Phytotech Limited

Annual Report and Financial Statements 2013

Registered number: 02466556

Contents

Phytotech Limited

Directors' report
for the year ended 30 September 2013

The directors of Phytotech Limited (registered in England and Wales: 02466556) present their report together with audited financial statements for the year ended 30 September 2013. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Research and development activities

Research and development expenses were in line with the Board's expectations at £2.79 million, a decrease from £8.13 million in 2012. The Company's research and development expenses over the last three financial years relate to the Company's legacy pharmaceutical programmes, in particular the CONFIDENT-PD clinical trial which completed in February 2013. Research and development expenses incurred since the completion of the CONFIDENT-PD clinical trial relate to residual activities on the Company's research and development programmes.

Review of the business

During the year the Company's parent, IXICO plc (formerly Phytopharm plc) ("IXICO") conducted a strategic review following the disappointing results of the CONFIDENT-PD clinical trial. During this strategic review process, the Company implemented a staff reduction programme and no new research and development commitments have been made. The amount owing to the Company's parent at 30 September 2013 amounting to £69,478,380 was waived by the parent company. This has been classified as exceptional income in the statement of comprehensive income.

Results

The Company's results for the year ended 30 September 2013 are presented on page 4. The Company's net profit after taxation was £66,374,096 (2012: £7,194,748). This profit arose from the waiver of the amount owed to the Company's parent IXICO (see note 4) which has been classified as exceptional income in the statement of comprehensive income. The Company is not yet in a position to pay a dividend and the profit for the year has been added to the accumulated losses in equity.

Directors

The directors of the Company, all of whom have been directors for the whole of the year, unless otherwise stated below, and up to the date of signing the financial statements are as follows:

Prof D Hill	Appointed 14 October 2013
Mr C Spicer	Appointed 14 October 2013
Mr T Sharpington	Resigned 14 October 2013
Mr R Hickling	Resigned 14 October 2013

Directors' indemnities

The Company has in place for the whole of the year, and at the date of signing the financial statements, qualifying third party indemnity insurance for all directors and officers.

Going concern

The Company relies on IXICO plc, its parent company, for continued support. IXICO has formally confirmed that it will continue to support Phytotech Limited for the foreseeable future. At 30 September 2013, IXICO waived the amount due from Phytotech Limited following the results of the CONFIDENT-PD clinical trial. IXICO has confirmed that it will not call in any future intercompany balance between the two companies for a period of at least twelve months from the date of these financial statements being signed.

At 30 September 2013, the Group had cash resources (being cash and cash equivalents and money market investments) of £4,594,853 (2012: £8,887,220). Thus, after making enquiries and taking into account management's estimate of future expenditure and receiving confirmation of ongoing support from its parent company, the directors have a reasonable expectation that the Company will have adequate financial resources to continue in operation for the foreseeable future.

Disclosure of information to auditors

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the directors has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

Prof Derek Hill
Director
20 March 2014

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) 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. 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; and
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

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 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.

By order of the Board

Dr Jane Whitrow
Company Secretary
20 March 2014

Independent auditors' report to the members of Phytotech Limited

We have audited the financial statements of Phytotech Limited for the year ended 30 September 2013 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its profit and cash flows 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 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.

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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.

Simon Ormiston

Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
20 March 2014

Phytotech Limited

Statement of comprehensive income for the year ended 30 September 2013

	Note	2013 £	2012 £
Revenue	2	**10,000**	18,717
Cost of sales		**-**	-
Gross profit		**10,000**	18,717
Other income	3	**-**	77,400
Exceptional income	4	**69,478,380**	-
Net operating expenses	5	**(3,439,273)**	(8,610,100)
Operating profit/(loss)		**66,049,107**	(8,513,983)
Analysed as:			
Operating loss before exceptional income		**(3,429,273)**	(8,513,983)
Exceptional income		**69,478,380**	-
Operating profit / (loss)		**66,049,107**	(8,513,983)
Finance income	6	**2,209**	1,126
Profit/(loss) before taxation	7	**66,051,316**	(8,512,857)
Taxation	8	**322,780**	1,318,109
Profit/(loss) and total comprehensive income/(loss) for the year		**66,374,096**	(7,194,748)

All of the profit/(loss) is attributable to the owners of the parent.

The notes on pages 8 to 24 form part of these financial statements.

Phytotech Limited

Statement of financial position as at 30 September 2013

	Note	2013 £	2012 £
Assets			
Property, plant and equipment	9	**36,283**	62,284
Investments	10	**286**	286
Non-current assets		**36,569**	62,570
Trade and other receivables	11	**122,130**	259,491
Current tax receivable		**322,780**	1,318,109
Money market investments	12	**102,517**	100,507
Cash and cash equivalents	13	**73,865**	159,045
Current assets		**621,292**	1,837,152
Total assets		**657,861**	1,899,722
Liabilities and equity			
Trade and other payables	14	**879,997**	2,165,955
Total current liabilities		**879,997**	2,165,955
Non-current borrowings	15	**-**	66,316,952
Non-current liabilities		**-**	66,316,952
Deficit attributable to owners of the parent			
Ordinary shares	17	**1,715**	1,715
Share premium		**295,567**	295,567
Accumulated losses		**(519,418)**	(66,880,467)
Total deficit		**(222,136)**	(66,583,185)
Total liabilities and deficit		**657,861**	1,899,722

The notes on pages 8 to 24 form part of these financial statements.

The financial statements comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes were approved by the Board and were signed on its behalf by:

Prof Derek Hill
Director
20 March 2014

Phytotech Limited
Registered number: 02466556

Statement of changes in equity for the year ended 30 September 2013

	Ordinary shares	Share premium	Accumulated losses	Total
	£	£	£	£
Balance at 1 October 2011	**1,715**	**295,567**	**(59,861,802)**	**(59,564,520)**
Comprehensive income				
Loss for the year and total comprehensive losses	-	-	(7,194,748)	**(7,194,748)**
	-	-	(7,194,748)	**(7,194,748)**
Transactions with owners:				
Credit in respect of share options	-	-	176,083	**176,083**
Transactions with owners	**-**	**-**	**176,083**	**176,083**
Balance at 30 September 2012 and at 1 October 2012	**1,715**	**295,567**	**(66,880,467)**	**(66,583,185)**
Comprehensive income				
Profit for the year and total comprehensive income	-	-	66,374,096	**66,374,096**
			66,374,096	**66,374,096**
Transactions with owners:				
Share option charge	-	-	(13,047)	**(13,047)**
Transactions with owners	**-**	**-**	**(13,047)**	**(13,047**
Balance at 30 September 2013	**1,715**	**295,567**	**(519,418)**	**(222,136)**

The notes on pages 8 to 24 form part of these financial statements.

Statement of cash flows
for the year ended 30 September 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Profit/(loss) for the year		**66,374,096**	(7,194,748)
Finance income	6	**(2,209)**	(1,126)
Taxation		**(322,780)**	(1,318,109)
Depreciation	9	**26,671**	26,905
Loss on disposal of property, plant and equipment		**740**	383
Waiver of loan from parent company		**(69,478,380)**	
Impairment of investment in shares of IXICO plc		**15,762**	
Share option (credit)/charge		**(13,047)**	176,083
		(3,399,147)	(8,310,612)
Changes in working capital			
Decrease in trade and other receivables		**123,340**	17,433
Decrease in trade and other payables		**(1,285,958)**	(380,318)
Cash used in operations		**(4,561,765)**	(8,673,497)
Taxation received		**1,318,109**	479,229
Net cash used in operating activities		**(3,243,656)**	(8,194,268)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(1,410)**	(5,926)
Interest received		**2,218**	1,393
Net cash generated from/(used in) investing activities		**808**	(4,533)
Cash flows from financing activities			
Cash received from parent company		**3,161,428**	8,065,784
Investment in shares of IXICO plc		**(1,750)**	(4,171)
Movement in money market investments		**(2,010)**	(100,507)
Net cash generated from financing activities		**3,157,668**	7,961,106
Movements in cash and cash equivalents during the year		**(85,180)**	(237,695)
Cash and cash equivalents at the beginning of the year		**159,045**	396,740
Cash and cash equivalents at the end of the year		**73,865**	159,045
Money market investments at the end of the year		**102,517**	100,507
Total cash, cash equivalents and money market investments		**176,382**	259,552

The notes on pages 8 to 24 form part of these financial statements.

1 Accounting policies and basis of preparation

Principal accounting policies

Phytotech Limited is a limited company incorporated in England and Wales and domiciled in the UK. The address of its registered office is The London Bioscience Innovation Centre, 2 Royal College Street, Greater London NW1 0NH.

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

Basis of preparation

The Company has taken advantage of the provisions of Section 400 Companies Act 2006 not to prepare consolidated financial statements since it is a wholly owned subsidiary of an undertaking registered in England and Wales. The results, assets and liabilities of the Company's subsidiary undertaking are included in the consolidated financial statements of the Company's parent undertaking, IXICO plc.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, IFRS Interpretations Committee interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in "critical accounting judgements" below. These financial statements have been prepared on a historical cost basis.

Going concern

The Company relies on IXICO plc, its parent company, for continued support. IXICO has formally confirmed that it will continue to support Phytotech Limited for the foreseeable future and that it will not call in any future intercompany balance between the two companies for a period of at least twelve months from the date of these financial statements being signed.

At 30 September 2013, the Group had cash resources (being cash and cash equivalents and money market investments) of £4,594,854 (2012: £8,887,220). Thus, after making enquiries and taking into account management's estimate of future expenditure and receiving confirmation of ongoing support from its parent company, the directors have a reasonable expectation that the Company will have adequate financial resources to continue in operation for the foreseeable future.

Accounting developments

Current financial year

There are no IFRSs or IFRS Interpretations Committee interpretations that are effective for the first time for the financial year beginning on or after 1 October 2012 that have had a material impact on the Company.

Future financial years

There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company.

Critical accounting judgements

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The main accounting judgement relates to the determination of the period over which research and development costs are recognised.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Research and development costs relating to clinical trials are recognised over the period of the clinical trial based on information provided by clinical research organisations. All other expenditure on research and development is recognised as the work is completed. During the year the pharmaceutical research and development expenditure was substantially curtailed.

1 Accounting policies and basis of preparation (continued)

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Amounts received or receivable in respect of research and development contracts, collaborative research agreements, licence fees or milestone payments are recognised as revenue when the licence rights are granted or the specific conditions stipulated in the agreements have been satisfied and provided that there are no future obligations. These amounts are shown gross of any withholding tax.

Other income

Other income, which excludes value added tax, represents amounts received or receivable from charitable organisations as grant income.

Research and development expenditure

All research and development costs, whether funded by third parties under licence and development agreements or not, are included within operating expenses and classified as research and development costs. Research and development costs relating to clinical trials are recognised over the period of the clinical trial based on information provided by clinical research organisations. All other expenditure on research and development is recognised as the work is completed.

All ongoing development expenditure is currently expensed in the year in which it is incurred. Due to the regulatory and other uncertainties inherent in the development of the Company's programmes, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38, 'Intangible assets', are not met until the product has been submitted for regulatory approval, such approval has been received and it is probable that future economic benefits will flow to the Company. The Company does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

Share-based payments

The Company makes equity-settled share-based payments to its employees and Directors over share options in IXICO plc, its parent company. Equity-settled share-based payments are measured at fair value at the date of grant and are expensed on a straight line basis over the vesting period of the award. At each statement of financial position date, the Company revises its estimate of the number of options that are expected to become exercisable. The share-based payment charge is allocated to research and development expenses and administrative expenses on the basis of staff numbers, with a corresponding adjustment to equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest.

Share options cancelled during the year create a charge to the statement of comprehensive income equal to the remaining fair value not already charged at the point of cancellation. Share options forfeited during the year create a credit to the statement of comprehensive income equal to a reversal of the cost of the award already recognised at the point of forfeiture.

Employee benefits

All employee benefit costs, notably holiday pay and contributions to Company or personal defined contribution plans, are charged to the statement of comprehensive income as they are incurred. The Company reviews the amounts expensed at each statement of financial position date and any resulting adjustments are made to the statement of comprehensive income. The Company operates a defined contribution pension scheme. The assets of this scheme are held separately from those of the Company in independently administered funds. The Company does not offer any other post-retirement benefits.

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: i) when the Company can no longer withdraw the offer of those benefits, and ii) when the Company recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Operating leases

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Property, plant and equipment

Property, plant and equipment is stated at historic purchase cost less accumulated depreciation. The cost of property, plant and equipment is its purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, on a straight line basis over the expected useful economic lives of the assets concerned.

1 Accounting policies and basis of preparation (continued)

Property, plant and equipment (continued)

The principal rates used for this purpose are:

Plant and machinery	20%
Computer equipment	33%
Fixtures and fittings	20%

Leasehold improvements are depreciated over the shorter of the lease term and the asset's useful economic life.

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each statement of financial position date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

Impairment of assets

Non-current assets are reviewed for impairment both annually and when there is an indication that an asset may be impaired (when events or changes in circumstances indicate that carrying value may not be recoverable). An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Non-financial assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Investments in subsidiary

Investments in subsidiary undertakings are carried at cost less any impairment provision. Such investments are subject to an annual impairment review and any impairment is charged to the statement of comprehensive income.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the statement of comprehensive income.

Current tax

Current tax represents UK tax recoverable and is provided at amounts expected to be recovered using the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Money market investments

Money market investments have fixed maturities that the Company's management intend to hold to maturity or a notice period exceeding three months. These investments include short-term investments with an original maturity date of more than three months.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities at inception of 90 days or less.

Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling (£), which is the Company's functional currency.

Transactions denominated in foreign currencies are translated into sterling at actual rates of exchange ruling at the date of transaction. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All foreign currency exchange differences are taken to the statement of comprehensive income in the year in which they arise.

1 Accounting policies and basis of preparation (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital and share premium

Equity instruments issued by the Company are recorded at the proceeds received. The nominal value of the equity instruments are recognised as share capital with the remaining consideration, net of direct issue costs, recognised as share premium.

Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of any operating segment, and has been identified as the executive directors of the Company who make strategic decisions.

Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements in accordance with IAS 12, 'Income taxes'. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available in future years to utilise the temporary difference.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2 Business and geographical segments

The Company's development and other functions operating across all the Company's research programmes, are managed centrally and are reported internally as a single business. This also applies to the Company's marketed products. The chief operating decision maker has been identified as the executive directors of Phytotech Limited. The executive directors review the Company's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. Accordingly, the directors consider that there is only one reporting segment.

All non-current assets are located in the United Kingdom. The Company is domiciled in the UK with all revenue originating in the UK. The revenue analysis in the table below is based on the country of registration of the fee paying party:

	2013	2012
Revenue	**£**	£
Europe	**10,000**	17,474
Asia	-	1,243
	10,000	18,717

An analysis of revenue by customer is set out in the table below:

	2013	2012
	£	£
Customer A	**10,000**	-
Customer B	-	17,474
Customer C	-	1,243
	10,000	18,717

3 Other income

	2013 £	2012 £
Grant income	-	77,400
	-	77,400

4 Exceptional income

Following the completion of the Group's strategic review during the year, the amount owing to the parent at 30 September 2013 amounting to £69,478,380 has been waived by the parent company. There was no tax impact of the exceptional income on the tax credit for the year. There was no exceptional income in the year ended 30 September 2012.

5 Net operating expenses

	2013 £	2012 £
Research and development	**2,786,531**	8,130,154
Administrative expenses	**1,418,635**	1,009,717
Other operating income	**(765,893)**	(529,771)
	3,439,273	8,610,100

Other operating income relates wholly to recharges of certain staff costs to the ultimate parent company.

6 Finance income

	2013 £	2012 £
Interest on cash and cash equivalents	**189**	-
Interest on money market investments	**2,020**	1,126
	2,209	1,126

7 Operating profit/(loss)

Operating profit/(loss) is the result for the Company before interest and taxation and is stated after (crediting)/ charging:

	2013	2012
	£	£
Waiver of loan from parent company	**(69,478,380)**	-
Impairment of investment in shares of IXICO plc	**15,762**	-
Depreciation charge for the year	**26,671**	26,905
Loss on disposal of property, plant and equipment	**740**	383
Fees payable to the Company's auditors and associates for the audit of the Company's annual financial statements	**11,100**	10,860
Foreign exchange loss/(gain)	**17,559**	(84,609)
Operating lease charges	**82,107**	81,224

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, for services other than the statutory audit of the Company are not disclosed in Phytotech Limited's financial statements as the consolidated financial statements of the ultimate parent, IXICO plc, are required to disclose fees for other services on a consolidated basis.

8 Taxation

	2013	2012
	£	£
Current tax:		
UK corporation tax:		
Current UK corporation tax credit on loss for the year	**322,780**	1,318,109

No liability to UK corporation tax arose during the year due to the loss incurred (2012: £nil). At 30 September 2013, there were tax losses available for carry forward in excess of £50,800,000 (2012: £50,395,000) subject to approval by HM Revenue and Customs.

The Company has taken advantage of the research and development corporation tax credits introduced in the Finance Act 2000 whereby a company may surrender corporation tax losses incurred on research and development expenditure for a corporation tax refund at the rate of 11%. See note 16 for factors affecting the current and future tax.

The tax credit for the year is lower (2012: higher) than the standard rate for research and development tax credits and the differences are reconciled below:

	2013	2012
	£	£
Profit/(loss) before taxation	**66,051,316**	(8,512,857)
Profit/(loss) before taxation multiplied by the standard rate for research and development tax credits at 11.00% (2012: 11.75%)	**7,265,645**	(1,000,261)
Effect of:		
Difference between depreciation and capital allowances	**336**	2,510
Expenses not deductible for tax purposes	**8,869**	725
Income not taxable	**(7,640,888)**	-
Effect of share option charge	**-**	19,738
Enhanced research and development expenditure	**(189,750)**	(687,994)
Carried forward losses	**233,008**	347,173
Tax credit for the year	**(322,780)**	(1,318,109)

9 Property, plant and equipment

	Leasehold improvements	Computer equipment	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At 1 October 2012	37,072	235,851	12,292	84,666	369,881
Additions	850	560	-	-	1,410
Disposals	-	(39,510)	(2,888)	-	(42,398)
At 30 September 2013	**37,922**	**196,901**	**9,404**	**84,666**	**328,893**
Accumulated depreciation					
At 1 October 2012	16,543	214,610	8,465	67,979	307,597
Charge for year	7,695	11,420	1,182	6,374	26,671
Disposals	-	(38,770)	(2,888)	-	(41,658)
At 30 September 2013	**24,238**	**187,260**	**6,759**	**74,353**	**292,610**
Net book value					
At 30 September 2013	**13,684**	**9,641**	**2,645**	**10,313**	**36,283**
At 30 September 2012	20,529	21,241	3,827	16,687	62,284

	Leasehold improvements	Computer equipment	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At 1 October 2011	37,072	234,212	12,780	84,666	368,730
Additions	-	5,543	383	-	5,926
Disposals	-	(3,904)	(871)	-	(4,775)
At 30 September 2012	**37,072**	**235,851**	**12,292**	**84,666**	**369,881**
Accumulated depreciation					
At 1 October 2011	9,129	207,817	7,847	60,291	285,084
Charge for year	7,414	10,570	1,233	7,688	26,905
Disposals	-	(3,777)	(615)	-	(4,392)
At 30 September 2012	**16,543**	**214,610**	**8,465**	**67,979**	**307,597**
Net book value					
At 30 September 2012	**20,529**	**21,241**	**3,827**	**16,687**	**62,284**
At 30 September 2011	27,943	26,395	4,933	24,375	83,646

10 Investments

	£
At 1 October 2011, 30 September 2012 and 30 September 2013	**286**

Name of undertaking	Country of incorporation	Description of shares held	Proportion of voting rights and nominal value of issued shares held
Phytodevelopments Limited (dormant)	England and Wales	Ordinary £1 shares	100%

11 Trade and other receivables

The fair value of trade and other receivables are their current book values.

	2013	2012
	£	£
Trade receivables	**10,000**	-
Amounts owed by Group undertaking	**1,900**	15,912
Other receivables	**10,406**	101,121
Prepayments and accrued income	**99,824**	142,458
	122,130	259,491

As of 30 September 2013, all trade receivables were fully performing and aged less than six months from their due date. These related to an independent customer for whom there was no recent history of default.

The carrying amounts of the Company's trade receivables are denominated in sterling.

12 Money market investments

	2013	2012
	£	£
Money market investments	**102,517**	100,507

These represent deposits placed with a notice period exceeding three months. The fair value of money market investments approximates their carrying value.

13 Cash and cash equivalents

	2013	2012
	£	£
Cash and cash equivalents	**73,865**	159,045

The Company holds its excess cash and cash equivalents in floating interest accounts. At 30 September 2013 and 30 September 2012 these did not exceed three months in duration. The fair value of cash and cash equivalents approximates their carrying value.

14 Trade and other payables

The fair value of trade and other payables approximate their current book values.

	2013	2012
	£	£
Trade payables	**11,057**	523,933
Taxation and social security	**26,161**	38,921
Other payables	**7,964**	11,541
Accrued expenses	**834,815**	1,591,560
	879,997	2,165,955

15 Non-current borrowings

	2013	2012
	£	£
Amounts owed to parent and fellow subsidiary undertakings	**-**	66,316,952

See note 4 for details of the movement in the amounts owed to parent and fellow subsidiary undertakings. In the prior year there was no formal schedule of repayment for the amounts owed to parent and fellow subsidiary undertakings and there was no requirement for the amounts to be repaid within one year. These amounts were non-interest bearing and unsecured.

16 Deferred taxation (unrecognised)

The Company has the potential deferred tax asset shown below, which is not recognised due to the uncertainty as to the extent and timing of its future utilisation, subject to agreement with HM Revenue and Customs.

	2013	2012
	£	£
Tax effect of timing differences:		
Depreciation in excess of tax allowances	**206,590**	253,966
Accumulated losses	**10,166,782**	11,337,095
	10,373,372	11,591,061

A number of changes to the UK Corporation Tax system were announced in the March 2012 Budget statement. Certain of these changes, including the reduction in the main rate of corporation tax to 23% from 1 April 2013, were substantively enacted in the Finance Act 2012 in July 2012.

Further changes to the UK Corporation Tax system were substantively enacted as part of the Finance Bill 2013 in July 2013. These include reductions to the main rate of corporation tax to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. As these changes were enacted at the Statement of Financial Position date, the unrecognised deferred tax asset has been calculated at a rate of 20%.

17 Ordinary shares and share premium

	Ordinary shares of 1 pence each		Share premium
	Number	£	£
At 1 October 2011, 30 September 2012 and 30 September 2013	**17,150**	**1,715**	**295,567**

The Company does not have an authorised share capital as provided by the Companies Act 2006.

18 Share-based payments

Potential issues of shares

As at 30 September 2013, certain directors and employees of the Company held options to subscribe for shares in the parent company, IXICO. The number of shares subject to options at 30 September 2013, the periods in which they were granted and the period in which they may be exercised are given below. All of the awards were granted for nil consideration.

On 4 September 2013, IXICO effected a share capital consolidation on the basis of 1 consolidated ordinary share for every 50 existing ordinary shares. The following information, including the comparative year, relating to share based payments has been restated, where appropriate, to reflect the share capital consolidation.

Date granted	Exercise price	Exercisable from	Exercisable to	Currently vested 2013	Currently exercisable 2013	Number outstanding 2013	Number outstanding 2012 (re-stated)
IXICO Share Option Plan 2007 (note 1)							
11/03/2009	£2.0650	11/03/2012	10/03/2019	255	255	255	2,318
20/01/2010	£5.5000	20/01/2013	19/01/2020	-	-	-	18,907
21/07/2010	£3.8150	21/07/2013	20/07/2020	-	-	-	62,647
17/12/2010	£3.6750	17/12/2013	16/12/2020	-	-	-	34,980
24/11/2011	£3.2625	24/11/2014	23/11/2021	-	-	-	71,978
21/07/2010	£3.8150	21/07/2013	20/07/2020	-	-	-	41,355
17/12/2010	£3.6750	17/12/2013	16/12/2020	-	-	-	27,115
24/11/2011	£3.2625	24/11/2014	23/11/2021	-	-	-	32,056
				255	255	255	291,356
IXICO Directors' Reward Plan 2010 (note 2)							
31/03/2010	£5.6250	31/03/2013	30/03/2018	-	-	-	17,266
				-	-	-	17,266

Notes

1 All options under the IXICO Share Option Plan 2007 (formerly the Phytopharm Share Option Plan 2007) were forfeited during the year, save for 255 vested options.

2 All share options under the IXICO Directors Reward Plan 2010 (formerly the Phytopharm Directors Reward Plan 2010) were cancelled during the year.

Exercise of an option

Exercise of an option is subject to continued employment or being a good leaver.

Option valuations

The fair value per option granted and the assumptions used on the calculation for options granted since 11 March 2009 are set out in the table below. Options were valued using a stochastic model (also known as a Monte Carlo model).

18 Share-based payments (continued)

Option valuations (continued)

Award	Grant date	Exercise price	Number of shares outstanding 2013	Number of shares outstanding 2012 (re-stated)	Fair value per option at grant date
Share Option Plan 2007	11/03/2009	£2.0650	255	2,318	£1.115
Share Option Plan 2007	20/01/2010	£5.5000	-	18,907	£2.870
Share Option Plan 2007	21/07/2010	£3.8150	-	62,647	£2.020
Share Option Plan 2007	21/07/2010	£3.8150	-	41,355	£2.020
Share Option Plan 2007	17/12/2010	£3.6750	-	34,980	£2.010
Share Option Plan 2007	17/12/2010	£3.6750	-	27,115	£2.010
Share Option Plan 2007	24/11/2011	£3.2625	-	104,034	£1.495
Directors' Reward Plan 2010	31/03/2010	£5.6250	-	17,266	£3.330
			255	308,622	

The fair values of the share options granted but not vested as at 30 September 2013 were calculated using the following assumptions:

Award	Grant date	Expected term (note(a))	Expected dividend yield (note(b)) %	Risk-free rate (note (c)) %	Expected volatility (note (d)) %	Performance condition (note)
Share Option Plan 2007	11/03/2009	6.00 years	-	2.3	72.4	1
Share Option Plan 2007	20/01/2010	5.90 years	-	3.2	70.5	1
Share Option Plan 2007	21/07/2010	6.77 years	-	2.3	70.4	1
Share Option Plan 2007	17/12/2010	5.00 years	-	2.5	74.7	1
Share Option Plan 2007	24/11/2011	5.00 years	-	1.2	63.4	1
Share Option Plan 2007	21/07/2010	6.77 years	-	2.3	70.4	2
Share Option Plan 2007	17/12/2010	5.00 years	-	2.5	74.7	2
Share Option Plan 2007	24/11/2011	5.00 years	-	1.2	63.4	2
Directors' Reward Plan 2010	31/03/2010	5.91 years	-	2.7	73.7	3

Notes to performance conditions

1 These options vest on the third anniversary of the date of grant and have been granted under the IXICO Share Option Plan 2007: Enterprise Management Incentive Scheme. The number of options exercisable is determined by IXICO plc's TSR compared to the constituents of the FTSE Small Cap Index. The value of options (at date of grant) will be exercisable if IXICO plc's TSR in the relevant ranking group is above the median.

2 These options vest on the third anniversary of the date of grant and have been granted under the IXICO Share Option Plan 2007: Unapproved Scheme. The number of options exercisable is determined by IXICO plc's TSR compared to the constituents of the FTSE Small Cap Index. The value of options (at date of grant) will be exercisable if IXICO plc's TSR in the relevant ranking group is above the median.

3 These options vest on the third anniversary of the date of grant and have been granted under the IXICO Directors' Reward Plan 2010. There are no performance conditions attached to the exercise of these options.

Notes to assumptions

(a) Expected term

For options granted up to 21 July 2010

i) 40% of participants exercise after three years if a gain of 40% is available. If this gain is not available, these individuals hold on to their shares until such a gain can be made;

ii) 25% of the remainder exercise from the third anniversary onwards using a reducing balance methodology, providing that a gain of 20% is available. If this gain is not available, these individuals refrain from exercising until such a gain can be made;

iii) 15% of the total participants are "good leavers". A good leaver is an employee who ceases to be an employee due to redundancy, or other circumstances outside their control;

iv) 5% of the participants exercise per annum on a reducing balance methodology, providing that the options are "in the money" (irrespective of the level of gain) to allow for leavers in these years;

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Notes to the financial statements

18 Share-based payments (continued)

Notes to assumptions (continued)

v) any remaining options are exercised at maturity providing that they are "in the money" (i.e. the share option price is less than the market price). Any awards that are "underwater" (i.e. the share option price is greater than the market price) therefore lapse at maturity; and

vi) all exercises are dependent on the performance condition being met.

For options granted after 21 July 2010

A fixed term of five years is assumed (being almost halfway through the exercise window). The exercise profile has been simplified as calculations indicated that the difference in values is small and this alternative approach allows better modelling of the actual TSR performance condition and to use actual company data rather than assuming a hypothetical company performance.

(b) Expected dividend yield

The dividend yield of 0% reflects the absence of a history of paying dividends and a clear dividend policy statement at the relevant grant dates.

(c) Risk-free interest rate

UK Gilt rates prevalent on the date of grant with a period commensurate with the term of the award.

(d) Expected volatility

Expected volatility is the measurement of the amount by which a share price is expected to fluctuate during a period. The expected volatility has been calculated using the standard approach of calculating the standard deviation of the natural logarithm of historical share price movements. Certain periods where there has been inactivity followed by substantial increases in price and volume have been excluded from this calculation due to specific events creating a volatility that would not be representative of the potential future volatility.

A reconciliation of share option scheme movements is set out below:

	2013		2012	
	Number	**Weighted average exercise price**	Number (re-stated)	Weighted average exercise price (re-stated)
At 1 October	**308,622**	**£4.15**	210,062	£4.50
Granted	**-**		104,023	£3.50
Exercised	**-**		(1,995)	£3.00
Lapsed	**(122,909)**	**£4.07**	(3,468)	£6.50
Forfeited	**(168,192)**	**£4.06**	-	-
Cancelled	**(17,266)**	**£5.63**	-	-
At 30 September	**255**	**£2.07**	308,622	£4.15

No share options were exercised during the year and the weighted average mid-market share price for options exercised during the year ended 30 September 2012 was £6.00 per share (re-stated).

The following tables summarise the information about the range of exercise prices for share options outstanding at 30 September 2013 and 30 September 2012:

	2013			2012		
	Weighted average exercise price	**Number of shares**	**Weighted average remaining contractual years**	Weighted average exercise price (re-stated)	Number of shares (re-stated)	Weighted average remaining contractual years
£2.00 to £4.00	**£2.07**	**255**	**6**	£3.56	272,449	8.37
£5.00 to £6.00	**-**	**-**	**-**	£5.56	36,173	5.61

The total (credit)/charge for the year relating to employee share based payments plans for continuing operations is disclosed in note 20 (employees), all of which related to the above equity-based transactions.

19 Directors' emoluments

	2013	2012
	£	£
Aggregate emoluments	**194,679**	219,165
Contributions to money purchase pension schemes	**22,938**	20,965
	217,617	240,130

Two of the executive directors (2012: two) had retirement benefits accruing to them from money purchase pension schemes in respect of qualifying services.

Following the results of the CONFIDENT-PD clinical trial and the consequential restructuring of the business, the contracts with the former directors were terminated. Compensation receivable by the two former directors for loss of office included as an accrual in these financial statements amounts to £227,713.

Highest paid director

	2013	2012
	£	£
Aggregate emoluments	**117,376**	122,181
Contributions to money purchase pension schemes	**13,766**	12,966
	131,142	135,147

20 Employees

The average monthly number of persons (including executive directors) employed during the year was:

	2013	2012
	Number	Number
Research and development	**5**	10
Administration	**4**	4
	9	14

As at 30 September 2013, the Company employed a total of 5 permanent staff (2012: 13) in continuing operations.

Staff costs in respect of these employees, including amounts payable in respect of compensation for loss of office accrued in these financial statements, were:

	2013	2012
	£	£
Staff costs (for the above persons):		
Wages and salaries	**865,826**	727,272
Social security costs	**58,691**	91,738
Other pension costs	**71,526**	54,726
Share option (credit)/charge	**(13,047)**	176,083
	982,996	1,049,819

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost represents contributions paid and payable by the Company to the funds and amounted to £71,526 (2012: £54,726). The amounts outstanding in respect of pensions are £34,243 (2012: £11,541).

20 Employees (continued)

Key management compensation

	2013	2012
	£	£
Short-term employee benefits	**402,278**	495,262
Post employment benefits	**30,172**	31,106
Termination benefits (including pension benefit)	**347,373**	-
Share based payments	**(13,748)**	108,406
	766,075	634,774

The key management includes executive directors, non-executive directors and senior management who have the responsibility for planning, directing and controlling, directly or indirectly, the activities of the Company.

21 Financial commitments

At 30 September 2013 there were the following commitments under non-cancellable operating leases:

	2013	2012
	Land and buildings	Land and buildings
	£	£
Within one year	**85,639**	82,107
Between two and five years inclusive	**66,215**	151,854
	151,854	233,961

The Company has no purchase obligations in respect of its sub-contracted research and development activities as at 30 September 2013 (2012: £3,010,855).

22 Related party transactions

IXICO plc, the ultimate parent of the Company, provides the Company with cash funding for its research and development activities. Following the parent company's strategic review completed during the year, the amount owed to the parent totalling £69,478,380 was waived by the parent company and the investment of £15,762 made by the Company in shares of its parent was impaired to £nil.

No interest is repayable on the outstanding payable of £nil as at 30 September 2013 (2012: £66,316,952). See note 4 for further details.

The Company charged IXICO plc £765,893 (2012: £529,771) in respect of management services provided to the parent company.

23 Ultimate parent undertaking

The directors regard IXICO as the immediate and ultimate parent Company and controlling party. IXICO is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Group consolidated financial statements may be obtained from The Company Secretary, IXICO, The London Bioscience Centre, 2 Royal College Street, Greater London, NW1 0NH England.

24 Financial risk management

The main risks arising from the Company's financial instruments are cash flow and liquidity, interest rate foreign currency and credit risk.

The Company's financial instruments comprise primarily cash and liquid resources and various items such as trade receivables and trade payables, which arise directly from its operations.

The Company's ongoing objectives in using financial instruments are to maximise the returns on funds held on deposit, while investing only with institutions with high credit ratings, to minimise exchange rate risk where appropriate, and to generate additional cash resources through the issue of shares when market conditions are appropriate. In addition, the Company has from time to time conserved cash resources by entering into financing arrangements for the acquisition of major capital assets.

24 Financial risk management (continued)

The statement of financial position positions at 30 September 2013 and 30 September 2012 are not representative of the positions throughout the years as cash and money market investments fluctuate according to the timing of receipts from the Company's parent to fund research and development programmes and subsequent payments to suppliers. Cash and cash equivalents are invested with a range of financial institutions for a period of 90 days or less. Money market investments represent fixed-rate, short-term deposits placed with similar institutions with a maturity date of more than three months.

Cash flow and liquidity risk

The Company is a research and development based pharmaceutical company which is not yet a sustainable business. Its pharmaceutical development activities are currently suspended, and the directors have not yet decided how and when to restart its research and development activities. Following the re-commencement of research and development activities, the Company expects to incur further losses as future expenditure may exceed its anticipated receipts in the near term.

The Company is financed by intercompany borrowings from its parent entity IXICO plc. Liquidity risk is therefore managed at a Group level. The Group policy regarding cash flow risk can be found in the IXICO plc Annual Report.

The table below analyses the Company's financial assets and liabilities:

	2013	2012
	Loans and receivables	Loan and receivables
Assets as per statement of financial position	**£**	£
Trade and other receivables excluding prepayments	**15,912**	82,506
Money market investments	**102,517**	100,507
Cash and cash equivalents	**73,865**	159,045
	192,294	342,058

	2013	2012
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Liabilities as per statement of financial position	**£**	£
Trade and other payables excluding statutory liabilities	**853,836**	2,127,034
Non-current borrowings	**-**	66,316,952
	853,836	68,443,986

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity value. The amounts disclosed in the table are the contractual undiscounted total cash flows.

	Less than 3 months	More than 12 months
As at 30 September 2013	**£**	£
Liabilities as per statement of financial position		
Trade and other payables excluding statutory liabilities	**853,836**	-

	Less than 3 months	More than 12 months
As at 30 September 2012	£	£
Liabilities as per statement of financial position		
Trade and other payables excluding statutory liabilities	2,127,034	-
Non-current borrowings	-	66,316,952
	2,127,034	66,316,952

24 Financial risk management (continued)

Interest rate risk

The Company holds all cash and cash equivalents in sterling, US dollar, euro, Canadian dollar, Czech koruna, Chinese yuan and Polish zloty accounts. Interest rates on current accounts are floating and are based on London Interbank Bid Rate ("LIBID"), while interest rates on term deposits are fixed for the duration of the deposit.

The Company does not have any committed borrowing facilities. Consequently, there is no material exposure to interest rate risk in respect of financial liabilities.

Interest rate sensitivity analysis

If interest rates had been 1% higher or lower in 2013 the increase/decrease in finance income and equity arising from money market investments would have been £1,025 (2012: £542). A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates when evaluating interest rate risk.

The interest rate profile of the Company's financial assets is:

	2013		2012	
	Fixed	**Floating**	Fixed	Floating
	£	**£**	£	£
Sterling cash and cash equivalents	-	**56,793**	-	132,795
US dollar cash and cash equivalents	-	**9,224**	-	13,717
Euro cash and cash equivalents	-	**7,750**	-	12,303
Canadian dollar cash and cash equivalents	-	**6**	-	6
Czech koruna cash and cash equivalents	-	**3**	-	3
Chinese yuan renminbi cash and cash equivalents	-	**83**	-	215
Polish zloty cash and cash equivalents	-	**6**	-	6
Sterling money market investments	**102,517**	-	100,507	-
	102,517	**73,865**	100,507	159,045

The weighted average interest rate of the Company's cash and cash equivalents at 30 September 2013 was 0.22% (2012: 0.14%).

The weighted average interest rate of the Company's money market investments at 30 September 2013 was 1.99% (2012: 1.99%).

Foreign currency risk

The Company's functional currency is sterling. Where possible the Company maintains natural hedges by matching foreign currency income with foreign currency expenditure. The Company incurs expenditure in foreign currency relating principally to clinical trials which may exceed any revenues in foreign currencies. To the extent that income and expenditure in foreign currencies are not matched, fluctuations in exchange rates between sterling and foreign currencies, principally euro and US dollar, may result in realised or unrealised foreign exchange gains and losses.

Where there is certainty of the amount and timing of expenditure of foreign currencies, the Company may purchase financial instruments to minimise any foreign exchange gains or losses. Where the timing and/or the amount to be received is uncertain, risk management is more difficult and the Company will use financial instruments wherever possible. To the extent that financial instruments are not utilised, any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities.

Foreign currency sensitivity analysis

The Company had an exposure to the sterling/euro and sterling/US dollar exchange rates due to the need to fund expenditure denominated in euros and US dollars. Had sterling been 10% weaker/stronger in relation to the euro, the profit and change in equity in 2013 would have been increased by £49,000 (2012: £136,000) and had sterling been 10% weaker/stronger in relation to the US dollar, the profit and change in equity in 2013 would have increased by £21,000 (2012: £52,000). 10% represents management's assessment of a reasonably possible change in foreign exchange rates.

Fair value of financial assets and liabilities

There is no material difference between the fair value and the carrying values of the financial instruments referred on page 22, because of the short maturity period of these financial instruments or their intrinsic size and risk.

24 Financial risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not believe it is exposed to major concentrations of credit risk on classes of financial instruments.

Trade and other receivables represent amounts due in respect of trade receivables amounts owed by Group undertakings, prepayments and accrued income and other receivables including receivables relating to VAT. The Company is not exposed to risks relating to trade receivables arising from sales to customers as it is not currently generating significant revenues.

Other than trade and other receivables, the financial instruments that subject the Company to a potential credit risk comprise principally cash and cash equivalents. The Company's policy is to minimise the risks associated with cash and cash equivalents by placing these deposits with institutions with a recognised high rating (typically A or above assigned by international credit-rating agencies) or with one of the major clearing banks.

The table below shows the rating of the financial institutions that the Company's cash and cash equivalents and money market investments are held with:

	Rating	**2013**	2012
		£	£
Institution A	A	**142,545**	155,327
Institution B	A	**33,363**	103,533
		175,908	258,860

The Company disclosure above does not include cash in hand amounting to £474 (2012: £692).

Capital risk management

The Company considers capital to be "non-current borrowings" as shown in the statement of financial position on page 5, as the Company is predominantly funded by its parent company. The Company has no external debt and no material externally imposed capital requirements. The Company is not yet in a position to pay a dividend and the profit for the year has been added to the accumulated losses in equity.

The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders.

25 Post balance sheet events

With effect from 14 October 2013, the company's parent, then named Phytopharm plc, became the legal parent of IXICO Technologies Limited, a medical technology and diagnostics company and the parent company changed its name from Phytopharm plc to IXICO plc. Due to the relative values of the companies, the former IXICO Technologies Limited shareholders became the majority shareholders with approximately 55% of the share capital of the enlarged group. Although the legal form of this transaction is an acquisition of IXICO Technologies Limited by IXICO plc (formerly Phytopharm plc), the substance is the reverse of this.

Further details of the acquisition are provided in note 23 of the IXICO plc Annual Report for the year ended 30 September 2013.