

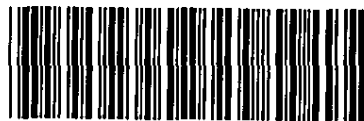
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Evocutis plc

Annual Report 2012

Company Number 05656604

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Chairman's and Interim Chief Executive Officer's Report

Introduction

The past year has been one of transition for Evocutis. Following the acquisition of Leeds Skin Centre for Applied Research Limited by Syntopix Group plc in May 2011, Syntopix relocated to Wetherby and the Company was renamed Evocutis plc on 25 October 2011.

Group revenues have increased significantly during the year to £457,000, an increase of £230,000 from the previous year. These revenues arose from collaboration and consultancy agreements with consumer healthcare companies and reflect the growing recognition by these companies of the value of the Group's technology offerings. The increase in revenues is mainly as a result of the effect of inclusion of a full year's trading revenues from Leeds Skin Centre for Applied Research Limited, which was acquired in May 2011.

The operating loss (before share-based payments, depreciation, amortisation and impairment losses) reduced to £910,000 (2011: £1,086,000).

Commercial progress

There has been a significant change in the focus of Evocutis over the past year. In the last annual report, several compounds were described as being under consideration for licensing by companies. SYN1113, the most advanced of Evocutis' compounds, is still in active discussion, but discussions concerning the other compounds have ceased, as we announced on 22 March 2012.

The reasons for the cessation of talks are various and do not relate to lack of activity of the compounds. Decisions on introduction of new products in the consumer healthcare space are often driven more by portfolio issues and marketing concerns. The original concept on which Syntopix was based has been taken a long way, but thus far, we have failed to secure a significant licensing partner.

This is perhaps not altogether as surprising as it seems. At first, there has been no major anti-acne product, carrying a new active compound, launched for around 20 years. This area of skin biology is difficult and the major companies active in the area are also very conservative. There is still a major and largely unmet need for safe, efficacious products in the area and our experience reflects just how difficult it is to make major advances.

Focus of the Group's activity

In April 2012, Dr Stephen Jones resigned as the company's Chief Executive Officer to pursue other career opportunities. Dr Gwyn Humphreys, previously Senior Non-Executive Director, took on the role of full-time Interim Chief Executive Officer in May 2012. Dr Humphreys and the Board reviewed the Group's activities and restated its objective to be a leading science-led skin research group which will deliver product focussed solutions to cosmetic, consumer health and topical pharmaceutical companies.

All these industrial sectors are increasingly competing on the basis of the proven scientific functions of their products and Evocutis is well placed to forge close relationships with such companies.

The three main areas of the Group's activity are

- Specialist skin microbiology research and products such as SYN1113,
- Skin microbiology laboratory services to support Clinical Research Organisations, and
- Development of LabSkin™ and its use for contract research with sponsor companies and its direct sale as a research product.

Chairman's and Interim Chief Executive Officer's Report

continued

Specialist skin microbiology

Microbial interactions with the skin have been the cornerstone of Evocutis' technology since its foundation and continue to be so. The skin is the human's barrier to the outside world and, as such, is a complex organ of the body. The interaction of humans with micro-organisms is becoming recognised as increasingly important in the definition of both normal healthy and disease states. All humans carry a natural population of micro-organisms on their skin and Evocutis has developed a rarely-found expertise in identifying, cultivating and storing these organisms.

Evocutis offers a range of skin microbiology services to customers. On 14 March 2012 we announced the availability of a standard panel of *Propionibacterium acnes* strains which can be used to improve the reliability of testing for anti-acne and anti-spot treatments. We are developing further panels of eczema-associated *Staphylococci* and *Corynebacteria* for additional antimicrobial screens.

Skin microbiology laboratory services to support Clinical Research Organisations

There is a global shift in the business of clinical trials with many studies now being out-sourced to Eastern Europe, India and other territories. Evocutis had some business in the past with specialist skin clinical studies to support mainly cosmetic studies. We have reviewed this business and decided to concentrate on our key skills relating to skin microbiology. Thus we are building relationships with Clinical Research Organisations (CROs) where we will supply specialist microbiology studies to support the patient-focused activities of the CROs. There are few specialist skin microbiology laboratories and it remains to be seen whether the strategy is fruitful, early indications are encouraging.

Chairman's and Interim Chief Executive Officer's Report

continued

Contract services and sale of LabSkin™

Last year's Annual Report described the LabSkin™ living skin equivalent tissue culture technology which was developed over a period of 10 years, initially in the University of Leeds. Throughout the current year the Company offered collaboration studies utilising LabSkin™, with the laboratory studies carried out at Evocutis. We have continued to develop this technology and during the year announced the validation of the model to study antimicrobial and pre-biotic assays (November 2011) and the evaluation of anti-ageing formulations (January 2012).

We continue to validate other applications of LabSkin™ including its use to study transdermal delivery of pharmaceutical products. These promise to be significant areas of development over the coming year.

During the year ended 31 July 2012, Evocutis had several collaborations with major cosmetic and consumer health companies and, although revenues have increased, the revenue from collaborative contract business is always unpredictable. Consequently, we have decided to broaden the commercial offering and, we began the sale of LabSkin™ directly for research purposes in Autumn 2012.

The product has a number of advantages over comparable products offered in the market and we are positioning LabSkin™ as a research tool for molecular studies of skin and products for application to or through the skin. Thus, studies on LabSkin™ can be used to facilitate development studies of new topically-applied compounds before they are used in expensive clinical trials. The legislation restricting, or outlawing, the use of animals for topical studies of cosmetic products makes models such as LabSkin™ even more pertinent.

The infrastructure and organisation necessary to sell LabSkin™ directly to customers has been put in place and we also believe that promotion of the product will help generate an increase in collaborative research projects.

Many organisations which can see the value of such a model system do not have the in-house capability to do the research themselves and also wish to access the consultancy expertise and experience of Evocutis' scientists.

Outlook

Since the year end, we launched the LabSkin™ product and have modest early sales. We continue to characterise the applications of the product, and have excellent data that confirm that LabSkin™ has an excellent barrier function and behaves in most respects in a way very close to normal human skin. We will do all we can to drive the sales of LabSkin™ but the rate of uptake of the product is a significant unknown.

We have signed several collaboration agreements with major multi-nationals since the year end. We hope to be able to publicise these in due course. The climate for external spend by all companies is however challenging. In this context the timing of the uptake of LabSkin™ as a consumable product by customers is crucial for the Group's future business, as it takes a long time to secure and negotiate each collaboration agreement.

The timing and magnitude of sales is difficult to predict as these are dependent upon the uptake of LabSkin™ product sales and the number and size of consultancy projects secured. There is significant uncertainty regarding the level of sales revenue achievable during the next 12 months. Consequently, the board is reviewing and evaluating a number of strategic options with the primary objective of optimising shareholder value. This review is underway and further announcements will be made when appropriate.

T Bannatyne - Chairman



Dr GO Humphreys - Interim Chief Executive Officer

30 November 2012

Financial review

Results for the year

Revenue

The Group achieved sales revenue of £457,000, an increase of £230,000 from the previous year. This increase is largely a result of the inclusion of a full year of trading from Leeds Skin Centre for Applied Research Limited which was acquired in May 2011. Revenues have principally been generated from fees for services undertaken in our main business areas. Collaboration studies utilising LabSkin™ and microbiology expertise along with clinical evaluation studies.

Gross profit

The Group achieved a gross profit of £235,000 (2011 £227,000).

Operating loss

The operating loss for the year was £1,707,000 (2011 £1,219,000). The operating loss before exceptional acquisition costs, share-based payment charges, depreciation, amortisation and impairment losses was £910,000 (2011 £1,086,000). Details of the key factors affecting the operating results are set out below.

Research and development costs

Research and development expenditure comprises laboratory consumable costs and staff costs for the Group's internal R & D programmes along with patent costs incurred in protecting our intellectual property.

General and administration

General and administration costs were £1,433,000 for the year ended 31 July 2012 (2011 £671,000). Included within these costs is £669,000 (2011 £96,000) of exceptional costs as set out below.

Other operating income

No other operating income was received in the year ended 31 July 2012 (2011 £17,000). Other operating income in the prior year related to the remainder of a research and development grant that was awarded in the previous financial year. This income was recognised in the Consolidated statement of comprehensive income in the period in which the related expenditure was incurred.

Exceptional costs

The Group has incurred a share-based payment charge of £36,000 (2011 £54,000) in respect of share options granted in earlier years to certain directors as part of remuneration packages. This charge reflects the recognition of the service cost for which the share options were granted over the vesting period.

This principally relates to options granted to Directors who waived their contractual entitlements to cash based Directors' fees in the prior year.

Additionally, one-off impairment losses of £633,000 (2011 £nil) relating to goodwill and customer relationship intangibles have been charged during the year following a review of the carrying value of those assets.

No further exceptional costs have been incurred during the year in relation to acquisitions (2011 £42,000).

Loss before taxation

After adjusting operating loss for net finance income of £26,000 (2011 £3,000), the loss before tax amounted to £1,681,000 (2011 £1,216,000).

Taxation

The tax credit for the year ended 31 July 2012 amounts to £162,000 (2011 £137,000). The tax position of the Group is significantly affected by Research and Development Tax Credits which the Group is able to reclaim in respect of qualifying expenditure incurred in the year on certain of our research and development programmes.

Loss after taxation and loss per ordinary share

The loss after taxation for the year was £1,519,000 (2011 £1,079,000). This has resulted in a reduced basic and diluted loss per ordinary share of 0.88p (2011 0.90p).

Financial position

Property, plant and equipment

The Group's business is science-based and technology-intensive. The Group operates from its leased property in Wetherby, West Yorkshire which has been fitted out with extensive laboratory facilities which enables the Group to undertake its research and development programme in-house.

At 31 July 2012 the total cost of Property, plant and equipment was £417,000 (2011 £358,000) with a net book value of £166,000 (2011 £177,000). Capital expenditure during the current year of £59,000 related to the purchase of new laboratory equipment and fixtures and fittings.

Financial review continued

Financial position continued

Goodwill

Goodwill relating to the acquisition in the previous year has a carrying value of £nil (2011 £489,000). The directors have carried out an impairment review of the goodwill and have determined that the goodwill is impaired. Consequently, full provision has been made during the year for this impairment.

Other intangible assets

Other intangible assets include the cost of intangibles acquired from business combinations and relate to customer relationships and in-process research and development. The total carrying value of these assets at 31 July 2012 was £242,000 (2011 £444,000). These assets arose from the acquisition of Leeds Skin Centre for Applied Research Limited. At 31 July 2012 the carrying value of intangibles relates to the Labskin™ in-process R & D which is being amortised over 10 years.

Trade and other receivables

Trade and other receivables amount to £129,000 (2011 £201,000). None of these balances are past due and no provisions against these receivables are required.

Cash and cash equivalents

Cash balances have reduced from £2,316,000 in 2011 to £1,479,000 at 31 July 2012 as a result of the operating loss. The Group has no bank overdrafts or other borrowings.

Trade and other payables

Trade and other payables have decreased from £176,000 in 2011 to £117,000 at 31 July 2012.

Taxation

Amounts recoverable in respect of taxation comprise the taxation receivable from Research and Development tax credits. Amounts payable in respect of taxation represent corporation tax liabilities in respect of trading profits which cannot be offset by tax losses.

Total equity

A summary of the movements in total equity is set out below.

	2012 £000	2011 £000
Total equity at beginning of year	3,418	1,791
Total comprehensive income for the year	(1,519)	(1,079)
Ordinary shares issued	-	2,802
Expenses of share issues	-	(150)
Share-based incentive schemes	36	54
Total equity at end of year	1,935	3,418

Cash flow

A summary of the Consolidated cash flow statement is set out below.

	2012 £000	2011 £000
Net cash outflow from operating activities	(786)	(1,010)
Net cash outflow from investing activities	(51)	(169)
Net cash inflow from financing activities	-	1,758
(Decrease)/increase in cash and cash equivalents	(837)	579
Cash and cash equivalents at beginning of year	2,316	1,737
Cash and cash equivalents at end of year	1,479	2,316

The net cash outflow from operating activities reduced by £224,000 during the year largely as a result of increased revenue. The net cash outflow from investing activities arose from capital expenditure on new laboratory equipment. The net cash inflow from financing in the previous financial year reflected the issue of new ordinary shares in that year.

Treasury management

The Group continues to manage its cash resources to maximise interest income whilst at the same time minimising any risk to those funds. Surplus cash balances are deposited for periods of between one month and twelve months with commercial banks which meet credit criteria approved by the board. The board uses published credit ratings from established credit agencies to assess the creditworthiness of banks used for depositing funds. At 31 July 2012 the Group had short term deposits amounting to £1,364,000 (2011 £2,234,000).

Going concern

The Directors are required to be satisfied that the Group has adequate resources to continue in business for the foreseeable future. The validity of this assumption depends on the Group's ability to generate sufficient sales revenue during the next 12 months to meet its operating costs and remain within available cash resources. The timing and magnitude of revenues are difficult to predict and this gives rise to a material uncertainty as set out in more detail in Note 1 to the financial statements.



JD Bamforth
Chief Financial Officer

30 November 2012

Board of Directors

Tom Bannatyne (50)

Non-Executive Chairman

Tom has over 20 years' experience of the investment industry. He spent nine years at S G Warburg Group (since acquired by UBS) in London and Geneva and was a Director of European Equities. In 1994, he joined the Tudor Group, a privately-owned major international hedge fund, establishing and managing its European Equities business. At Tudor he was a Partner, member of the Management Committee, and Chairman of the group's UK operation, as well as of the UK branch of the group's charitable foundation. Since retiring from Tudor at the end of 2007, he has been pursuing his own investment interests. Tom became Chairman of the Audit Committee, Nominations Committee and Remuneration Committee on 30 April 2012.

Dr Gwyn Humphreys (66)

Interim Chief Executive Officer

Gwyn has over 30 years of experience in biotechnology and early stage technology companies. After 10 years at Celltech Limited, Gwyn was a founder and CEO of the very successful UK university spin out company, Bradford Particle Design Limited, which he grew and sold for \$200 million to Nektar Therapeutics Inc in 2001. Gwyn was Chairman of Evocutis when it floated on AIM and he is also Chairman of Avacta Group plc also listed on the AIM market. Gwyn has been the Group's Senior Non-Executive Director and Chairman of the Board's committees until 30 April 2012 when he was appointed as Interim Chief Executive Officer.

Dr Richard Bojar (51)

Chief Scientific Officer

Richard founded Leeds Skin Centre for Applied Research Limited as Managing Director in 2008 after 25 years working in the Skin Research Centre at the University of Leeds. A microbiologist by training, he has always specialised in Knowledge Transfer interface research in dermatology, focusing on the requirements of the pharmaceutical, personal care, cosmetics and hygiene industries. His core expertise is in the interaction of microorganisms with human skin, with wide ranging experience of laboratory methods, human volunteer studies and living skin equivalent technologies. He also maintains active research collaborations through honorary positions at the University of Leeds and University of Huddersfield and close links with the National Blood Service and NHS Trusts.

Darren Bamforth (43)

Chief Financial Officer

Darren has been the Chief Financial Officer of the Group, on a part-time basis, since its formation. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Director of Atraxa Consulting Limited, his own business advisory practice which specialises in supporting early stage and growing companies. Prior to establishing his own practice in 2002, Darren was a Senior Manager with KPMG where he was responsible for a portfolio of clients in the SME sector.

Mike Townend (50)

Non-Executive Director

Mike is Chief Investment Officer at IP Group plc, having been on the board at IP Group for four years as Director of Capital Markets. He has over 17 years of experience in all aspects of equity capital markets and joined IP Group from Lehman Brothers where he was Managing Director of European Equities and Head of Equity Sales to hedge funds. Mike was also a key member of the senior relationship management program. Prior to this, he was an Executive Director at Donaldson, Lufkin and Jenrette with responsibility for building the bank's business with hedge funds and alternative investors. Mike has sourced, co-led or led numerous private and public transactions. Mike is the IP Group representative on the boards of Modern Water plc, Evocutis plc and Revolymer Limited. He is also a Non-Executive of Green Urban Transport plc. Mike is a member of the Audit Committee, Nominations Committee and Remuneration Committee.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 July 2012

Principal activity

The principal activities of the Group are the provision of skin microbiology and clinical dermatology services to companies in pharmaceutical and consumer healthcare markets, using the Group's proprietary advanced living skin technology, LabSkin™. Additionally the Group continues to promote the commercialisation of licensing opportunities for its compounds, principally SYN1113

Change of name

On 20 October 2011 at a meeting of shareholders, a special resolution was passed to change the name of the Company from Syntopix Group plc to Evocutis plc

Business review and future developments

A review of the Group's operations and future developments is covered in the Chairman's and Interim Chief Executive Officer's Report and the Financial Review. This includes a summary of the Group's strategy and the markets in which it operates

Directors

The Directors who served during the year, or until their date of resignation, were

T Bannatyne
Dr GO Humphreys
Dr RA Bojar
JD Bamforth
MCN Townend
Dr SP Jones (resigned 4 May 2012)

Dr GO Humphreys was appointed as Interim Chief Executive Officer on 30 April 2012 and stood down as a Non-Executive Director on that date

Information in respect of directors' remuneration is given in the Directors' remuneration report on pages 10 to 12

Financial results

Details of the Group's financial results are set out in the Consolidated statement of comprehensive income, other primary statements and in the notes to the consolidated financial statements on pages 26 to 50

Dividends

The payment of dividends will be subject to the availability of distributable reserves and having regard to retaining sufficient funds to finance the Group's activities. Due to cumulative trading losses the Group does not have distributable reserves and consequently the Directors do not recommend the payment of a dividend

Disclosure of information to auditors

The Directors in office at the date of this report have each confirmed that

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information 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

Environment

The Group adheres to all environmental regulations and has, where possible, utilised environmental-sustaining policies such as recycling and waste reduction

Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success through its employee share option scheme

Insurance for directors

The Company purchased and maintained during the financial year Directors' and Officers' liability insurance in respect of itself and its directors

Research and development

During the year, the Group has undertaken further research and development work to progress formulation of compounds and to develop the range of uses of its LabSkin™ technology. During the year the Group has incurred expenditure amounting to £509,000 (2011: £792,000) in respect of research and development. This expenditure has been charged to the Statement of comprehensive income during the year

Directors' report continued

Payment of suppliers

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Group expects to pay all supplier debts as they become due.

Trade creditor days for the Group and Company at 31 July 2012 were 30 days (2011: 27 days).

Substantial shareholdings

At 20 November 2012, being the latest practicable date prior to the publication of this document, the Company has been advised of the following shareholdings of 3% or more in the issued share capital of Evocutis plc:

	Number of shares	% of issued shares
IP2IPO Limited (together with Techtran Group Limited)	29,255,350	16.75%
Mr Thomas Bannatyne	14,714,670	8.42%
IP Venture Fund Limited	13,856,790	7.93%
Dr Richard Bojar	11,390,203	6.52%
Mr Mark V Houghton-Berry	10,485,070	6.00%
Nortrust Nominees Limited	10,279,860	5.88%
The University of Leeds	8,119,425	4.65%
XCap Nominees Limited	8,033,525	4.60%
Pershing Nominees Limited	6,722,210	3.84%

Financial instruments

Details of the Group's exposure to financial risks are set out in Note 25 to the financial statements.

Financial and non-financial key performance indicators (KPIs)

The Group's main KPIs are:

- Monthly review of the sales pipeline, commercial deals under negotiation and review of progress of ongoing deals,
- Monthly review of actual results against the annual budget and review of significant variances, and
- Monitoring of cash balances and working capital requirements against forecast cash requirements for its development programme.

Auditors

The Company's independent auditor, BDO LLP, has expressed its willingness to continue in office and resolutions for its reappointment and to authorise the Directors to determine its remuneration will be proposed at the forthcoming AGM.

Risk factors

There are risks and uncertainties relevant to the Group's operations, financial condition and results that may affect the Group's performance and ability to achieve its objectives. The risk factors below are the principal ones that the Directors believe could cause the Group's actual results to differ materially from expected and historical results. There are other risks and uncertainties that may similarly affect the Group's performance that are either not currently known to the Group or are not deemed to be material.

The Board of Directors reviews and assesses significant risks on a regular basis to ensure that the Group is in a position to address and respond to risks arising. It is not possible for the Group to implement controls to respond to all the risks arising and there can be no assurance that the steps the Group has taken to address certain risks will manage these risks effectively or at all.

The principal risk factors are:

Risk that sales revenues will not grow at an acceptable rate

The majority of the Group's sales revenues to date have been generated through contracts with consumer healthcare companies to undertake microbiology and clinical evaluation services. The timing and magnitude of these contracts is difficult to predict and the contract timings are usually determined by the product development timetables and research requirements of our customers.

Consequently, whilst the Group has undertaken a larger number of projects and has increased revenue in the year ended 31 July 2012 in comparison to the prior year, there can be no assurances that it will be able to achieve similar or increased revenues in future years.

The Directors believe that this risk can be mitigated as a result of the Group's increased marketing activities, by continuing to improve our microbiology and clinical service offerings and by refining the product technologies have been developed.

Directors' report continued

Risk factors continued

Risk that the launch of new LabSkin™ products will not be successful

The Group has made significant investment in the development of its unique proprietary advanced living skin technology, LabSkin™. In the year to 31 July 2012, the Group has offered collaboration studies using LabSkin™ to our customers. In Autumn 2012, the Group launched LabSkin™ as a product for direct sale to our customers for use in their research programmes. The Directors believe that there is significant interest in LabSkin™ as a consumable product in the market, but there can be no assurances that the sale of this product, directly to the market, will be successful.

The Directors are actively pursuing a number of opportunities to establish sales channels for LabSkin™ to mitigate against the risk of an unsuccessful product launch. Additionally, LabSkin™ will continue to form the key aspect of the Group's ongoing microbiology and clinical services, therefore the Group is not wholly reliant on generating substantial LabSkin™ sales.

Risk that our Intellectual property will not be adequately protected

The commercial success of the Group will depend in part on its ability to protect its intellectual property and to preserve the confidentiality of its own and its collaborators' know-how. The Group may not be able to protect and preserve its intellectual property rights or to exclude competitors with similar products.

The Group may seek to rely on patents to protect its assets. These rights act to prevent a competitor from copying and from independently developing products that fall within the scope of the patent claims. No assurance can be given that others will not gain access to the Group's non-patented proprietary knowledge or disclose such knowledge or that the Group can ultimately protect meaningful rights to such non-patented proprietary knowledge.

No assurance can be given that any pending or future patent or trade mark applications will result in granted patents or trade mark registrations, that the scope of any copyright, trade mark or patent protection will exclude competitors or provide advantages to the Group, that in the future any patent granted in favour of the Group will be held valid on being challenged or that third parties will not in the future claim rights in or ownership of the copyright, patents and other proprietary rights from time to time held by the Group.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any pending patent applications or patents (if any) subsequently granted in favour of the Group. Other persons may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group).

The commercial success of the Group may also depend in part on non-infringement by the Group of intellectual property owned by third parties, including compliance by the Group with the terms of any licences granted to it. If this is the case, the Group may have to obtain appropriate intellectual property licences or cease or alter certain activities or processes or develop or obtain alternative products or challenge the validity of such intellectual property in the courts. Any claims made against the Group's intellectual property rights, even if without merit, could be time-consuming and expensive to defend and could have a materially detrimental effect on the Group given its limited cash resources.

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

Attraction and retention of key staff

The Group is reliant on recruiting and retaining key staff with specific skills needed to carry out the research and development programmes and to develop commercial agreements for our products and services. The inability to recruit staff with these skills or to retain our existing key employees in critical positions may materially and adversely affect the Group's performance and financial results.

By order of the Board



Darren Bamforth
Company Secretary
 30 November 2012

Directors' remuneration report

Unaudited information

Remuneration Committee

The Remuneration Committee is described in the report on Corporate Governance. The remuneration for each Executive Director is determined by the Remuneration Committee, which is composed solely of the Chairman and the other Non-Executive Directors. None of the committee members has any personal financial interest, other than as shareholders, in the matters to be decided.

Service contracts

It is the Group's policy to enter into service contracts or letters of appointment with all Directors. Specific terms, in respect of the Directors holding office at 31 July 2012 are

	Date of contract	Commencement date	Unexpired term	Notice period
Executive Directors				
Dr GO Humphreys (executive director from 30 April 2012)	1 5 12	1 5 12	Indefinite	1 month
Dr RA Bojar	24 5 11	24 5 11	Indefinite	6 months
JD Bamforth	23 3 06	1 12 05	Indefinite	3 months
Non-Executive Directors				
T Bannatyne	2 2 10	2 2 10	Indefinite	3 months
Dr GO Humphreys (non-executive director until 29 April 2012)	23 3 06	1 11 05	Expired	-
MCN Townend	22 6 10	22 6 10	Indefinite	3 months

None of the service contracts or letters of appointment provide for any termination payments.

Remuneration policy

The remuneration packages for Directors and senior management have been structured so as to fairly compensate them for their contribution to the Group and to encourage them to remain within the Group. The basic components of these packages include: Each Director receives an annual salary or Directors' fee for his/her services. These salaries are reviewed annually by the Remuneration Committee. The Group operates a discretionary bonus scheme. The Remuneration Committee is entitled to decide whether any bonuses are payable, and if so, what amount should be granted to Executive Directors.

External appointments

The Committee recognises that its directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the Company's directors to the benefit of the Group, it is the Company's policy to approve such appointments provided that there is no conflict of interest and the commitment is not excessive. The director concerned can retain the fees relating to any such appointment.

Pensions and benefits in kind

All staff, Executive Directors and senior management are entitled to participate in the stakeholder pension plan established by the Group. Benefits are provided to certain Executive Directors, including life assurance, private health cover and relocation allowances. The Group does not provide any company cars to any of its Directors or employees.

Directors' remuneration report continued

Audited information

Directors' remuneration

Directors' remuneration for the year ended 31 July 2012 is set out below

	Cash based salary £000	Share based remuneration £000	Benefits in kind and pensions £000	Employer's National Insurance Contributions £000	Total 2012 £000	Total 2011 £000
Executive Directors						
Dr SP Jones (until 4 May 2012)	103	-	12	13	128	158
Dr GO Humphreys (executive director from 30 April 2012)	37	7	-	5	49	-
Dr RA Bojar (from 24 May 2011)	90	-	2	11	103	16
Dr JH Cove (until 1 July 2011)	-	-	-	-	-	60
	230	7	14	29	280	234

Mr T Bannatyne, Mr MCN Townend and Mr JD Bamforth did not take any remuneration in either the current or previous financial year. Details of transactions with directors are set out in Note 21.

Dr GO Humphreys did not take any remuneration in his role as Non-Executive Director, until his appointment as Interim Chief Executive Officer on 30 April 2012. As part of his agreed remuneration package, Dr Humphreys is taking part of his salary in shares, to be issued on a quarterly basis in arrears, in lieu of part of the cash component. The fair value of the share based remuneration is calculated based on the salary sacrificed, with the number of shares issued being calculated using the market value of the shares on the date of issue.

Directors' interests in shares options in the EMI and Executive Share Option Schemes

	At 1 August 2011	Granted	Lapsed	At 31 July 2012 (or earlier date of resignation)	Weighted average exercise price pence	Earliest date from which exercisable	Latest expiry date
T Bannatyne	476,000	-	-	476,000	5.25	1/12/2011	30/11/2020
Dr RA Bojar	-	-	-	-	-	-	-
JD Bamforth	1,146,270	-	-	1,146,270	7.52	6/8/2009	30/11/2020
Dr GO Humphreys	647,620	-	-	647,620	6.65	6/8/2009	30/11/2020
Dr SP Jones	3,303,000	-	(3,303,000)	-	-	-	-
MCN Townend	-	-	-	-	-	-	-

Directors' remuneration report continued

Audited information

Directors' interests in shares

Directors' beneficial interests in the shares of the Company, including family interests, for directors holding office at 31 July 2012, were as follows

	Number of shares	% of issued share capital
T Bannatyne	14,714,670	8.42%
Dr R Bojar	11,390,203	6.52%
JD Bamforth	68,250	0.04%
Dr GO Humphreys	3,340,548	1.91%
MCN Townend	-	-

None of the directors had any interest in the share capital of any subsidiary company

On behalf of the Board

T Bannatyne

Chair of the Remuneration Committee



30 November 2012

Corporate governance

This report sets out the Group's board and management structure and corporate governance policy and procedures. The Group recognises the importance of, and is committed to, high standards of corporate governance. Evocutis plc, as an AIM Company, is not required to comply with the full provisions of the UK Corporate Governance Code 2010 although it has adopted many of the principles of that Code as set out below.

The Board

The Directors are listed on page 6 of this Annual Report. The Board is responsible for the Group's corporate governance and is ultimately responsible for all aspects of the Group's activities including assessment and management of risk, determination of the Group's strategy and financial performance.

Tom Bannatyne has been the Chairman of the Company since February 2010 and was Chairman throughout the financial year. His role is to lead and manage the Board. He took over the position of Chairman of the Board's committees on 30 April 2012.

Dr Stephen Jones was Chief Executive Officer of the Company from July 2006 until his resignation on 4 May 2012. His role was to manage the Group and to implement the policies and strategies adopted by the Board.

Dr Gwyn Humphreys was the Group's Senior Non-Executive Director and Chairman of the Board's committees until 30 April 2012 when he was appointed Interim Chief Executive Officer following the resignation of Dr Stephen Jones.

Other Board members include Darren Bamforth (Chief Financial Officer), Dr Richard Bojar (Chief Scientific Officer) and Michael Townend (Non-Executive Director).

Biographies of each Director are set out on page 6. The Directors each have diverse backgrounds and a wide range of experience is available to the Group.

Board process

The Board meets on a monthly basis to review the Group's performance and to review and determine strategies for future growth. The Board has delegated specific responsibilities to its committees as set out below.

Board meetings were held on 12 occasions during the year. Members of the board attended as follows, usually in person but occasionally by telephone conference.

	Number of meetings held whilst a board member	Number of meetings attended
Tom Bannatyne	12	11
Dr Stephen Jones (until 4 May 2012)	7	7
Darren Bamforth	12	12
Dr Richard Bojar	12	12
Dr Gwyn Humphreys	12	11
Michael Townend	12	11

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have, or can have, an actual or possible conflict of interest with the Company.

The Company's Articles of Association include a general power for the Board to authorise such conflicts. There is no breach of duty if the relevant matter has been authorised by the Board in advance.

Conflicts of interest are recorded in the minutes of Board meetings and generally the Director with the conflict of interest is excluded from participating in the discussions of the matter concerned and any voting situation.

Corporate governance continued

Board committees

The Board has established three committees as outlined below. These committees comprise only the Chairman and other Non-Executive Directors, although Executive Directors may also be invited to attend committee meetings. The Company Secretary is entitled to attend all committee meetings. Mr T Bannatyne chairs each committee meeting.

Committee	Role and terms of reference	Number of meetings per year
Audit	Reviewing the Group's external audit process, including appointment and compensation of the independent auditor. The Committee reviews the level of non-audit engagements carried out by the external auditors and performs an assessment of their independence. The Audit Committee is also responsible for ensuring the accuracy of the interim and annual reports, as well as compliance with all applicable standards and regulations.	2
Nomination	Reviewing the structure and balance of the board and screening and proposing recommendations to the board for new director appointments.	As required
Remuneration	Reviewing and determining the salaries, benefits and all other elements of remuneration packages for the Executive Directors.	2

Non audit services

In accordance with its policy on non audit services provided by the Company's independent auditor, the Audit Committee reviews and approves the award of any such work. The Audit Committee refers to the Board for approval of any work comprising non audit services where the fees for such work represent more than 25% of the annual audit fee. No non-audit services were provided in the year.

Auditor independence and conflicts of interest

The Audit Committee continues to evaluate the independence and objectivity of the external auditors and takes into consideration all United Kingdom professional and regulatory requirements. Consideration is given to all relationships between the Company, the Group and the audit firm (including in respect of the provision of non audit services).

The Audit Committee considers whether, taken as a whole, and having regard to the views, as appropriate, of the external auditors and management, those relationships appear to impair the auditors' judgement or independence. The Audit Committee feels they do not.

Internal audit

The Audit Committee agrees that there should be no internal audit function of the Group at this time considering the size of the Group and the close involvement of senior management over the Group's accounting systems. However, the Committee will keep this matter under review in the event that circumstances warrant an internal function for the Group in the future.

Internal control procedures

The Board has responsibility for reviewing and approving the adequacy and effectiveness of internal controls. The internal control framework includes approval of an annual operating budget, monthly monitoring of the Group's results and financial position and the performance compared to budget and forecast. Forecasts are reviewed on a regular basis.

This process allows the Board to identify key performance targets and risks expected during the upcoming year. The Board also considers the agreed budget when reviewing trading updates and considering expenditures throughout the year. Progress against budget is monitored at Group level via monthly reporting of actual financial performance against budget and prior year actual results.

The Group has clear authority limits deriving from the list of matters reserved for decision by the Board including capital expenditure approval procedures.

Relations with shareholders

The Board recognises and understands that it has a fiduciary responsibility to the Group's shareholders. The Chairman's and Interim Chief Executive's Statement include detailed analysis of the Group's performance and future expectations.

Information about the Company including details of the share price is made available to shareholders on its website at www.evocutis.com. Information made available on the website does not constitute part of this Annual Report.

Corporate governance continued

Annual General Meeting

The AGM is the Company's main forum for communication with shareholders. In addition to the formal business of the meeting, shareholders will have the opportunity to ask questions to the Board of Directors.

The AGM will be held at the offices of IP Group plc, 24 Cornhill, London, EC3V 3ND on Monday 28 January 2013 at 12 00pm. The business to be transacted at the meeting will include:

- Receiving and adopting the 2012 Annual Report
- Approving the 2012 Remuneration Report

A resolution will be proposed to approve the Remuneration Report as set out on pages 10 to 12.

- Retirement and re-appointment of Directors

One-third of the continuing Directors will retire by rotation at the 2012 AGM and will offer themselves for re-election.

- Re-appointment and remuneration of auditors

A resolution will be proposed to authorise the Audit Committee to re-appoint BDO LLP as auditor and to determine their remuneration.

- Special business

The Company will seek authority to:

- give the Directors authority to allot Ordinary Shares in the Company
- give the Directors authority to disapply pre-emption rights when allotting new shares in connection with rights issues or otherwise up to a maximum of 10% of the current issued share capital and to purchase its own Ordinary Shares up to a maximum of 10% of the current issued share capital.

T Bannatyne
Chairman



30 November 2012

Directors' statement of responsibilities

Directors' statement of responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report, the Remuneration 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 Group and 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 Group and Company and of the profit or loss of the Group and 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.

The Group and Company financial statements for the year ended 31 July 2012, comprising principal statements and supporting notes are set out on pages 26 to 50 of this report.

The responsibilities of the auditors in relation to the Group and Company financial statements are set out in the Independent Auditors' Report on page 17.

The Group financial statements for the year ended 31 July 2012 are included in the Annual Report, which is published in hard-copy printed form and made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Each of the current Directors, whose names and functions are listed on page 6 of the Annual Report 2012 confirms that, to this best of his knowledge

- the Group and Company financial statements, which have been prepared in accordance with IFRS as adopted by the EU and IFRS as issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- the Directors' Report section of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Going concern basis


The Chairman and Interim Chief Executive Officer's Report and the Financial Review on pages 1 to 5 contains information on the performance of the Group, its financial position, cash flows and net funds position. Further information, including treasury risk management policies and exposure to market and credit risk is given in Note 25 to the financial statements, 'Financial instruments and related disclosures'.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal control

The Board has reviewed the assessment of risks and the internal control framework that operates within the Group and has considered the effectiveness of the system of internal control in operation for the Group for the year covered by this report and up to the date of its approval by the Board of Directors.

Thomas Bannatyne
Chairman
30 November 2012



Independent Auditors' Report to the members of Evocutis plc

We have audited the financial statements of Evocutis plc for the year ended 31 July 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows, the audited section of the Directors' Remuneration Report 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 July 2012 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,

- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going Concern

In forming our opinion, 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 Group to continue as a going concern

Based on the current forecasts the Group has sufficient funding available for at least the next 12 months. However, the forecasts assume a significant increase in the anticipated levels of cash inflows generated from sales revenues during the forecast period, including revenues from the sale of a recently launched product. The magnitude and timing of revenues generated from the product are difficult to predict and the Directors are therefore reviewing and evaluating a number of strategic options open to the Group, including securing long term third party strategic partners for the business, which may lead to an offer being made for the Group. No agreements are yet in place.

In the event that sufficient revenues are not generated or the Group cannot find a third party with a potential interest in making an offer for, merging with or proposing other forms of corporate transaction, then the Group may not be able to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not contain any adjustments which may be required if the Group is unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the members of Evocutis plc

continued

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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



Nicholas Giles Wharton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom

30 November 2012

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

Consolidated statement of comprehensive income

for the year ended 31 July 2012


		2012	2011
	Notes	£000	£000
Revenue	5	457	227
Cost of sales		(222)	-
Gross profit		235	227
Research and development		(509)	(792)
General and administration		(1,433)	(671)
Other operating income	6	-	17
Analysis of operating loss			
Operating loss before share-based payment charges, acquisition costs, depreciation, amortisation and impairment losses		(910)	(1,086)
Share-based payment charges		(36)	(54)
Acquisition costs		-	(42)
Impairment of goodwill	13	(489)	-
Impairment of other intangible assets	14	(144)	-
Depreciation and amortisation		(128)	(37)
Operating loss	7	(1,707)	(1,219)
Finance income	9	26	3
Loss before taxation		(1,681)	(1,216)
Taxation	10	162	137
Loss after taxation for the year and total comprehensive income attributable to equity shareholders		(1,519)	(1,079)
Loss per ordinary share			
Basic and diluted (pence)	11	(0 88p)	(0 90p)

Consolidated statement of financial position

as at 31 July 2012

	Note	2012 £000	2011 £000
Non-current assets			
Property, plant and equipment	12	166	177
Goodwill	13	-	489
Other intangible assets	14	242	444
Total non-current assets		408	1,110
Current assets			
Current tax recoverable	10	110	120
Trade and other receivables	16	129	201
Cash and cash equivalents	17	1,479	2,316
Total current assets		1,718	2,637
Total assets		2,126	3,747
Current liabilities			
Trade and other payables	18	(117)	(176)
Current tax payable	10	-	(34)
Total current liabilities		(117)	(210)
Non-current liabilities			
Deferred tax liabilities	10	(74)	(119)
Total non-current liabilities		(74)	(119)
Total liabilities		(191)	(329)
Net assets		1,935	3,418
Equity attributable to equity holders of the company			
Called up share capital	19	1,732	1,732
Share premium reserve	19	7,632	7,632
Share based payments reserve	20	211	279
Merger reserve	20	979	979
Retained earnings	20	(8,619)	(7,204)
Total equity		1,935	3,418

The financial statements were approved and authorised for issue by the Board of Directors on 30 November 2012 and were signed on its behalf by


Thomas Bannatyne
 Chairman


J Darren Bamforth
 Group Finance Director

Company number 05656604

Consolidated statement of changes in equity

for the year ended 31 July 2012

	Share capital £000	Share premium reserve £000	Share-based Payments Reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 August 2010	1,071	6,282	225	338	(6,125)	1,791
Loss for the year and total comprehensive income	-	-	-	-	(1,079)	(1,079)
Transactions with owners						
Share-based payment charge	-	-	54	-	-	54
Issue of shares	661	1,500	-	641	-	2,802
Expenses of share issue	-	(150)	-	-	-	(150)
At 31 July 2011	1,732	7,632	279	979	(7,204)	3,418
At 1 August 2011	1,732	7,632	279	979	(7,204)	3,418
Loss for the year and total comprehensive income	-	-	-	-	(1,519)	(1,519)
Transactions with owners						
Share-based payment charge	-	-	36	-	-	36
Share options lapsed	-	-	(104)	-	104	-
At 31 July 2012	1,732	7,632	211	979	(8,619)	1,935

Details of the nature of each component of equity are set out in Notes 19 and 20

Consolidated statement of cash flows

for the year ended 31 July 2012

		2012 £000	2011 £000
Cash flow from operating activities			
Cash outflow from operations	22	(879)	(1,122)
Taxation received		93	112
Net cash outflow from operating activities		(786)	(1,010)
Cash flow from investing activities			
Purchase of property, plant and equipment	12	(59)	(67)
Purchase of business, net of cash acquired		-	(105)
Finance income		8	3
Net cash outflow from investing activities		(51)	(169)
Cash flow from financing activities			
Issue of share capital	19	-	2,000
Expenses of share issue	19	-	(150)
Repayment of short term loans		-	(92)
Net cash flow from financing activities		-	1,758
Net (decrease)/increase in cash and cash equivalents	23	(837)	579
Cash and cash equivalents at the beginning of the year		2,316	1,737
Cash and cash equivalents at the end of the year	17	1,479	2,316

Company statement of financial position

as at 31 July 2012

	Note	2012 £000	2011 £000
Non-current assets			
Property, plant and equipment	12	32	25
Other intangible assets	14	242	-
Investments	15	-	1,060
Total non-current assets		274	1,085
Current assets			
Current tax recoverable	10	110	120
Trade and other receivables	16	155	130
Cash and cash equivalents	17	1,414	2,263
Total current assets		1,679	2,513
Total assets		1,953	3,598
Current liabilities			
Trade and other payables	18	(117)	(126)
Total current liabilities		(117)	(126)
Non-current liabilities			
Deferred tax liabilities	10	(7)	(6)
Total non-current liabilities		(7)	(6)
Total liabilities		(124)	(132)
Net assets		1,829	3,466
Equity attributable to equity holders of the company			
Called up share capital	19	1,732	1,732
Share premium reserve	19	7,632	7,632
Share based payments reserve	20	211	279
Merger reserve	20	641	641
Retained earnings	20	(8,387)	(6,818)
Total equity		1,829	3,466

The financial statements were approved and authorised for issue by the Board of Directors on 30 November 2012 and were signed on its behalf by



Thomas Bannatyne
Chairman



J Darren Bamforth
Group Finance Director

Company number 05656604

Company statement of changes in equity

for the year ended 31 July 2012

	Share capital £000	Share premium reserve £000	Share based payments reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 August 2010	1,071	6,282	225	-	(5,787)	1,791
Loss for the year and total comprehensive income	-	-	-	-	(1,031)	(1,031)
Transactions with owners						
Share-based payment charge	-	-	54	-	-	54
Issue of shares	661	1,500	-	641	-	2,802
Expenses of share issue	-	(150)	-	-	-	(150)
At 31 July 2011	1,732	7,632	279	641	(6,818)	3,466
At 1 August 2011	1,732	7,632	279	641	(6,818)	3,466
Loss for the year and total comprehensive income	-	-	-	-	(1,673)	(1,673)
Transactions with owners						
Share-based payment charge	-	-	36	-	-	36
Share options lapsed	-	-	(104)	-	104	-
At 31 July 2012	1,732	7,632	211	641	(8,387)	1,829

Details of the nature of each component of equity are set out in Notes 19 and 20

Company statement of cash flows

for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Cash flow from operating activities			
Cash outflow from operations	22	(959)	(1,165)
Taxation received		122	112
Net cash outflow from operating activities		(837)	(1,053)
Cash flow from investing activities			
Purchase of property, plant and equipment	12	(20)	(16)
Purchase of business		-	(258)
Finance income		8	3
Net cash outflow from investing activities		(12)	(271)
Cash flow from financing activities			
Issue of share capital	19	-	2,000
Expenses of share issue	19	-	(150)
Net cash inflow from financing activities		-	1,850
Net (decrease)/increase in cash and cash equivalents	23	(849)	526
Cash and cash equivalents at the beginning of the year		2,263	1,737
Cash and cash equivalents at the end of the year	17	1,414	2,263

Notes to the financial statements

1 Presentation of the financial statements

Description of business

Evocutis plc is public limited company domiciled in the United Kingdom. It is a specialist research group focused on topical antimicrobial innovations for products in the medicinal and consumer healthcare markets. The Group provides independent research and testing facilities specialising in skin microbiology, living skin tissue culture and clinical dermatology. The Group's registered office is Evocutis plc, Sandbeck Lane, Wetherby, LS22 7TW.

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with the Companies Act 2006, Article 4 of the IAS Regulation and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations, as adopted by the European Union.

Composition of the financial statements

The consolidated and Parent Company financial statements are drawn up in Sterling, the functional currency of Evocutis plc and in accordance with IFRS accounting presentation. The level of rounding for financial information is the nearest thousand pounds. The financial statements comprise

- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Parent Company statement of financial position
- Parent Company statement of changes in equity
- Parent Company cash flow statement
- Notes to the financial statements

Accounting convention

The financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies.

Basis of preparation – Going concern

The Financial Reporting Council issued "Going Concern and Liquidity Risk Guidance for Directors of UK Companies" in 2009 and the Directors have considered this when preparing the financial statements. The financial statements have been prepared on a going concern basis, notwithstanding the loss for the year ended 31 July 2012. This basis assumes that the company will have sufficient funding to enable it to continue to operate for the foreseeable future and the Directors have taken steps to ensure that they believe that the going concern basis of preparation remains appropriate.

The Group made a loss for the year of £1,519,000 after taxation. The Group had net assets of £1,935,000 and cash balances of £1,479,000 at 31 July 2012. The Directors have prepared financial forecasts which cover a period of at least 12 months from date that these financial statements are approved. These forecasts assume a significant increase in the anticipated level of cash inflows generated from sales revenues during the forecast period. The forecasts show that, if target revenues can be achieved, the Group will have sufficient funding available for at least the next 12 months. However, the Group's fixed annual operating costs are significant and the adequacy of funding is heavily dependent upon achieving the target sales revenues.

The timing and magnitude of sales revenues are difficult to predict due to the irregular nature of the services work carried out by the Group and the recent launch of LabSkin™ as a consumable product with uncertainty regarding the speed of uptake from customers. The Directors believe that the forecasts are achievable, however, should sufficient sales revenues take longer to achieve than anticipated they believe that they will still be able to optimise shareholder value.

The Directors are reviewing and evaluating a number of strategic options open to the Group, including securing long term third party strategic partners for the business which may include an offer being made for the Group, a merger, or other form of corporate transaction. No agreements are yet in place.

In the event that sufficient revenues are not generated or the Group cannot find a third party with a potential interest in making an offer for, merging with or proposing other forms of corporate transaction, then the Group may not be able to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the Group was unable to continue as a going concern.

For these reasons, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and that it remains appropriate for the financial statements to be prepared on a going concern basis.

Financial period

These financial statements cover the financial year from 1 August 2011 to 31 July 2012, with comparative figures for the financial years from 1 August 2010 to 31 July 2011 and, where appropriate, from 1 August 2009 to 31 July 2010.

Notes to the financial statements continued

1 Presentation of the financial statements continued

Composition of the Group

A list of the subsidiary undertakings which, in the opinion of the Directors, principally affected the amount of profit or the net assets of the Group is given in Note 27, 'Principal Group companies'

Accounting principles and policies

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements have been prepared in accordance with the Group's accounting policies approved by the Board and described in Note 2, 'Accounting principles and policies'. Information on the application of these accounting policies, including areas of estimation and judgement is given in Note 3, 'Key accounting judgements and estimates'. Where appropriate, comparative figures are reclassified to ensure a consistent presentation with current year information.

2 Accounting principles and policies

Consolidation

The consolidated financial statements for the year ended 31 July 2012 comprise the Company and its subsidiaries (together referred to as the 'Group').

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Transactions and balances between Group companies are eliminated and no profit before tax is taken on sales between Group companies until the products or services are sold to customers outside the Group. Goodwill is capitalised as a separate item for subsidiaries acquired. Where the cost of acquisition is below the fair value of the net assets acquired, the difference is recognised directly in the statement of comprehensive income.

Business combinations

The Group accounts for business combinations using the acquisition method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The purchase consideration is measured at fair value and includes the fair value of any contingent consideration. The costs of acquisition are charged to the statement of comprehensive income in the period in which they were incurred.

Business combinations that took place prior to 1 August 2006 have not been restated. The Group previously used merger accounting under UK GAAP to consolidate the results and assets of its subsidiary company, Syntopix Limited as the combination met the criteria of a group reconstruction. The Group has applied the exemptions of IFRS1 to not restate prior period acquisitions on transition to IFRS.

Revenue

Revenue is recognised when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, prices are fixed or determinable and there is a probability that economic benefits will flow to the Group. Certain revenues are generated from licensing and exclusivity agreements under which the Group grants third parties rights to certain products or technologies.

Upfront payments and other similar non-refundable payments received under these agreements are recorded as deferred revenue and are recognised in the statement of comprehensive income over the performance period stipulated in the agreement.

Non-refundable milestone payments which represent the achievement of a significant technical/regulatory hurdle in the research and development process, pursuant to collaborative agreements, are recognised as revenue upon the achievement of the specified milestone.

The Group may also generate revenues from collaborative research and development as well as co-promotion arrangements. Such agreements may consist of multiple elements and provide for varying consideration terms, such as upfront, milestone and similar payments, which are complex and require significant analysis by management in order to determine the most appropriate method of revenue recognition.

Royalty income is recognised on an accruals basis in accordance with the economic substance of the agreement and is reported as part of revenue. Other revenues are recorded as earned or as the services are performed.

Notes to the financial statements continued

2 Accounting principles and policies continued

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability relating to a past event and where the amount of the obligation can be reliably estimated.

Segment reporting

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. Further details are set out in Note 5.

Research and development expenditure

Research and development expenditure is charged to the statement of comprehensive income as incurred. 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 that the Group expects to benefit from selling the products developed. The amortisation expense is included within general and administration costs in the statement of comprehensive income.

Other operating income (grant income)

Revenue grants for the reimbursement of costs charged to the statement of comprehensive income are credited to that statement in the year in which the costs are incurred. Grants receivable in connection with expenditure on tangible fixed assets are accounted for as deferred income, which is credited to statement of comprehensive income over the estimated useful economic life of the related assets on a basis consistent with the depreciation policy.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Items of property, plant and equipment are carried at depreciated cost.

Depreciation is provided on all items of property, plant and equipment so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Leasehold land and buildings	– Lease term
Plant & machinery	– 3 to 5 years
Fixtures & fittings	– 5 years

On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is accounted for in the statement of comprehensive income.

Investments

Investments are held at cost less any provisions for impairment.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair values of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is deemed to have an indefinite useful life and is tested for impairment annually. Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the purchase consideration paid, this excess is recognised immediately as a gain in the statement of comprehensive income.

Other intangible assets

Intangible assets are stated at cost or deemed cost less provisions for amortisation and impairments.

Customer-related intangibles separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight line basis. The estimated useful lives for determining the amortisation charge take into account the nature of the relationships and are reviewed and, where appropriate, adjusted annually.

Technology-based intangibles comprise unpatented technology, in-process research and development, know-how and trade secrets. Where these are separately acquired or acquired as part of a business combination, they are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis. The estimated useful lives for determining the amortisation charge take into account the nature of the relationships and are reviewed and, where appropriate, adjusted annually. Research costs which do not meet the criteria for recognition of an internally generated intangible asset are written off to the statement of comprehensive income when incurred.

Notes to the financial statements continued

2 Accounting principles and policies continued

Leases

Lease agreements which transfer substantially all the benefits and risks of ownership of an asset to the Group are accounted for as finance leases, as if the asset had been purchased outright. The assets are included within property, plant and equipment. The capital element of the lease commitment is included within obligations under finance leases. Assets held under finance leases are depreciated on a basis consistent with similar owned assets. The interest element of the lease is included in the statement of comprehensive income.

All other leases are operating leases and the rental costs are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Retirement benefits Defined Contribution Schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments that were unvested as of 1 August 2006.

Where equity settled 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 balance sheet 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 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 remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

Trade and other receivables

Trade and other receivables are accounted for at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account the age of the debt, historical experience and general economic conditions. If a trade debt is determined to be uncollectable, it is written off, firstly against any provisions already held and then to the statement of comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income.

Trade and other payables

Trade and other payables are held at amortised cost which equates to nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and liquid investments generally with maturities of 12 months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in values.

Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising from:

- the initial recognition of goodwill,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profits, and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Notes to the financial statements continued

2 Accounting principles and policies continued

Taxation continued

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 substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either

- the same taxable group company, or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Impairment of non-current assets

The carrying values of all non-currents assets are reviewed for impairment when there is an indication that the assets might be impaired. Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the statement of comprehensive income in the year concerned.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

3 Key accounting judgements and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 the judgements about carrying values 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 period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Property, plant and equipment

Property, plant and equipment is depreciated over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. The carrying values are tested for impairment where there is an indication that the value of the assets might be impaired. Such impairment tests would be based on assessments of future cash flow forecasts and these forecasts would be based on judgemental assumptions. Future events could cause the assumptions to change, with a consequent adverse effect on the future results of the Group. Further details are set out in Note 12.

Share-based payments

The Group has equity settled share-based remuneration schemes for employees. The fair value of share options is estimated by using the Black-Scholes valuation model, on the date of grant based on certain assumptions. These assumptions include, among others, expected volatility, expected life of the options and number of options expected to vest. Further information is set out in Note 26.

Income taxes

The Group is recognising research and development tax credits receivable in the statement of comprehensive income in respect of the significant expenditure on research and development activity during the period. The amount recognised is an estimate of the amount which the Group believes it is entitled to claim. Until the claim is submitted to the tax authorities and the amounts are actually received there is a risk that the tax credit claim could be challenged by the tax authorities. The Group believes that the receivable for income tax repayments is appropriate based on its assessment of several factors including past experience and interpretations of tax law. To the extent that the final tax outcome is different from the amounts recorded, such differences will impact on the income tax expense in the period in which such determination is made. Further details are set out in Note 10.

Notes to the financial statements continued

3 Key accounting judgements and estimates continued

Investment in subsidiaries

The Directors have made a judgement relating to the carrying value of the investments in subsidiary undertakings and related inter-company balances within the financial statements of the parent company. Further information is set out in Note 15, 'Investments' and Note 16, 'Trade and other receivables'.

Goodwill

Goodwill arising on business combinations is capitalised and allocated to an appropriate cash generating unit. It is deemed to have an indefinite life and so is not amortised. Annual impairment tests of the relevant cash generating units are undertaken. Impairment tests are based on established market factors or risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on management forecasts and therefore inherently contain judgements. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Group. Further details are set out in Note 13, 'Goodwill'.

Other intangible assets

As set out in Note 2, 'Accounting principles and policies', intangible assets acquired in a business combination are capitalised and amortised over their useful lives. Both initial valuations and valuations for subsequent impairment tests are based on risk-adjusted future cash flows discounted using appropriate discount rates. These future cash flows are based on business forecasts which are inherently judgemental. Future events could cause the assumptions used in these forecasts and impairment tests to change which could adversely affect the future results of the Group.

4 New accounting requirements

The following new and amended Accounting Standards and IFRIC interpretations have been issued by the International Accounting Standards Board (the IASB), have been adopted by the EU but have not yet been adopted within these financial statements:

IFRS 9, 'Financial Instruments: Classification and Measurement' was first issued in November 2009 and was subsequently amended in October 2010 and December 2011.

This is the first phase of the replacement of IAS 39 and covers the requirements for classification, measurement, derecognition and disclosure of financial assets and liabilities.

It is effective for accounting periods beginning on or after 1 January 2015.

IFRS 10, 'Consolidated financial statements' was published in May 2011. It introduces new requirements for determining which investee companies to consolidate and provides a single model to determine control aspects of investments. It is effective for accounting periods beginning on or after 1 January 2013.

IFRS 11, 'Joint arrangements' was published in May 2011. This sets out the accounting requirements for joint ventures and is effective for accounting periods beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' was published in May 2011 and covers disclosure requirements of entities that have interests in subsidiaries, joint ventures and associates. It is effective for accounting periods beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement' was published in May 2011. It sets out a single framework for measuring fair value and the disclosure requirements of fair value measurements and is effective for accounting periods beginning on or after 1 January 2013.

IAS 27 (2011), 'Separate financial statements' was published in May 2011. This contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates where an entity prepares separate financial statements. Effective for accounting periods beginning on or after 1 January 2013.

IAS 28 (2011), 'Investments in associates and joint ventures' prescribes accounting requirements for associates and is effective for accounting periods beginning on or after 1 January 2013.

Amendment to IAS 1 (2011), 'Presentation of items of other comprehensive income' amends the presentation of the comprehensive income statement and is effective for accounting periods beginning on or after 1 July 2012.

Amendments to IAS 12, 'Income Taxes' introduces changes relating to investment properties and is effective from 1 January 2012.

Amendments to IAS 19, 'Employee benefits' introduces requirements for actuarial gains or losses and is effective from 1 January 2013.

The possible impact on the financial statements in the initial period of application of the above standards or interpretations cannot be reasonably estimated.

Notes to the financial statements continued

5 Segmental analysis

The Group's revenue and loss was derived from its principal activity which is the provision of contract microbiology research services and clinical evaluation studies using its proprietary advanced living skin equivalent model, LabSkin™

Operating segment information is reported in accordance with IFRS 8 'Operating Segments' based on the financial information provided to the Board of Directors, which is regarded as the 'Chief Operating Decision Maker' (CODM) as all key strategic and operating decisions are made by the Board

Operating segments are determined based on the internal reporting information and management structure within the Group. The CODM considers that the Group operates as a single operating segment and internal management information is presented on that basis. Due to the small size and low complexity of the business, profitability is not analysed in further detail beyond the operating segment level and is not allocated by revenue stream.

An analysis of revenue streams is presented to the CODM on a monthly basis and as such, this information has been provided below

	2012	2011
Revenue	£000	£000
LabSkin™ and microbiology services	353	122
Clinical evaluation services	104	105
Total revenue	457	227

Geographical information

The UK is the Group's country of domicile

	2012	2011
Revenue by location of customer	£000	£000
UK	168	142
Belgium	75	-
France	77	8
Germany	69	42
Sweden	11	-
USA	57	35
Total revenue	457	227

	2012	2011
Revenue by location of group entity	£000	£000
UK	457	227

Notes to the financial statements continued

5 Segmental analysis continued

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Information regarding the results of the reportable segment is included below. Performance is based on segment operating profit or loss before share-based payment charges, depreciation, amortisation and acquisition costs, as reported in the internal management reports that are reviewed by the CODM. The segment operating profit or loss is used to measure performance. Revenues disclosed below represent revenues to external customers.

	2012 £000	2011 £000
Revenues		
Total revenue for reportable segments	457	227
Consolidated revenue	457	227
Loss		
Total loss for reportable segments	(910)	(1,086)
Loss before share-based payment charges, depreciation, amortisation, impairment losses and acquisition costs	(910)	(1,086)

	2012 £000	2011 £000
Assets		
Total assets for reportable segments	2,126	3,258
Unallocated assets		
Goodwill	-	489
Consolidated total assets	2,126	3,747
Liabilities		
Total liabilities for reportable segments	117	210
Unallocated liabilities		
Deferred tax	74	119
Consolidated total liabilities	191	329

Major customers

Transactions with the Group's three largest customers represent 18%, 16% and 16% of the Group's total revenues respectively (2011: 64%, 19% and 12%).

6 Other operating income

	2012 £000	2011 £000
Grants receivable	-	17

Notes to the financial statements continued

7 Operating loss

The following items have been included in operating loss

	2012 £000	2011 £000
Employee costs (Note 8)	716	642
Depreciation of property, plant and equipment	70	27
Amortisation of intangible assets	58	10
Impairment of goodwill and intangible assets	633	-
Net foreign exchange losses	3	-
Operating lease rentals Minimum lease payments	37	7
Fees payable to the company's auditors in relation to the Group		
Audit and assurance services Audit of parent company and consolidated financial Statements and audit of the trading subsidiary company financial statements	26	26

At 31 July 2012, the amount due to BDO LLP for fees yet to be invoiced was £25,750, comprising statutory audit of £25,750

8 Employee costs

	2012 £000	2011 £000
Wages and salaries	594	506
Social security costs	59	56
Pension costs	27	26
Share-based scheme costs	36	54
	716	642

The Group provides benefits to employees including healthcare insurance and personal life assurance

	2012 Number	2011 Number
Average number of persons employed by the Group (including Directors) during the year	16	16

Notes to the financial statements continued

8 Employee costs continued

The compensation of the Directors, in aggregate, was as follows

	2012 £000	2011 £000
Wages and salaries	230	197
Social security costs	29	22
Pension costs	12	13
Benefits in kind	2	2
Share-based remuneration	7	-
Share-based scheme costs	36	50
	316	284

Full details of the remuneration of individual Directors, including the highest paid Director, are set out in the Remuneration Report on pages 10 to 12. There were 2 (2011: 2) Directors in the Group's stakeholder money purchase pension schemes in the year.

9 Finance income

	2012 £000	2011 £000
Interest income arising from cash and cash equivalents	26	3

10 Taxation

	2012 £000	2011 £000
Taxation credit based on losses for the year		
UK Corporation tax	(117)	(122)
Deferred taxation	(45)	(15)
	(162)	(137)

	2012		2011	
Reconciliation of the taxation rate on Group profits	£000	%	£000	%
Loss before tax	(1,681)	(100.0)	(1,216)	(100.0)
UK Corporation tax at the statutory UK rate	(426)	(25.3)	(332)	(27.3)
Expenses not deductible for tax purposes	10	0.6	27	2.2
Research and development enhancement	(121)	(7.2)	(114)	(9.4)
Losses utilised against R & D tax credits received	124	7.4	126	10.4
Losses carried forward	251	14.9	149	12.2
Other permanent differences	3	0.2	10	0.8
Prior year adjustments	(3)	(0.2)	(3)	(0.2)
Total	(162)	(9.6)	(137)	(11.3)

The lower tax rate for the year ended 31 July 2012 is due to enhancement of research and development expenditure and the availability of R & D tax credits on the Group's research activities.

Notes to the financial statements continued

10 Taxation continued

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Corporation tax recoverable	110	120	110	120
Corporation tax payable	-	(34)	-	-

Movement in deferred tax liabilities

Group	Accelerated capital allowances £000	Intangibles £000	Total £000
Deferred tax liabilities			
At 1 August 2011	8	111	119
Charge/(credit) to statement of comprehensive income – arising from the origination and reversals of temporary differences	6	(51)	(45)
At 31 July 2012	14	60	74

Company	Accelerated capital allowances £000	Total £000
Deferred tax liabilities		
At 1 August 2011	6	6
Charge to statement of comprehensive income – arising from the origination and reversals of temporary differences	1	1
At 31 July 2012	7	7

Tax losses – Group	Recognised		Unrecognised	
	2012 £000	2011 £000	2012 £000	2011 £000
Trading losses available indefinitely	-	-	5,416	4,896
Deferred tax asset	-	-	1,230	1,224

Share-based payments – Group	Recognised		Unrecognised	
	2012 £000	2011 £000	2012 £000	2011 £000
Accumulated share-based payments	-	-	211	279
Deferred tax asset	-	-	51	70

As set out in Note 2, the Group has not recognised a deferred tax asset in the financial statements as there is no certainty that taxable profits will be available against which these assets could be utilised

Factors affecting the tax charge in future years

Changes to tax legislation could impact on the Group's effective tax rate. The UK Government has proposed some significant changes to the UK taxation system. In March 2011 the UK Government announced a phased reduction in the main rate of corporation tax from 28% to 23% over 4 years from April 2011. The deferred tax balances reflect the reduction in the UK tax rate from 28% to 23% as it has been substantively enacted. In November 2010 the UK Government reconfirmed its intention to introduce the 'patent box' regime which would apply a reduced rate of corporation tax to income from patents with effect from April 2013 following a period of consultation.

Notes to the financial statements continued

11 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all potentially dilutive ordinary shares

The Group has one class of potentially dilutive ordinary shares those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. However, due to losses incurred in the year there is no dilutive effect from the potential exercise of these share options

	Loss for the year £000	Weighted average number of shares	Loss per share (pence)
Basic and diluted loss per share			
Year ended 31 July 2012	(1,519)	173,179,690	(0.88p)
Year ended 31 July 2011	(1,079)	119,631,060	(0.90p)

12 Property, plant and equipment

Group	Leasehold land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost at 1 August 2010	-	173	10	183
Additions	48	18	1	67
Additions through business combinations	78	30	-	108
Cost at 31 July 2011	126	221	11	358
Additions	-	57	2	59
Cost at 31 July 2012	126	278	13	417
Depreciation at 1 August 2010	-	148	6	154
Charge for the year	3	22	2	27
Depreciation at 31 July 2011	3	170	8	181
Charge for the year	28	41	1	70
Depreciation at 31 July 2012	31	211	9	251
Net book value at 1 August 2010	-	25	4	29
Net book value at 31 July 2011	123	51	3	177
Net book value at 31 July 2012	95	67	4	166

The Group's leasehold land and buildings comprise a leased property with a lease less than 50 years

Notes to the financial statements continued

12 Property, plant and equipment continued

Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost at 1 August 2010	173	10	183
Additions	16	-	16
Cost at 31 July 2011	189	10	199
Additions	18	2	20
Cost at 31 July 2012	207	12	219
Depreciation at 1 August 2010	148	6	154
Charge for the year	18	2	20
Depreciation at 31 July 2011	166	8	174
Charge for the year	12	1	13
Depreciation at 31 July 2012	178	9	187
Net book value at 1 August 2010	25	4	29
Net book value at 31 July 2011	23	2	25
Net book value at 31 July 2012	29	3	32

13 Goodwill

Group	Goodwill £000
Cost at 1 August 2010	-
Additions through business combinations	489
Cost at 31 July 2011 and 31 July 2012	489
Impairment provision at 1 August 2010 and 31 July 2011	-
Impairment loss for the year	489
Impairment provision at 31 July 2012	489
Net book value at 1 August 2010	-
Net book value at 31 July 2011	489
Net book value at 31 July 2012	-

The goodwill arose on the acquisition of Leeds Skin Centre for Applied Research Limited in May 2011

The carrying value of goodwill is made up of balances arising on acquisitions as follows

Entity	Cash generating unit	2012 £000	2011 £000
Leeds Skin Centre for Applied Research Ltd	Leeds Skin Centre	-	489

Notes to the financial statements continued

13 Goodwill continued

Goodwill is allocated to cash generating units which are tested for impairment at least annually. The Group has two cash-generating units being 'Evocutis' and 'Leeds Skin Centre'. The goodwill arising on the acquisition of Leeds Skin Centre for Applied Research Limited was allocated to the Leeds Skin Centre CGU for impairment testing purposes.

Company	Goodwill £000
Cost at 1 August 2010 and 31 July 2011	-
Additions following hive up of trade from a subsidiary undertaking	616
Cost at 31 July 2012	616
Impairment provision at 1 August 2010 and 31 July 2011	-
Impairment loss for the year	616
Impairment provision at 31 July 2012	616
Net book value at 1 August 2010, 31 July 2011 and 31 July 2012	-

The goodwill arose on the hive up of trade from Leeds Skin Centre for Applied Research Limited in October 2011. Predecessor accounting values have been used and goodwill is the difference between the cost of investment in Leeds Skin Centre for Applied Research Limited and the value of the intangible assets acquired on hive-up as outlined in note 14.

The valuation of the CGU for goodwill impairment testing has been prepared on a value in use basis. Value in use is calculated as the net present value of the projected risk-adjusted post tax cash flows plus a terminal value of the cash generating unit. Initially a post-tax discount rate is applied to calculate the net present value of the post tax cash flows. The discount rate is based on the Group's weighted average cost of capital.

Details relating to the discounted cash flow model used in the impairment tests are as follows:

Valuation basis	Value in use
Key assumptions	Sales growth rates Profit margins Discount rate
Determination of assumptions	Growth rates are based on management estimates and forecasts based on internal and external market information and past experience Margins are based on past experience and cost estimates Discount rate is based on weighted average cost of capital
Period of specific projected cash flow used in forward cash flow forecasts	3 years
Discount rate	20%
Terminal growth rate	0%

At 31 July 2012, based on the Group's forward looking cash flow forecasts, the impairment tests concluded that the goodwill is impaired and consequently full provision has been made during the year for an impairment loss of £489,000 and this has been charged to the Consolidated Statement of Comprehensive Income. In the financial statements of the parent company, an impairment loss of £616,000 has been charged during the year.

Notes to the financial statements continued

14 Other intangible assets

Group	Customer relationships £000	Unpatented technology & In process R & D £000	Total £000
Cost at 1 August 2010	-	-	-
Additions through business combinations	179	275	454
Cost at 31 July 2011 and 31 July 2012	179	275	454
Amortisation at 1 August 2010	-	-	-
Charge for the year	5	5	10
Amortisation at 31 July 2011	5	5	10
Charge for the year	30	28	58
Impairment loss	144	-	144
Amortisation at 31 July 2012	179	33	212
Net book value at 1 August 2010	-	-	-
Net book value at 31 July 2011	174	270	444
Net book value at 31 July 2012	-	242	242

Amortisation charges and impairment losses have been charged to the statement of comprehensive income as follows

	2012 £000	2011 £000
General and administration	202	10

Company	Customer relationships £000	Unpatented technology & In process R & D £000	Total £000
Cost at 1 August 2010 and 31 July 2011	-	-	-
Additions following hive up of trade from a subsidiary	174	270	444
Cost at 31 July 2012	174	270	444
Amortisation at 1 August 2010 and 31 July 2011	-	-	-
Charge for the year	30	28	58
Impairment loss	144	-	144
Amortisation at 31 July 2012	174	28	202
Net book value at 1 August 2010 and 31 July 2011	-	-	-
Net book value at 31 July 2012	-	242	242

Customer relationships acquired relate to the ongoing contracts between customers and Leeds Skin Centre and information relating to those customers and these were being amortised over 6 years. During the year ended 31 July 2012, full provision was made for the remaining carrying value of this asset following an impairment review and based on future cash flow forecasts. Unpatented technology and in-process R & D comprises living skin equivalent tissue culture technology models which have been developed by Leeds Skin Centre. This is being amortised over 10 years and the remaining amortisation period for unpatented technology and in-process R & D at 31 July 2012 is 8.83 years.

Notes to the financial statements continued

15 Investments

Company	Investments in subsidiary undertakings £000
Cost at 1 August 2010	339
Additions	1,060
Cost at 31 July 2011	1,399
Transfer to intangible assets and goodwill on hive-up	(1,060)
Cost at 31 July 2012	339
Impairment at 1 August 2010	339
Charge for the year	-
Impairment at 31 July 2011 and 31 July 2012	339
Net book value at 1 August 2010	-
Net book value at 31 July 2011	1,060
Net book value at 31 July 2012	-

The impairment of £339,000 was made during the year ended 31 July 2009 to write down the value held in the investment in Syntopix Limited to reflect accumulated losses in the subsidiary company. The value in use of this asset is currently estimated as being £nil. On 1 August 2009 the trade and assets of Syntopix Limited and Syntopix Services Limited were transferred up to the parent company, Evocutis plc, pursuant to a hive-up agreement. The assets and liabilities of the subsidiaries were transferred to Evocutis plc at net book values.

The addition during the year ended 31 July 2011 related entirely to the acquisition of Leeds Skin Centre for Applied Research Limited. During the year ended 31 July 2012, the trade of Leeds Skin Centre for Applied Research Limited was hived-up to the parent company. Consequently the investment in this company has been transferred to goodwill and intangible assets as set out in notes 13 and 14.

16 Trade and other receivables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade receivables	28	120	28	34
Other receivables	21	45	21	45
Amounts due from subsidiary undertakings	-	-	38	34
Prepayments	80	36	68	17
	129	201	155	130

As at 31 July 2012 none of the trade receivables (2011: £36,000) were past due but were not impaired. The Group has no provisions for bad and doubtful debts. The Company's financial statements contain an inter-group receivable with a gross amount of £3,522,000 against which a provision of £3,522,000 has been made. No changes were made to this provision during the year ended 31 July 2012 (2011: no changes).

Notes to the financial statements continued

17 Cash and cash equivalents

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Cash at bank and in hand	115	82	50	30
Short term deposits	1,364	2,234	1,364	2,233
	1,479	2,316	1,414	2,263

18 Trade and other payables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Amounts due within one year				
Trade payables	53	104	53	54
Social security	18	24	18	24
Other payables	8	3	8	3
Accruals and deferred income	38	45	38	45
	117	176	117	126

19 Share capital and share premium account

	Ordinary shares Number	£000	Share premium £000
Share capital issued and fully paid			
At 1 August 2010 – ordinary shares of 10p each	10,714,844	1,071	6,282
Arising on sub-division of shares	96,433,596	-	-
Issue of new ordinary shares	66,031,250	661	1,500
Expenses of share issue	-	-	(150)
At 31 July 2011 and 31 July 2012- ordinary shares of 1p each	173,179,690	1,732	7,632

Share capital represents the nominal value of the amount subscribed for shares. Share premium represents the amount subscribed for shares in excess of their nominal value.

Ordinary shares carry the rights to one vote per share at general meetings of the Company and the rights to share in any distributions of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

20 Movements in equity

The merger reserve is a reserve created on the combination of companies within the Group prior to 1 August 2006 and as a consequence of applying merger relief criteria to the premium arising from the issue of ordinary shares as part of the cost of acquisition of Leeds Skin Centre for Applied Research Limited in the year ended 31 July 2011.

The share-based payment reserve represents amounts arising from the requirement to expense the fair value of share-based remuneration in accordance with IFRS 2 'Share-based Payments'.

Retained earnings are the cumulative net losses recognised in the Consolidated statement of comprehensive income.

Movements on these reserves are set out in the Consolidated statement of changes in equity.

Notes to the financial statements continued

21 Related party transactions

The Group and Company had the following transactions with related parties

Name of related party	Relationship	Nature of transaction	Purchases from related party		Amounts owed to related party	
			2012 £000	2011 £000	At 31 July 2012 £000	At 31 July 2011 £000
The University of Leeds	Shareholder	Consumable costs, provision of staff and services of a director	7	9	-	-
Atraxa Consulting Limited	Common directorship of Mr J D Bamforth	Accountancy services	63	60	9	10

Terms and conditions of transactions with related parties

Outstanding balances that relate to trading balances are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Company has an outstanding amount of £3,522,000 due from a subsidiary undertaking, against which it has made full provision. This assessment is undertaken each financial year through examining the financial position of the subsidiary company. No changes were made to this provision in the year ended 31 July 2012.

Compensation of key management personnel of the Group

The Group considers the directors to be its key management personnel. Full details of the remuneration of the directors are shown in the Directors' Remuneration Report and Note 8.

Notes to the financial statements continued

22 Adjustments reconciling loss after tax to operating cash flows

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Loss after tax	(1,519)	(1,079)	(1,673)	(1,030)
Tax on losses	(162)	(137)	(111)	(117)
Finance income net of finance costs	(26)	(3)	(26)	(3)
Depreciation	70	27	13	20
Amortisation of intangible assets	58	10	58	-
Impairment losses	633	-	760	-
Share-based payment charges	36	54	36	54
Changes in working capital				
Decrease/(increase) in trade receivables	92	(32)	6	(34)
(Increase)/decrease in other receivables	(2)	54	(13)	(36)
(Decrease)/increase in trade payables	(51)	2	(1)	(39)
(Decrease)/increase in other payables	(8)	(18)	(8)	20
Cash outflow from operations	(879)	(1,122)	(959)	(1,165)

23 Reconciliation of net cash flow to movement in net funds

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Net funds at beginning of the year	2,316	1,737	2,263	1,737
(Decrease)/increase in cash	(837)	426	(849)	526
Repayment of short term loans	-	92	-	-
Funds of subsidiary undertakings acquired	-	153	-	-
Debt of subsidiary undertakings acquired	-	(92)	-	-
Movement in net funds	(837)	579	(849)	526
Net funds at end of the year	1,479	2,316	1,414	2,263

Analysis of changes in net funds

	At 31 July 2011 £000	Cash flow £000	At 31 July 2012 £000
Cash and cash equivalents	2,316	(837)	1,479
Net funds	2,316	(837)	1,479

Notes to the financial statements continued

24 Commitments

The total future minimum lease payments under non-cancellable operating leases are

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Rental payments due within one year	97	117	-	-
Rental payments due between one and five years	181	278	-	-
Total commitments under non-cancellable operating leases	278	395	-	-

The Group has operating leases in respect of its five year lease on its property in Wetherby which expires on 30 November 2015 and various plant and equipment leases which are on 3 year leases expiring between November 2012 and October 2013

25 Financial instruments and related disclosures

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer 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 Group's competitiveness and flexibility.

The Group reports in Sterling. Internal and external funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does not use derivative financial instruments such as forward currency contracts, interest rate and currency swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

Capital management

The Group's objectives when maintaining capital are

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of total shareholders' equity as set out in the 'Consolidated statement of changes in equity' on page 21. All working capital requirements are financed from existing cash resources.

Capital is managed on a day to day basis to ensure that all entities in the Group are able to operate as going concerns. Operating cash flow is primarily used to advance the Group's research and development programme and for periodic outflows of capital expenditure. As the Group is in its early stages of development, revenue streams are not sufficient to cover operating costs and the Group has therefore periodically raised additional capital through the issue of shares.

Notes to the financial statements continued

25 Financial instruments and related disclosures continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain short term cash balances to meet expected requirements for a period of at least 60 days.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances and the value of the cash balances on short term deposits. At the balance sheet date the Group has cash balances in excess of £1,475 million and the financial forecasts indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to establish overdraft or other borrowing facilities. The Directors monitor funding requirements on a monthly basis during the periods when revenue streams are low and the board keeps various funding options under review.

Market risk

Interest rate risk

The policy on managing its exposure to interest rate change is agreed at Board level and is reviewed on an ongoing basis. Prior to placing fixed-term deposits, the Board reviews interest rates available from the major banks. At 31 July 2012 the Group and the parent company had the following fixed rate deposit in place:

- £750,000 – maturing 7 September 2012 at an interest rate of 2.5%

The Group does not use interest rate swaps.

Foreign exchange risk

Foreign current transaction exposures arising from external trade flows are not hedged. However, the level of transactions undertaken in foreign currency is low and the Board of Directors do not believe that there is a significant risk to the Group from exposure to significant fluctuations in currency rates. All the Group's entities are based in the UK and there are no internal currency exposures.

Credit risk

The Directors consider the maximum credit risk of the Group to be £1,608,000 which is the total of the Group's financial assets as set out in the table on page 46. The Group's most significant financial asset is cash and cash equivalents of £1,479,000 which at 31 July 2012 was held in deposits with various banks. These deposits are held with maturities of less than 12 months.

The Group sells its products and services to a small number of pharmaceutical companies and similar companies. At 31 July 2012, the Group had trade receivables due from these customers of £28,000 (2011: £120,000). The Group is exposed to credit risk in respect of these balances such that, if one or more of them encounters financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by entering into contracts with its customers with agreed credit terms.

However, the Directors are not aware of any factors affecting the recoverability of outstanding balances at 31 July 2012 and consequently no provisions are held for bad and doubtful debts (see Note 16 'Trade and other receivables').

The Company has credit risk exposure on inter-group receivables. Provisions have been made at each period end against inter-group receivables to the extent that it is envisaged that the amounts will not be recoverable.

Notes to the financial statements continued

25 Financial instruments and related disclosures continued

Fair value of financial assets and liabilities

The carrying values and fair values of the Group's financial assets and liabilities are shown below. The fair values are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. In respect of cash and cash equivalents, trade and other receivables and trade and other payables, fair value approximates to the carrying amounts.

Group	2012		2011	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Cash and cash equivalents	1,479	1,479	2,316	2,316
Trade and other receivables	129	129	201	201
Total financial assets	1,608	1,608	2,517	2,517
Financial liabilities measured at amortised cost				
Trade and other payables and other non-current liabilities	(99)	(99)	(152)	(152)
Total financial liabilities	(99)	(99)	(152)	(152)
Net financial assets and financial liabilities	1,509	1,509	2,365	2,365

Company	2012		2011	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Cash and cash equivalents	1,414	1,414	2,263	2,263
Trade and other receivables	155	155	130	130
Total financial assets	1,569	1,569	2,393	2,393
Financial liabilities measured at amortised cost				
Trade and other payables and other non-current liabilities	(99)	(99)	(102)	(102)
Total financial liabilities	(99)	(99)	(102)	(102)
Net financial assets and financial liabilities	1,470	1,470	2,291	2,291

Trade and other receivables in scope of IAS 39

The following table sets out financial assets within Trade and other receivables which fall within the scope of IAS39. These assets are non-interest earning.

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade and other receivables (Note 16)	129	201	155	130
Analysed as				
Financial assets in scope of IAS39	129	201	155	130

Notes to the financial statements continued

25 Financial instruments and related disclosures continued

The following table shows the age of such financial assets which are past due and for which no provision for bad or doubtful debts has been made

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Past due by 1-30 days	-	12	-	12
Past due by 31-90 days	-	24	-	-
Past due by 91-180 days	-	-	-	-
	-	36	-	12

Trade and other payables in scope of IAS39

The following table sets out financial liabilities within Trade and other payables which fall within the scope of IAS39. These financial liabilities are predominantly non-interest bearing. Other liabilities include tax and social security payables and provisions which do not constitute contractual obligations to deliver cash or other financial assets, which are outside the scope of IAS39.

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade and other payables (Note 18)	117	176	117	126
Analysed as				
Financial liabilities in scope of IAS39	99	152	99	102
Other liabilities	18	24	18	24
	117	176	117	126

Notes to the financial statements continued

26 Share schemes

The Group has a share option scheme for all employees (including Directors). Options are exercisable at a price agreed at the date of grant. The vesting period is usually between one and five years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options lapse if the employee leaves the Group before the options vest. Comparative figures for the year ended 31 July 2011 have been adjusted to reflect the 10 for 1 subdivision of shares in May 2011.

Options outstanding

	Number	Weighted average exercise price
At 1 August 2010	7,036,160	9.97p
Options granted	1,943,850	5.41p
Options lapsed	(419,900)	(8.65p)
At 31 July 2011	8,560,110	8.96p
Options lapsed	(3,303,000)	(8.65p)
At 31 July 2012	5,257,110	9.16p
Range of exercise prices	5.25p – 17.7p	
Weighted average remaining contractual life	6.54 years	

Options outstanding at 31 July 2012

Year of grant (year ended 31 July)	Number	Weighted exercise price (p)	Latest exercise date
2006	284,200	17.70p	23/3/2016
2007	710,500	17.65p	8/1/2017
2009	2,318,560	8.65p	6/8/2018
2011	1,943,850	5.41p	30/11/2020
Total	5,257,110	9.16p	

Options exercisable

	Number	Weighted exercise price (p)
At 31 July 2011	6,155,240	10.11p
At 31 July 2012	5,257,110	9.16p

Charge to the statement of comprehensive income

	2012 £000	2011 £000
Share based payment charges	36	54

Notes to the financial statements continued

27 Principal Group companies

The following are the subsidiary undertakings of Evocutis plc at 31 July 2012. All entities are based at the Group's headquarters in Wetherby, England.

Name of subsidiary	Country of incorporation	Principal activity	Percentage Owned
Leeds Skin Centre for Applied Research Limited	England and Wales	Research services	100%
Syntopix Limited	England and Wales	Dormant	100%
Syntopix Research Services Limited (formerly Syntopix Services Limited)	England and Wales	Dormant	100%

Syntopix Services Limited changed its name by written resolution to Evocutis Limited on 12 August 2011 and subsequently to Syntopix Research Services Limited on 21 October 2011.

28 Post balance sheet events

At 31 July 2012, the financial statements included an accrual for remuneration of £6,667 due to Dr GO Humphreys which is to be settled through the issue of shares. Subsequently, on 1 August 2012, the company issued 595,238 ordinary shares of 1 pence each at a price of 1.12 pence each to Dr Humphreys for the period from 1 June 2012 to 31 July 2012 in settlement of that liability.

Additionally, on 1 August 2012, the company granted 6,295,200 options over ordinary shares to certain employees (excluding directors) under the company's Enterprise Management Incentive share option scheme. The options were granted with an exercise price of 1.12 pence per share.

On 1 November 2012, the company issued 900,900 ordinary shares of 1 pence each at a price of 1.11 pence each in respect of share based pay due to Dr GO Humphreys for the period from 1 August 2012 to 31 October 2012.

29 Loss for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £1,673,000 (2011: £1,031,000) which is dealt with in the financial statements of the parent company.

Shareholder information

The Ordinary Shares of the Company are listed on the Alternative Investment Market of the London Stock Exchange

Information about the Company including details of the share price is available on its website at www.evocutis.com Information made available on the website does not constitute part of this Annual Report

Company Secretary and Registered Office

The Company Secretary is Darren Bamforth who can be contacted at the Company's registered office which is

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Registrar

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Annual General Meeting 2013

The AGM will be held at the offices of IP Group plc, 24 Cornhill, London, EC3V 3ND on Monday 28 January 2013 at 12 00pm

The AGM is the Company's main forum for communication with shareholders. In addition to the formal business of the meeting, shareholders will have the opportunity to ask questions to the Board of Directors. Investors who hold shares through a nominee service should arrange with that nominee service to be appointed as a corporate representative or proxy in respect of their shareholding in order to attend and vote at the AGM.