obligated users.

With the increased pressure from governments globally rapidly to increase collection and recycling targets, ERT is perfectly positioned to offer a commercial, sound solution to the exponential increased tonnages coming through the collection infrastructure. The recent Heads of Terms with Mettalis is just one such example of industry looking to value add an otherwise low value commodity. This is achieved by capitalising on the PIM process to convert their plastic arising into a sought after established product.

The management is confident with the recent cooperation agreements and the strengthened board, we can look to the future to continue to commercialise the PIM technology.

The recent co-operations have already borne fruit for ERT, e.g:

- 2 separate orders for the AXPLAS™ powder to ERT licencees.
- 1 licencee has engaged the services of ARUP to assist with product design and development.
- 1st turn-key proposal for the supply and implementation of a fully automated PIM manufacturing facility.

Principal risks and uncertainties

The company is exposed to a variety of risks in the conduct of its normal operations. Whilst it is not possible to either completely record or to quantify every material risk that the company faces, below is a summary of those risks that the directors believe are most significant to the company's business and could have a material impact on future performance, causing it to differ materially from expected or historic achieved results.

Commercialisation of the PIM process

The company's prime risk is the on-going commercialisation of the PIM process which is still being developed. All costs of product development are for each customer with the company facilitating introductions to third parties. As noted on page 3 above, ERT has engaged with collaborative partners to provide services to assist licencees in entering commercial production.

Licence fee and royalty revenues

The company hopes to achieve significant licence fee and royalty revenues in the future which are subject to the successful development of each customer's products being produced under licence from ERT. Future royalty revenues have an inherent uncertainty as they are principally derived from the number of units produced by customers and are subject to variations in patterns of demand.

Treasury function

The company monitors cash flow as part of its day to day control procedures. The board considers cash flow projections and liquidity risk at its meetings and ensures that appropriate facilities are available to be drawn down upon as necessary.

Credit risk

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on customers and by monitoring payments against contractual agreements.

Customer concentration, programme dependencies and relationships

The loss of, or deterioration in any single customer relationship, could have a material impact on the company's results. The board continues to look for opportunities to expand the business' licensee base and in 2015 ERT has agreed terms for an exclusive and non-exclusive licence in the UK and USA

FINANCIAL REVIEW

Results

Revenue together with other income for the year ended 31 December 2014 was £0.04 million (2013: £0.12 million). The loss on operations was £1.10 million (2013: £2.79 million). Total comprehensive losses attributable to equity shareholders were £3.22 million (2013: £3.54 million).

Dividends and loss per share

At 31 December 2014 as reported in the statement of financial position, the company does not have distributable reserves and is unable to declare a dividend. The basic and diluted loss per share was 0.37 pence (2013: 0.42 pence).

Financing

Short term funding

Management's key area of financial focus is in securing funding to meet the company's day to day liabilities as they fall due. The company meets its day to day cost base by managing its cash resources and securing appropriate levels of finance to settle liabilities as they fall due. Additional net cash funds of £1.16 million (2013 £0.5 million) were raised from loans made to the company by its lender Oxford Capital.

Total borrowings amounted to £6.08 million (2013: £3.14 million).

The Directors have received written assurance from Oxford Capital, the lender of £6.08 million (2013: £3.14 million) that there is no intention to request immediate repayment of the liabilities and that subject to agreement, the lender would accept repayment by way of a debt for equity swap. The Directors do not expect there to be a requirement to repay the loans in cash during the next 12 months.

Short term funding facilities have been organised to cover the company's normal overheads. Written confirmation has been received from Magna Group ("Magna") confirming their willingness to make available to the Company, if required, a Convertible Promissory Note amounting to the value of \$0.5 million on acceptable terms.

Going concern

The company requires the continuation of loan funding from its current lender and needs to obtain significant additional funding in 2015 (either from the lender, new lenders or the raising of funds from share issues) in order to continue trading and meet its liabilities as they fall due for payment. In respect of the assessment of going concern, the directors have prepared detailed profit and cash flow forecasts for the period ended 31 December 2016. The cash flow forecast shows that the company is only able to continue trading as a going concern if:

1) Oxford Capital (the current principal lender to the company maintains its current level of funding (being loans of £6.08m) to the company or withdraws such funding only in a manner that does not create the need for cash payments to be made by the company (such as a debt for equity swap). Oxford Capital have confirmed to the directors in writing that they will not withdraw the £6.08m funding being provided to the company (in a way that makes the company unable to pay its debts as they fall due) during the period of 12 months from the date of approval of the financial statements.

2) Significant additional funding is made available to the company during July / August 2015 either from the current principal investor (Oxford Capital), new external lenders or the raising of funds from share issues.

The directors acknowledge that the requirement for continuation and enhancement of the funds being made available to the company provides a significant degree of uncertainty in terms of going concern. Based on discussions with Oxford Capital and the Nominated Advisor the directors consider that the additional funding required by the company in order to continue trading and meet its liabilities as they fall due for at least the period of 12 months from the date of approval of the financial statements will be made available as and when required. Further detail concerning going concern is set out in note 1 of the financial statements.

The Strategic Report and Financial Review was approved by the Directors on 29 June 2015



Ken Brooks
Chairman

DIRECTORS' REPORT

Year ended 31 December 2014

The Directors present their report and the financial statements of the company for the year ended 31 December 2014.

Principal activities and business review

The principal activity of the company is the licensing of the intellectual property of the Powder Impression Moulding (PIM) system to third parties for specific products and geographical areas of the world in order to generate licence fees and on-going royalties. The enhanced review of the business is contained within the Strategic Report and Financial Review on pages 2 - 7.

Future developments

The future developments of the business are set out within "outlook" section of the Strategic Report and Financial Review on pages 4 - 5.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The company is unable to declare a dividend and no dividend payment is proposed. The basic and diluted loss per share was 0.37 pence compared to a loss of 0.42 pence in 2013.

The Directors and their interests in shares of the company

The Directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary shares	
		At 31 December 2014	At 31 December 2013
K W Brooks		25,249,726	25,249,726
R J Baynham		5,635,958	5,635,958
L A Clayton		1,519,516	1,519,516
D C Shepley-Cuthbert		4,604,968	4,604,968
J N Allen	(appointed 1 January 2014)	500,000	-
D A Patel	(appointed 1 January 2014)	20,447,368	-
M Cooper	(appointed 24 November 2014)	-	-
J M Mayfield	(appointed 8 December 2014)	-	-
J F Viviani	(appointed 19 December 2014)	-	-

The Directors' aggregate emoluments in respect of qualifying services were:

	KW Brookes	RJ Baynham	LA Clayton	JM Mayfield	DC Shepley- Cuthbert	JN Allen	DA Patel	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash:								
Emoluments	33	22	72	3	5	-	10	145
Fees paid to third parties	-	2	1	-	41	13	-	57
	33	24	73	3	46	13	10	202

The Directors have been granted options to subscribe for ordinary shares in the company as set out below:

	At 1 January 2014	At 31 December 2014	Exercise price £	Date from which exercisable	Expiry Date
K W Brooks	250,000	250,000	0.48	28.09.05	27.09.15
L A Clayton	1,000,000	1,000,000	0.025	01.01.12	01.01.15
	4,000,000	4,000,000	0.025	02.10.12	02.10.15
D C Shepley-Cuthbert	200,000	-	0.72	13.10.04	12.10.14
	200,000	200,000	0.48	28.09.05	27.09.15

The Directors have been granted warrants to subscribe for ordinary shares of £0.0025 in the company as set out below:

	At 1 January 2014	At 31 December 2014	Exercise price £	Date from which exercisable	Expiry Date
J N Allen	100,000	100,000	0.025	11.09.12	11.09.15

At 31 December 2014 the middle market price of the shares was 0.45 pence per share, and the range during the year was between 0.32 pence and 0.70 pence.

Policy on the payment of creditors

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with those terms and conditions being met by the supplier.

The company had 128 days purchases outstanding at 31 December 2014 (2013: 72 days) based on average daily amount invoiced by suppliers during the year ended 31 December 2014.

Indemnity cover

The company purchases Directors and Officers insurance cover to protect the Directors from third party claims. Indemnity cover was in force during the year under review and was in force at the date of the Directors' Report.

Financial Instruments

Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 20 of the financial statements.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Corporate governance

The company's shares are traded on the Alternative Investment Market of the London Stock Exchange and the company is therefore not required to report on compliance with the UK Corporate Governance Code and they have chosen not to do so. However the Directors support the highest standards of corporate governance.

The company has established the following Board committees:

- AiM Compliance comprising Mr Brooks (Chairman), Mr Allen, Mr Baynham and Mr Shepley-Cuthbert
- Audit and Remuneration Committees comprising Mr Brooks (Chairman), Mr Allen and Mr Baynham
- Nominations Committee comprising Mr Brooks (Chairman), Mr Allen, Mr Baynham and Mr Patel
- Remuneration Committee comprising Mr Brooks (Chairman), Mr Allen and Mr Baynham

Company details


The company is incorporated in England as a public limited company and has its registered office at Regent House, 316 Beulah Hill, London, SE19 3HF.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to re-appoint BDO LLP as auditors for the ensuing year will be proposed at the annual general meeting.

Signed by order of the Directors
Oxford Corporate Secretary Ltd
Company Secretary



Approved by the Directors on 29 June 2015

INDEPENDENT AUDITORS' REPORT

To the members of Environmental Recycling Technologies plc

We have audited the financial statements of Environmental Recycling Technologies plc for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2014 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the ability of the Company to continue as a going concern. The disclosures indicate that the Company will require additional funding over the next twelve months to enable it to continue trading and meet its liabilities as they fall due. The directors believe that this additional funding can be raised either from a further share issue or from an existing or new lender. The directors are confident that such additional funding will be able to be obtained and have therefore prepared the financial statements on the going concern basis. These conditions indicate the existence of material uncertainties which may cast significant doubt over the Company's ability to continue as a going concern and therefore also its ability to realise recorded value for its assets.


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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 if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us: or
- the company financial statements are not in agreement with 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.



Thomas Lawton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

29 June 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

		Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Continuing operations	Note		
Revenue	3	37	119
Administrative expenses			
Impairments	5	—	(1,683)
Other		(1,139)	(1,226)
Total administrative expenses		(1,139)	(2,909)
Loss on operations	4	(1,102)	(2,790)
Finance income	-	—	—
Finance costs	8	(2,160)	(752)
Loss for the year before income tax		(3,262)	(3,542)
Tax on loss on ordinary activities	9	(44)	—
Loss for the year attributable to equity shareholders of the company		(3,218)	(3,542)
Total comprehensive loss for the year attributable to equity shareholders of the company		(3,218)	(3,542)
Loss per share (pence)			
Basic and diluted loss per share	10	(0.37p)	(0.42p)

Notes on pages 17 to 37 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

Company number 03443456

Company number 03443456		31 December 2014		31 December 2013	
Assets	Note	£'000	£'000	£'000	£'000
Non-Current Assets					
Intangible assets	11		1,510		1,755
Plant and Machinery	12		49		14
Investments	13		40		40
Total non-current assets			1,599		1,809
Current assets					
Trade and other receivables	14	81		130	
Cash and cash equivalents		71		178	
Total current assets			152		308
Total assets			1,751		2,117
Liabilities					
Current liabilities					
Trade and other payables	15	398		481	
Borrowings	16	4,234		1,299	
Total current liabilities			4,632		1,780
Non-Current current liabilities					
Borrowings	16	1,841		1,841	
Total Non-Current current liabilities			1,841		1,841
Total liabilities			6,473		3,621
Net liabilities			(4,722)		(1,504)
Equity attributable to the shareholders of the parent					
Share capital	18		19,861		19,861
Share premium reserve	19		37,436		37,436
Warrant reserve	19		87		87
Available-for-sale reserve	19		(71)		(71)
Retained earnings	19		(62,035)		(58,817)
Total equity			(4,722)		(1,504)

The financial statements on pages 13 to 37 were approved and authorised for issue by the Board on 29 June 2015 and were signed on its behalf by:

K W Brooks
Chairman



The notes on pages 17 to 37 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share Capital £'000	Share Premium £'000	Warrant Reserves £'000	Available for sale Reserve £'000	Retained earnings £'000	Total £'000
Total comprehensive loss for year	-	-	-	-	(3,218)	(3,218)
Balance at 1 January 2014	19,861	37,436	87	(71)	(58,817)	(1,504)
Balance at 31 December 2014	19,861	37,436	87	(71)	(62,035)	(4,722)

Year ended 31 December 2013

	Share Capital £'000	Share Premium £'000	Warrant Reserves £'000	Available for sale Reserve £'000	Retained earnings £'000	Total £'000
Total comprehensive loss for year	-	-	-	-	(3,542)	(3,542)
Issue of share capital	204	799	-	-	-	1,003
Warrants and options lapsed	-	-	(428)	-	428	-
Losses on liabilities settled in shares	-	-	-	-	20	20
Movement for the year	204	799	(428)	-	(3,094)	(2,519)
Balance at 1 January 2013	19,657	36,637	515	(71)	(55,723)	1,015
Balance at 31 December 2013	19,861	37,436	87	(71)	(58,817)	(1,504)

The notes on pages 17 to 37 form part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended 31 December 2014

	Note	31 December 2014 £'000	31 December 2013 £'000
Continuing Activities			
Loss before tax		(3,262)	(3,542)
Adjusted for:			
Depreciation on plant and machinery	12	10	4
Amortisation of intangible assets	11	245	245
Interest costs	8	421	109
Finance charges for short-notice loans	8	1,739	519
Losses/(gains) on liabilities settled in shares	8	-	20
Provision for trade receivables	14	29	1,683
Adjusted loss from operations		(818)	(962)
Decrease/(increase) in trade and other receivables		44	(11)
(Decrease) in trade and other payables		(79)	(16)
Cash used by operations		(853)	(989)
Tax receipt	9	19	-
Net cash outflow from operations		(834)	(989)
Cash flows from investing activities			
Purchase of plant and machinery		(11)	(9)
Net cash used in investing activities		(11)	(9)
Cash flows from financing activities			
Issue of equity share capital		-	693
Par reduction buy back		-	(6)
Share issue costs		-	(34)
Inception of loans	16	1,159	500
Interest paid	8	(421)	(109)
Net increase in cash from financing activities		738	1,044
Net (decrease)/increase in cash		(107)	46
Cash and cash equivalents at beginning of year		178	132
Cash and cash equivalents at end of year	23	71	178

The notes on pages 17 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRS's"). The financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies preparing financial statements in accordance with IFRS.

Going concern

The company has reported another operating loss for the year and has net liabilities of £4.72 million as at the balance sheet date.

The directors have prepared detailed cash flow forecasts for the period ended 31 December 2016. Based on their current expectations of the progress of negotiation and current and new licence fees the directors have a reasonable expectation that revenue will be generated in line with the forecasts and will be available to provide some level of underpinning to the cash flows of the Company for the period to December 2016. The forecasts also assume that Oxford Capital (the lender) will not seek cash repayment of any of the £6.08 million of loan funding it has made available to the company during at least the 12 months from the date of approval of these financial statements. However, the forecasts indicate that the company needs to obtain significant additional funding (around £1.8 million) during July 2015 in order to continue trading and meet its liabilities as they fall due for payment.

Written assurance has been received from the lender that there is no intention to request repayment of the loan of £6.08 million for at least the period within 12 months from the date of signing these financial statements. In addition, the directors are in discussions with the lender that will enable the company to settle the outstanding loans of £6.08 million by the issue of shares in the company rather than settling in cash.

The directors have also obtained written confirmation from Magna Group confirming their willingness to make available to the company, if required, a Convertible Promissory Note amounting to the value of \$0.5 million on acceptable terms to help cover the company's normal overheads in the foreseeable future.

The directors consider that the recent and expected trading performance, the requirement for the continuation of loan funding from the principal lender and the need to obtain significant additional funding in 2015 (either from the lender, new lenders or the raising of funds from share issues) indicate the existence of material uncertainties which may cast significant doubt over the group's ability to continue as a going concern. However, the directors are confident that the required funds will be made available to the company at the time required. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and accounts.

The financial statements do not include the adjustments to the carrying value of assets that would result if the company was unable to continue as a going concern.

Revenue

Revenue arises from licences and royalty agreements which incorporate the transfer of technology. It comprises the fair value of the consideration receivable by the Group, exclusive of Value Added Tax. The fair value of the consideration is normally the terms negotiated between the company and its licensee.

Licence income is recognised at the point the licence is signed. Minimum annual and any overriding royalties earned during the year are accounted for on an accruals basis.

Royalty income is recognised in the period to which it relates, and is based on chargeable transactions made in the period by licensees under their licence agreement.

Plant and equipment

Items of plant and equipment are initially recognised at cost and are stated at cost less accumulated depreciation (cost comprising the acquisition cost of the asset along with any other attributable costs at the date of acquisition).

Depreciation is provided at a rate of 25% straight line to write off over their useful lives the cost of plant and equipment less any estimated current residual values.

Externally acquired intangible assets

Externally acquired intangible assets, such as intellectual property and licences are initially recognised at cost. Intellectual property is amortised over their useful economic life aligned to the life of the underlying patents that have been granted.

The amortisation expense is included within administrative expenses in the statement of comprehensive income. For impairment consideration see note 2.

Research and development

Expenditure is capitalised if it can be demonstrated that it is technically feasible to develop the product for it to be sold, adequate resources are available to complete the development, there is an intention to complete and sell the product, the group is able to sell the product, sale of the product will generate future economic benefits, and expenditure on the project can be measured reliably. Capitalised development costs are amortised over the periods the group expects to benefit from selling the products developed. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of goodwill,
- goodwill for which amortisation is not tax deductible,

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Current tax is calculated using rates that have been enacted or substantively enacted at the reporting date.

Foreign currencies

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which it operates ("functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income.

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors. The board reviews the company's internal reporting in order to assess performance. Management has determined the operating segments on these reports.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the company's performance.

Financial assets

The company's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity.

Unless otherwise indicated, the carrying amounts of the company's financial assets are a reasonable approximation of their fair values.

Available-for-sale financial assets

Non-derivative financial assets not included in loans and receivables or cash and cash equivalents are classified as available for sale and comprise principally the company's strategic investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available for sale reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the statement of comprehensive income. Purchases and sales of available for sale financial assets are recognised on the date of the transaction. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the statement of comprehensive income.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being

the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits at call with banks, and other short term highly liquid investments with original maturity of three months or less from inception that are readily convertible to a known amount of cash and are considered to be subject to insignificant risk of changes in value. Bank overdrafts are shown within borrowings as current liabilities.

Financial liabilities

The company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The company does not use derivative financial instruments in economic hedges of currency risk.

Unless otherwise indicated, the carrying amounts of the company's financial liabilities are a reasonable approximation of their fair values. Financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank borrowings and other loans are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Interest is recognised as a finance expense in the statement of comprehensive income.

Fair value is calculated discounting estimated future cash flows using a market rate of interest.

Financial instruments are recognised when the company becomes party to the contractual terms of the instrument and derecognised on expiry of the contractual terms or conditions attaching to the instrument.

Simultaneous issue of shares and warrants

Where shares and warrants are issued simultaneously and the warrants can be transferred, cancelled or redeemed independently of the shares, then the related proceeds are apportioned to the shares and warrants. This apportionment is based upon the fair value of the warrants at the date of issue. The proceeds allocated to the warrants are credited to a warrant reserve. On the exercise of the warrants, the price paid to exercise the warrant is recorded in the share premium account as appropriate.

Extinguishing financial liabilities with shares

When shares are issued to extinguish all or part of a financial liability, they are recognised initially at their fair value at the date of issue. The difference between the carrying amount of the financial liability extinguished and fair value of the shares is recognised as a gain or loss in profit or loss within the statement of comprehensive income.

Share capital

The company's ordinary shares are classified as equity instruments. Share capital includes the nominal value of the shares and any share premium attaching to the shares.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the vesting period.

Share options granted in respect of external services have been measured by reference to the fair value of the service received.

Future accounting developments

New standards, interpretation and amendments effective from 1 January 2014

The following new standards, interpretations and amendments were applicable:

- IFRS 10 Consolidated Financial Statements
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- Improvements to IFRS (2010 – 2012)
- Improvements to IFRS (2011 – 2013)

These standards did not have a material effect on the financial statements.

Standards, amendments and interpretations to published standards not yet effective

The Directors are considering the impact of the following new standards, interpretations and amendments, which are not anticipated to be of significance with the exception of IFRS 15:

Standard/amendment	Effective dates
Amendments to IAS 1	1 January 2016*
Amendments to IFRS 11	1 January 2016*
Amendments to IAS 16 and IAS 38	1 January 2016*
Amendments to IAS 27	1 January 2016*
Improvements to IFRS (2012 – 2014)	1 January 2016*
IFRS 15 Revenue from contracts with customers	1 January 2017*
IFRS 9 Financial Instruments	1 January 2018*

*Not yet endorsed in the EU

2. Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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.

Judgements

Impairment of intangible assets

The company monitors market conditions to assess indications of impairment. When an impairment review is performed the recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The estimated discount rate is to reflect 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. The estimate of future cash flows included in the current forecasts reflects the steps the business has taken to recruit a Managing Director with sector expertise and the development of a strategy to work more closely with licencees to assist them in entering commercial production. Following this important appointment and key change in the way the business operates, the forecasts assume a significant increase in future revenues compared to current levels, based on the expectation that certain licensees will start to generate royalty income from January 2016 onwards and that new licences and royalties can be generated. Actual outcomes are inherently uncertain and may vary, and if the actual future cash flows received were less than assumed in the forecasts, then this will lower the value in use and may result in an impairment. Intangible assets are shown in note 11. An impairment charge of £nil has been made during the year (2013 - £nil). The directors will continue to monitor the carrying value of the intangible assets as the company progresses.

3. Revenue and segment information

The revenue and loss before tax are attributable to the principal activities of the company being the licencing of the intellectual property of the plastic Powder Impression Moulding system to generate licence fees and on-going royalties.

In the opinion of the directors, the only operating segment is the exploitation of the company's intellectual property. Whilst customers may be operating in different economic environments the company operates from the United Kingdom and all business is subject to English law.

All assets are held in the UK.

Reporting of external revenue by location of customer is as follows:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
United Kingdom	8	53
Middle East	29	66
	37	119

Revenue arises from:	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Licence income	-	66
Royalties	37	50
Other	-	3
	37	119

Revenues of £29,000 (2013: £66,000) related to customer A, £nil (2013: £50,000) to customer B and £8,000 (2013: £3,000) to customer C.

4. Loss on operations before interest and finance

Loss on operations is stated after charging:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Depreciation of plant and machinery	10	4
Amortisation of intangible fixed assets	245	245
Provision for trade receivable loan – note 5	-	1,683
Fees payable to the company's auditor in respect of		
- Audit of the Company's annual accounts	26	31
- Interim review	8	8
- Tax services	11	6

5. Impairments

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Provision against trade receivables	-	1,683
	-	1,683

The amounts which became due for payment from 2K Manufacturing at the beginning of July 2013 were not paid. Due to non-payment a full provision of £1.61 million was made against the trade receivable loan at 30 June 2013. A further provision of £0.07 million was made against current receivables. 2K Manufacturing subsequently was placed into administration in November 2013.

6. Particulars of employees

The average number of staff employed by the company during the year amounted to:

	Year ended 31 December 2014 No.	Year ended 31 December 2013 No.
Administrative staff	1	1
Management staff	6	4
	7	5

The aggregate staff costs (including directors) were:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Wages and salaries	152	148
Social security costs	12	15
	164	163

7. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Emoluments receivable	145	141
Amounts paid to third parties in respect of directors' services	57	113
	202	254

Emoluments of the highest paid director were £72,000 (2013: £90,250). See note 17 for details of related party transactions. No contributions were paid on behalf of directors to pension schemes (2013: £nil).

The directors are the key management personnel for the purposes of IAS 24. Their compensation comprised of payroll cost of £145,000 (2013: £141,000) on which social security costs of £12,000 were charged, and fees paid to third party companies controlled by the individual directors of £57,000 (2013: £113,000).

8. Finance costs

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Loan interest	243	109
Finance charges for short-notice loans	1,739	519
Amortisation of finance costs	178	60
Capital reorganisation and open offer costs	-	44
Loss in liabilities settled in shares	-	20
Total finance costs	2,160	752

9. Income tax on loss on operations

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Current tax charge/(credit) for the year	-	-
Adjustment in respect of prior periods	(44)	-
	(44)	-

In 2014, the tax assessed for the period is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Loss before tax from continuing operations:	(3,262)	(3,542)
Loss from continuing operations at the standard rate of corporation tax in the UK of 21.49% (2013: 23%)	(701)	(824)
Effect of:		
Expenses not deductible for tax purposes	33	49
Capital allowances in excess of depreciation	2	1
Tax losses carried forward (net)	666	774
Adjustment in respect of previous periods	(44)	-
Current tax charge/(credit) for the year	(44)	-

10. Earnings per share

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Numerator		
Loss used for calculation of basic and diluted EPS	(3,218)	(3,542)
	Year ended 31 December 2014 number	Year ended 31 December 2013 number
Denominator		
Weighted average number of shares used in basic and diluted EPS	869,563,733	842,184,787

At 31 December 2014, there were 5,550,000 (2013: 5,750,000) of potentially issuable shares which are anti-dilutive; such shares may become dilutive in future periods.

11. Intangible assets

Cost	Licences £'000	Intellectual property £'000	Total £'000
At 1 January 2014	1,250	15,247	16,497
At 31 December 2014	1,250	15,247	16,497
Amortisation			
At 1 January 2014	522	14,220	14,742
Charge for the year	102	143	245
At 31 December 2014	624	14,363	14,987
Net book value			
At 31 December 2014	626	884	1,510
At 31 December 2013	728	1,027	1,755

Cost	Licences £'000	Intellectual property £'000	Total £'000
At 1 January 2013	1,250	15,247	16,497
At 31 December 2013	1,250	15,247	16,497
Amortisation			
At 1 January 2013	420	14,077	14,497
Charge for the year	102	143	245
Impairment	-	-	-
At 31 December 2013	522	14,220	14,742
Net book value			
At 31 December 2013	728	1,027	1,755
At 31 December 2012	830	1,170	2,000

Licence fees are initially recognised at cost and are amortised over their useful economic life of 20 years. At 31 December 2014, the remaining amortisation period is 12 years.

Intellectual property is initially recognised at cost and is amortised over its estimated useful economic life of 20 years aligned to the underlying patents that have been granted. At 31 December 2014, the remaining amortisation period is 6 years.

The directors have performed a detailed impairment review to assess the recorded carrying value of the above assets against the net present value (discounted at an appropriate rate) expected to be generated from licences and royalties in the future. The methodology adopted is explained in note 2.

The directors recognise that historic trading performance does not support the recorded carrying values of intangible assets but are confident the recent changes in the Board and the change in business and operational focus will result in a significant increase in future licence income and royalties. On this basis the directors consider that no impairment to the recorded carrying value of the above assets is required.

12. Plant and Machinery

	Plant & Machinery	Total
Cost	£'000	£'000
At 1 January 2014	18	18
Additions	45	45
At 31 December 2014	63	63
Depreciation		
At 1 January 2014	4	4
Charge for the year	10	10
At 31 December 2014	14	14
Net book value		
At 31 December 2014	49	49
At 31 December 2013	14	14

	Plant & Machinery	Total
Cost	£'000	£'000
At 1 January 2013	9	9
Additions	9	9
At 31 December 2013	18	18
Depreciation		
At 1 January 2013	-	-
Charge for the year	4	4
At 31 December 2013	4	4
Net book value		
At 31 December 2013	14	14
At 31 December 2012	9	9

13. Investments

	Unlisted Shares £'000	Total £'000
Carrying value		
At 1 January 2014	40	40
At 31 December 2014	40	40

	Unlisted Shares £'000	Total £'000
Carrying value		
At 1 January 2013	40	40
At 31 December 2013	40	40

Unlisted shares are carried at cost.

Associated company

The following entity meets the definition of an associate:

Name	Country of incorporation	Proportion of voting rights Held at 31 December 2014
Delta Waste Management Limited	United Kingdom	40%

Delta Waste Management Limited has been accounted for as an associated undertaking. The cumulative profit and loss is not material to the company.

14. Trade and other receivables

	31 December 2014 £'000	31 December 2013 £'000
Current – due within one year		
Trade receivables	-	52
VAT recoverable	15	33
Other debtors and prepayments	66	45
	81	130

	31 December 2014 £'000	31 December 2013 £'000
Current – due within one year		
Trade receivables	29	127
Trade receivables loan	-	150
Provision	(29)	(225)
	-	52

	31 December 2014 £'000	31 December 2013 £'000
Non-current – due over one year		
Trade receivables loan	-	1,458
Provision	-	(1,458)
	-	-

The ageing analysis of receivables past due but not impaired is as follows:

	31 December 2014 £'000	31 December 2013 £'000
Current – due within one year		
3 – 6 months	-	15
6 – 9 months	-	37
	-	52

All receivable balances are in sterling.

The company's main income is from licence and royalty fees. Accrued income and receivables relating to the UK licence holder are regularly reviewed by the board of directors to assess the recoverability of amounts due.

During 2012, accrued income of £1,708,000 was converted into a non interest bearing trade loan repayable over five years. This debt arose from the renegotiation of the licence with 2K Manufacturing. At 30 June 2013, a provision was made of £1,608,000 against this trade receivable due to non-payment of the current outstanding balance due. A further provision of £75,000 was made against current receivables. 2K Manufacturing was placed into administration in November 2013.

15. Trade and other payables – current

	31 December 2014 £'000	31 December 2013 £'000
Trade payables	262	191
Social security and other taxes	4	6
Accruals	131	210
Other payables	1	74
	398	481

Book value is a fair approximation for fair value and debts are due for repayment under normal trading terms.

All trade and other payables fall due for payment within one year.

16. Borrowings

	31 December 2014 £'000	31 December 2013 £'000
Current – due within one year		
Short term borrowings	4,234	1,299
Current borrowings	4,234	1,299
 Long term – due more than one year		
Long term borrowings	1,841	1,841
Total borrowings	6,075	3,140

The carrying value (which is a reasonable approximation to fair value) of borrowings analysed by lender is as follows:

	31 December 2014 £'000	31 December 2013 £'000
Oxford Capital	6,075	3,140
Total borrowings	6,075	3,140

Cash loans advanced during the year totalled £1,159,000 (2013: £500,000). A further £1,911,906 (2013: £578,722) costs were incurred for finance charges for short term loans and arrangement fees. Loans totalling £nil (2013: £nil) were repaid and £nil (2013: £350,000) was converted during the year into Ordinary Shares.

The company has no other borrowing facilities.

On 12 October 2012, the balance of the Company's debt at that date (including all interest and fees) amounting to £1,841,369 was converted into a secured five year loan carrying an interest rate of 2% above Bank of England base rate. The balance of loans outstanding carry interest at 7.5%.

17. Related party transactions

Invoices totalling £63,188 (2013: £47,099) were received from the A H Brooks Partnership for services rendered and recoverable expenses. The partners are K W Brooks and Mrs N Brooks, wife of K W Brooks. The amount outstanding at the year-end was £5,430 (2013: £6,869), which was due to the A H Brooks Partnership.

Aston Hall Limited invoiced £49,524 (2013: £55,542) to the Company in respect of Director's fees and expenses for D C Shepley-Cuthbert who is also a director and controlling party of Aston Hall Limited. The amount outstanding at the year-end was £2,949 (2013: £7,123).

Delta Waste Management Limited invoiced £24,416 (2013: £45,574) to the Company in respect of consultancy fees and expenses for L A Clayton. Expenses outstanding at the year-end were £1,313 (2013: £600). Some of the amounts invoiced were offset against short term-loans made to Delta Waste Management Limited during the year of £4,243 (2013: £19,374) of which £13,794 (2013: £18,037) was outstanding at the year-end and is included in other debtors.

Jeremy Allen Consultancy Services invoiced £15,236 (2013: £nil) in respect of directors fees and expenses for J N Allen. The amount outstanding at the year-end was £3,941 (2013: £nil).

Oakridge Business Services Limited invoiced £4,500 (2013: £15,000) to the Company in respect of Director's fees for R J Baynham. The amount outstanding at the year-end was £nil (2013: £3,750).

18. Share capital

	31 December 2014		31 December 2013	
Authorised share capital:	£'000		£'000	
1,000,000,000 New Ordinary shares of 0.25 pence each	25,000		25,000	
and 1,000,000 Deferred Shares of 2.25 pence				
Allotted, called up and fully paid:	31 December 2014		31 December 2013	
	No.	£'000	No.	£'000
Ordinary share capital brought forward	869,563,733	19,861	786,286,107	19,657
Issue of ordinary shares:				
Issue for cash	-	-	55,466,133	139
Forfeited shares	-	-	(107)	-
Par reduction buyback	-	-	(188,400)	(5)
Settlement of debts	-	-	28,000,000	70
	869,563,733	19,861	869,563,733	19,861

The Deferred Shares do not entitle holders to receive any dividend or other distribution or to attend or vote at any general meeting of the company.

Capital management

The company considers its capital to be the ordinary share capital, share premium, warrant and equity reserves and retained earnings. The company monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the company to meet its working capital and investment needs. In making decisions to adjust its capital structure the company considers not only its short-term position but also its long-term objectives.

Warrants and Options

The following Deed of Warrant Grants were outstanding at 31 December 2014:

Number	Exercise price	Exercisable until
100,000	£0.025	11 September 2015
100,000		

The following options were outstanding at 31 December 2013:

Number	Exercise price	Exercisable until
1,000,000	£0.025	1 January 2015
450,000	£0.48	27 September 2015
4,000,000	£0.025	2 October 2015
5,450,000		

19. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Warrant reserves	Amount representing the fair value of warrants issued with shares
Retained earnings	Cumulative gains and losses through the statement of comprehensive income other than amounts transferred to the available for sale reserve, and amounts transferred directly from the other reserves where required or permitted.
Available-for-sale	Gains and losses arising from changes in fair value of financial assets classified as available-for-sale

20. Financial instruments

Financial instrument risk exposure and management

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- trade and other receivables
- trade receivables loan
- trade and other payables
- borrowings
- listed and unlisted investments

General objectives, policies and processes

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's Finance Director. The Board receives reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

Categories of Financial assets and financial liabilities	31 December 2014 £'000	31 December 2013 £'000
Current financial assets		
Trade receivables	-	52
Other debtors and prepayments	66	45
Cash and cash equivalents	71	178
Financial assets carried at amortised cost	137	275
Total loans and receivables	137	275
Current financial liabilities		
Trade and other payables	398	481
Current portion of borrowings	4,234	1,299
Non-current financial liabilities		
Long term borrowings	1,841	1,841
Financial liabilities at amortised cost	6,473	3,621

The maturity analysis of financial liabilities measured at amortised cost is as follows:

Current financial liabilities

Repayable on demand	398	481
Up to 3 months	-	-
6 to 12 months	4,234	1,299
Over 12 months	1,841	1,841
	6,473	3,621

Credit risk

Credit risk arises principally from the company's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Credit risk also arises from cash and cash equivalents and deposits with banks, where only independently rated parties with a minimum rating of AAA are accepted. The maximum exposure to credit risk at 31 December 2014 was £100,000 (2013: £230,000).

Trade receivables

Credit risk is managed locally by the Directors. Prior to accepting new customers, a credit assessment is made using trade industry knowledge and credit scoring database services as appropriate. Based on this information, payment terms are established and set out in a legal agreement. The Board receives periodic reports analysed by trade receivable balance and ageing profile.

No major renegotiation of terms has taken place during the year. There are no customers with restricted accounts. The credit quality of the year end trade and other receivables is considered to be adequate.

Liquidity Risk

Liquidity risk arises from the company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they fall due and to maintain a standby facility. The Board monitors annual cash budgets against actual cash position on a monthly basis. At the reporting date, these projections indicated that the company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances providing required additional funding is received. See going concern section of note 1 for more details.

Market risk

Market risk arises from the company's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

All current and short term borrowings are at fixed interest rates. Long term borrowings are held at a variable rate of base rate plus 2%. Interest rate exposure is monitored on a monthly basis. The board considers the company has no significant exposure to cashflow interest rate risks.

Currency risk

Foreign exchange risk arises when the company enters into transactions denominated in a currency other than their functional currency. It is the company's policy to convert all non-functional currency to sterling at the first opportunity after allowing for similar functional currency outlays. It does not consider that the use of hedging facilities would significantly minimize this risk. This has not been a material risk in the current or previous period.

Equity risk

The company is affected by conditions in the financial markets through its holdings in equity instruments. Equity risk arises from the exposure of these holdings to changes in prices and volatilities of equity prices. It is the company's policy to review the fair value of the holdings and monitor the volatility of equity prices.

21. Deferred tax

The company has the following unrecognised deferred tax assets:

	2014 £'000	2013 £'000
Decelerated capital allowances	360	355
Trading losses	5,083	4,493
Capital losses	2,458	2,458
	7,901	7,306

The company has unused trading losses of £25,413,000 (2013: £22,140,000) and unused capital losses of £12,292,000 (2013: £12,292,000).

Tax losses carried forward are subject to agreement with HM Revenue and Customs.

22. Share based payments

Environmental Recycling Technologies plc operates an unapproved option scheme for executive directors, senior management and certain employees.

	Weighted average exercise price (pence)	2014 number	Weighted average exercise price (pence)	2013 number
Outstanding at the beginning of the year	9	5,650,000	7	34,311,000
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	72	(200,000)	7	(28,661,000)
	6	5,450,000	9	5,650,000

All share options outstanding at 31 December 2014 had vested and were exercisable. The outstanding options were all due to lapse by 2 October 2015.

The exercise price of options outstanding at the end of the year ranged between 2.5 pence and 48 pence (2013: 2.5 pence and 72 pence) and their weighted average contractual life was 0.16 years (2013: 1.4 years)

Environmental Recycling Technologies plc issues warrants to third parties for the provision of services rendered and the provision of finance.

	2014		2013	
	Weighted average exercise price (pence)	number	Weighted average exercise price (pence)	number
Outstanding at the beginning of the year	2	100,000	7	4,668,185
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	7	(4,568,185)
	2	100,000	2	100,000

All warrants outstanding at 31 December 2014 had vested and were exercisable. The warrants are due to lapse on 11 September 2015.

The exercise price of warrants outstanding at the end of the year was 2.5 pence (2013: 2.5 pence) and their weighted average contractual life was 1.7 years (2013: 1.7 years)

23. Notes supporting the cash flow statement

	2014 £ '000	2013 £ '000
Significant non-cash transactions are as follows:		
<i>Financing activities</i>		
Debt converted into equity (see note 16)	-	350
Accrued finance charges	1,739	519
Provision for trade receivables loan	-	1,683