Evocutis plc

Annual Report 2014

Company Number: 05656604

Contents

Company information

DIRECTORS

David Lenigas	(Executive Chairman)
Donald Strang	(Executive Director)
Hamish Harris	(Non-Executive Director)

COMPANY SECRETARY

Donald Strang

COMPANY WEBSITE

www.evocutis.com

COMPANY NUMBER

05656604 (England and Wales)

REGISTERED OFFICE

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London
SW1Y 6DN

REGISTRAR

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The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

AUDITOR

BDO LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5RU

NOMINATED ADVISER AND BROKER

Cairn Financial Advisers LLP
61 Cheapside
London
EC2V 6AX

Chairman's Report

Overview

This has been an eventful year for the Company which has seen the transition from a trading company to an investing company.

During the first eight months of the financial year, the Company was focussed on disposing of its intellectual property assets and in closing down its trading operations in Wetherby. These activities were concluded in March 2014 with the sale of LabSkin™, SYN1113 and other related intellectual property to Venn Life Science Holdings plc. The sale provided for an element of contingent consideration relating to a stake in any future commercialisation of the intellectual property by Venn in the form or royalties paid on revenues generated from those assets.

Following the cessation of trading operations, the Company has been an investing company. The Company's principal assets are a cash balance and available-for-sale investments in the form of shares in Venn Life Science Holdings plc.

The Board
Following our shareholder meeting on 12 September 2014, the directors who previously managed the trading operation of the Group stepped down from the board and myself, along with Donald Strang and Hamish Harris were appointed to take responsibility for the future direction of the Company.

Events Subsequent to year end
On 12 September 2014, shareholders approved a capital reorganisation, resulting in each of the Company's existing ordinary shares being subdivided into one new Ordinary Share of 0.01p and one Deferred Share of 0.99p.

Additionally, on 15 September 2014, the Company issued 175,000,000 new Ordinary Shares of 0.01p each for cash consideration of £210,000 (before expenses). The new shares will rank equally in all respects with the existing shares.

On the same date, the Company adopted a new investing policy under AIM Rule 15 and there were a number of board changes as disclosed in the Report of the Directors.

On 8 December 2014, the Company issued 375,000,000 new Ordinary Shares of 0.01p each for cash consideration of £1,500,000 (before expenses). The new shares will rank equally in all respects with the existing shares. Each new Ordinary Share carries a warrant which entitles the holder to subscribe for a further one new ordinary share in the Company at 0.4 pence per share up to 31 December 2015.

On 18 December 2014, the Company announced that it has signed a Binding Term Sheet ("BTS") to acquire an initial 10% interest in Brazil Tungsten Holdings Limited ("BTHL") which owns a 25 year lease over (with the option to extend) the producing Bodó Tungsten Mine in Rio Grande do Norte, Brazil, by investing US$1 million in new capital in BTHL for the specific purposes of mine expansion. The Company will acquire the 10% interest by subscribing for new shares that represent a 10% shareholding in BTHL. The Company also has an exclusive option to increase its holding in BTHL to 20% within 60 days by investing a further US$1 million towards mine expansion, subject to certain conditions to be advised.

Financial review

Continuing operations
The continuing operations of the Company relate to its investing activities and to its status as an AIM-listed public company. The Company incurred administrative expenses associated with operating as a public company and these totalled £127,000 for the year (2013: £190,000).

On 19 March 2014, the Company acquired shares in another AIM listed public company, by way of the consideration for the disposal of our LabSkin™ and SYN1113 assets. These shares are accounted for as "Available-for-sale investments". At 31 July 2014, the Directors have assessed the valuation of those shares by reference to the quoted bid price and as a result have recorded an impairment loss on that investment of £72,000 (2013: not applicable) within the statement of profit or loss to reflect the fall in the published share price.

Overall, the Company made a loss of £197,000 (2013: £182,000) from continuing operations. No income tax has arisen due to the losses sustained (2013: £nil).

Chairman's Report - continued

Discontinued operations
During the year the Company ceased its scientific trading operations and shut down its trading site in Wetherby. All operational and administrative staff employed at that site were made redundant. The Company's LabSkin™ and SYN1113 intangible intellectual property assets, along with certain property, plant and equipment assets were sold to Venn Life Science Holdings plc on 19 March 2014.

The financial results from that trade are presented within discontinued operations. The comparative figures for the year ended 31 July 2013 have been restated to enable comparison between the two years.

In the year ended 31 July 2014, the trading operation generated revenues of £48,000 and sustained an overall loss for the year of £507,000 (2013: £825,000).

Loss per ordinary share
Basic and diluted loss per share arising from continuing operations has reduced from 0.10 pence for the year ended 31 July 2013, to 0.07 pence for the year ended 31 July 2014.

Basic and diluted loss per share arising from discontinued operations has also reduced from 0.47 pence for the year ended 31 July 2013 to 0.29 pence for the year ended 31 July 2014.

Outlook

The Board considers that the current Investing Policy is in the best interests of the Company and its Shareholders as a whole.

The Directors regularly assess investment opportunities for the Company in accordance with the investing policy which was adopted on 12 September 2014. Further capital has been raised by the Company which puts the Company in a good position to pursue new investment opportunities.

The Board acknowledges this exciting period for the Company as it continues to evaluate and seek additional investments as opportunities arise. The Board is confident that we will be able to proceed with suitable investments for the Company over the course of the next year.

The Board would like to take this opportunity to thank our shareholders for their continued support and I look forward to reporting further progress over the next period and beyond.

David Lenigas – Executive Chairman

20 January 2014

Strategic report

Principal activity

From 1 August 2013 to 18 March 2014, the principal activities of the Group were 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 continued to seek options for the commercialisation of licensing opportunities for its compounds, principally SYN1113.

On 19 March 2014, the Company completed the disposal of its LabSkin™ and SYN1113 assets, along with associated property, plant and equipment to Venn Life Science Holdings plc. The consideration for the disposal included 864,706 shares in Venn Life Science Holdings plc with a market value of £210,000 at the date of disposal, and contingent consideration arising from retained royalty rights in respect of the future commercialisation of those assets. However, due to the significant uncertainty regarding future royalty income the fair value of contingent consideration is deemed to be nil. The trading premises formerly operated by the Group in Wetherby were closed down. Following those events, the Company became an investing company from 19 March 2014 for the remainder of the financial year.

The Company is incorporated and domiciled in the UK.

Business model

A description of the Company's activities and how it seeks to add value are included in the Chairman and Chief Executive Officer's report and in the Investing Policy set out below.

Business review and results

A review of the Group's performance and future prospects is included in the Chairman and Chief Executive Officer's report. The loss for the year attributable to equity holders was £704,000 (2013: £1,007,000).

Key performance indicators

For the period from 1 August 2013 to 18 March 2014, whilst the Group carried out a trading activity, the directors consider the key quantitative performance indicators to be the level of cash and cash equivalents held in the business of £124,000 (2013: £665,000) and the level of sales revenue generated in the period of £48,000 (2013: £395,000).

The board performed monthly reviews of actual results against budget and monitored cash balances on a regular basis to ensure that the business had sufficient resources to enact its strategy. Certain qualitative measures, such as the sales pipeline, number of commercial deals negotiated and secured and the progress of research and development projects.

Subsequent to 18 March 2014, when the Company became an investing company, the directors consider the key quantitative performance indicators to be the level of cash and cash equivalents and the value of the Company's available-for-sale investments. The key qualitative measure is the assessment of potential investment opportunities to ensure that the Company complies with its investing policy.

Investing policy

The Company's investing policy is to invest in and/or acquire companies and/or projects within the natural resources sector which the board considers, in its opinion, has potential for growth. The Company will consider opportunities in all sectors as they arise if the board considers there is an opportunity to generate potential value for shareholders. The geographical focus will primarily be Europe, however, investments may also be considered in other regions to the extent that the board considers that valuable opportunities exist and potential value can be achieved.

Where appropriate, the board may seek to invest in businesses where it may influence the business at a board level, add their expertise to the management of the business, and utilise their industry relationships and access to finance.

The Company's interests in a proposed investment and/or acquisition may range from a minority position to full ownership and may comprise one investment or multiple investments. The proposed investments may be in either quoted or unquoted companies; be made by direct acquisitions or farm-ins; and may be in companies, partnerships, earn-in joint ventures, debt or other loan structures, joint ventures or direct or indirect interests in assets or projects. The board may focus on investments where intrinsic value may be achieved from the restructuring of investments or merger of complementary businesses.

The board expects that investments will typically be held for the medium to long term, although short term disposal of assets cannot be ruled out if there is an opportunity to generate a return for shareholders. The board will place no minimum or maximum limit on the length of time that any investment may be held. The Company may be both an active and a passive investor depending on the nature of the individual investment.

Strategic report – continued

There is no limit on the number of projects into which the Company may invest, and the Company's financial resources may be invested in a number of propositions or in just one investment, which may be deemed to be a reverse takeover under the AIM Rules. The board intends to mitigate risk by appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require shareholder approval. The board considers that, as investments are made and new investment opportunities arise, further funding of the Company may also be required.

Where the Company builds a portfolio of related assets, it is possible that there may be cross holdings between such assets. The Company does not currently intend to fund any investments with debt or other borrowings but may do so if appropriate. Investments in early stage assets are expected to be mainly in the form of equity, with debt potentially being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing. The board may also offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems.

Investments may be made in all types of assets and there will be no investment restrictions on the type of investment that the Company might make or the type of opportunity that may be considered. The Company may consider possible opportunities anywhere in the world.

The board will conduct initial due diligence appraisals of potential business or projects and, where they believe further investigation is warranted, intend to appoint appropriately qualified persons to assist. The board believes its expertise will enable it to determine quickly which opportunities could be viable and so progress quickly to formal due diligence. The Company will not have a separate investment manager.

As an Investing Company, the Company will be required to make an acquisition or acquisitions which constitutes a reverse takeover under the AIM Rules or otherwise implement its investing policy on or before the 19 March 2015 failing which, the Company's Ordinary Shares would then be suspended from trading on AIM. In the event that the Company's shares are so suspended, the admission to trading on AIM would be cancelled six months from the date of suspension.

Key risks

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.

For the period from 1 August 2013 to 18 March 2014, the directors considered the key risks to be:

- the risk that the board would not be able to realise sufficient future income from the sale or licensing of its intellectual property to ensure that the Group would be able to remain as a going concern for the foreseeable future; and
- the risk that the board would not be able to negotiate a satisfactory exit from its property lease commitment.

During March 2014, the company secured the sale of its intellectual property assets to Venn Life Science Holdings plc and retained royalty rights in respect of the future commercialisation of those assets. Additionally, the Company successfully negotiated an exit from its property lease commitment. Consequently, the directors believe that the risks identified above have been fully mitigated.

Strategic report – continued

From 19 March 2014, following the transition of the Company to an investing company, the directors consider the key risks to be:

- the risk arising from future changes to the market value of the Company's available-for-sale investments;
- the inherent uncertainty over the level of contingent consideration in respect of the future commercialisation of the intellectual property assets sold during the year;
- the risk that suitable investments cannot be made in accordance with the investing policy set out above; and
- the ability to manage cash flows to ensure that the Company continues to have sufficient resources to be able to continue in operation and to pursue its investing policy.

Future developments
Future developments are described in the Chairman's report.

By order of the Board

Donald Strang
Company Secretary

20 January 2014

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 July 2014.

Share capital and funding

Full details of the Group and Company's share capital movements during the year are given in note 20 to the financial statements.

Directors and their interests

The Directors who served during the year were:

T Bannatyne – resigned 1 October 2014
Dr GO Humphreys – resigned 15 September 2014
JD Bamforth – resigned 15 September 2014
MCN Townend – resigned 15 September 2014

The following board changes took place after the year end but before the date of approval of these financial statements:

D Lenigas – appointed 15 September 2014
D Strang – appointed 15 September 2014
H Harris – appointed 1 October 2014

Information in respect of directors' remuneration and their interests in the shares of the Company is given in the Directors' report.

Profile of the directors

David Lenigas, Executive Chairman

David has extensive experience operating in global public markets having served in a senior executive capacity on many public company boards. He is currently the Executive Chairman of Rare Earth Minerals plc, Stellar Resources plc, AfriAg Plc, and Solo Oil Plc. He has a Bachelor of Applied Science (Mining Engineering) from Curtin University's Kalgoorlie School of Mines. Mr Lenigas has extensive operational and corporate experience in managing companies within the oil and gas, gold, coal and other natural resources sectors. David is the Chairman of both the Audit and Remuneration committees.

Donald Strang – Executive Director

Donald is a member of the Australian Institute of Chartered Accountants and has been in business over 20 years, holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. He has considerable corporate and international expertise and over the past decade has focussed on mining and exploration activities. He is currently the Finance Director of Stellar Resources plc and AfriAg plc and is the Executive chairman of Doriemus plc and Polemos plc. Donald is a member of both the Audit and Remuneration committees.

Hamish Harris - Non-Executive Director

Hamish holds a Bachelor of Commerce from the University of Tasmania. He has held positions within market risk management at a number of financial institutions including Nomura Group, Dresdner Kleinwort Wasserstein, Deutsche Bank AG and Lloyds Banking Group plc in Singapore, Hong Kong and London. Hamish currently holds a position with Nivalis Capital a private equity vehicle which looks for opportunities in mining and agriculture in Eastern Europe. Hamish is currently a director of Polemos Plc, AfriAg Plc, Doriemus plc and Octagonal plc. Hamish is a member of both the Audit and Remuneration Committees.

Insurance for directors

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

Directors' report - continued

Directors' 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 2014 are:

	Date of contract	Commencement date	Unexpired term	Notice period
Executive Directors				
Dr GO Humphreys	1.5.12	1.5.12	Indefinite	1 month
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
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 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.

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 services, payable either as a cash salary/fee or with an element settled by way of the issue of shares to the value of the remuneration due. 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' report - continued

Directors' remuneration

Directors' remuneration for the year ended 31 July 2014 is set out below:

	Cash based salary £000	Fees Payable to third parties £000	Employer's National Insurance Contributions £000	Total 2014 £000	Total 2013 £000
Non-Executive Directors					
Mr T Bannatyne	5	-	1	**6**	21
Mr MCN Townend	-	4	-	**4**	15
Executive Directors					
Dr GO Humphreys	45	-	5	**50**	105
Mr JD Bamforth	3	-	-	**3**	10
Dr RA Bojar (until 3 May 2013)	-	-	-	**-**	111
	53	4	6	**63**	262

Details of transactions with directors are set out in Note 22.

Each of the Directors agreed to waive their annual remuneration entitlements with effect from 1 November 2013.

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

	At 1 August 2013	Granted	Lapsed	At 31 July 2014	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
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
MCN Townend	-	-	-	-	-	-	-

Directors' interests in shares

Directors' beneficial interests in the shares of the Company, including family interests, for directors holding office at 31 July 2014, were as follows:

	Number of shares	% of issued share capital
T Bannatyne	**14,714,670**	8.42%
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.

Directors' report - continued

Substantial shareholdings

At 19 January 2015, 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 voting rights
HSBC Global Custody Nominees (UK) Limited	67,500,000	9.31%
Academy Minerals Limited	60,000,000	8.28%
Green Hair Services Limited	56,000,000	7.73%
Jim Nominees Limited	51,599,839	7.12%
Fitel Nominees Limited - Placings	50,000,000	6.90%
Fitel Nominees Limited - DMOD	41,850,000	5.77%
Hargreave Hale Nominees Limited	37,500,000	5.17%
Ferlim Nominees Limited	27,500,000	3.79%
Beaufort Nominees Limited	27,143,635	3.75%
The Bank of New York (Nominees)	25,200,000	3.48%
Nomura PB Nominees Limited	25,000,000	3.45%

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.

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.

By order of the Board

Donald Strang
Company Secretary

20 January 2014

Corporate governance

Evocutis plc, as an AIM Company, is not required to comply with the UK Corporate Governance Code ("the Code") and does not voluntarily apply the full requirements of the Code. However, our corporate governance arrangements do meet many of the requirements of the Code which the Directors deem most relevant to an AIM-listed company having consideration to the size, nature and scope of the Company's and Group's activities.

The Board

The Directors and the biographies are set out in the Directors' Report. The board comprises two executive directors and one non-executive director.

Internal control

The Board has responsibility for reviewing and approving the adequacy and effectiveness of internal controls. The Board's measures are designed to manage, not eliminate risk, and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control systems are:

(i) Management accounts information, budgets, forecasts and business risk issues are reviewed by the Board who meet regularly during the year.
(ii) The Company has operational, accounting and employment policies in place.
(iii) The Board actively identifies and evaluates the risks inherent in the business and ensure that appropriate controls and procedures are in place to manage these risks.
(iv) There is a clearly defined organisational structure.
(v) There are well established financial reporting and control systems.
(vi) The Group has clear authority limits deriving from the list of matters reserved for decision by the Board including capital expenditure approval procedures.

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.

Board committees

The Board has established committees as outlined below. David Lenigas is the Chairman of each committee. The other directors are members of the committees.

Audit committee

The audit committee's primary responsibilities are to review 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.

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.

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).

Corporate governance continued

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.

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.

Remuneration committee
The remuneration committee's primary responsibilities are to review and determine the salaries, benefits and all other elements of remuneration packages for the Executive Directors.

Relations with shareholders

The Board recognises and understands that it has a fiduciary responsibility to the Group's shareholders. The Chairman and Chief Executive Officer's report includes 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.

Going concern

The Chairman's report and Strategic Report contain 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'.

Further details in respect of the Group's going concern position are set out in Note 1. 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.

David Lenigas
Executive Chairman

20 January 2014

Directors' statement of responsibilities

Directors' statement of responsibilities in respect of the Annual Report, Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 the parent Company and of their profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Independent Auditors' Report
to the members of Evocutis plc

We have audited the financial statements of Evocutis plc for the year ended 31 July 2014 which comprise the consolidated statement of profit or loss and other 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 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/auditscopeukprivate.

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 2014 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.

Opinion on other matters prescribed by the Companies Act 2006

- In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent Auditors' Report
to the members of Evocutis plc

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

Paul Davies (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom

20 January 2014

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

Consolidated statement of profit or loss

for the year ended 31 July 2014

	Notes	2014 £000	2013 (Restated – note 9) £000
Continuing operations			
Administrative expenses			
Salaries and other staff costs	6	**(36)**	(52)
Other costs	7	**(91)**	(138)
Total administrative expenses		**(127)**	(190)
Impairment of available-for-sale asset	14	**(72)**	-
Finance income		**2**	8
Loss before tax		**(197)**	(182)
Taxation	8	**-**	-
Loss for the period from continuing operations		**(197)**	(182)
Discontinued operations			
Loss for the period from discontinued operations	9	**(507)**	(825)
Loss for the period attributable to equity shareholders of the parent Company		**(704)**	(1,007)
Loss per ordinary share			
Basic and diluted – continuing operations (pence)	10	**(0.11p)**	(0.10p)

Consolidated statement of financial position

as at 31 July 2014

	Note	2014 £000	2013 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**-**	49
Other intangible assets	13	**-**	215
Available-for-sale investments	14	**138**	-
Total non-current assets		**138**	264
Current assets			
Current tax recoverable	8	**-**	95
Trade and other receivables	16	**15**	154
Cash and cash equivalents	17	**124**	665
Total current assets		**139**	914
Total assets		**277**	1,178
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(21)**	(115)
Total current liabilities		**(21)**	(115)
Non-current liabilities			
Deferred tax liabilities	8	**-**	(58)
Provisions	19	**-**	(50)
Total non-current liabilities		**-**	(108)
Total liabilities		**(21)**	(223)
Net assets		**256**	955
EQUITY			
Equity attributable to equity holders of the company			
Called up share capital	20	**1,747**	1,747
Share premium reserve	20	**7,634**	7,634
Share based payments reserve	21	**114**	138
Merger reserve	21	**-**	979
Retained earnings	21	**(9,239)**	(9,543)
Total equity		**256**	955

The financial statements were approved and authorised for issue by the Board of Directors on 20 January 2014 and were signed on its behalf by:

David Lenigas
Chairman

Donald Strang
Director

Company number: 05656604

Consolidated statement of changes in equity

for the year ended 31 July 2014

	Share capital £000	Share premium reserve £000	Share-based Payments reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 August 2012	1,732	7,632	211	979	(8,619)	1,935
Loss for the year	-	-	-	-	(1,007)	(1,007)
Transactions with owners:						
Issue of new ordinary shares	15	2	-	-	-	17
Share-based payment charge	-	-	10	-	-	10
Share options lapsed	-	-	(83)	-	83	-
At 31 July 2013	1,747	7,634	138	979	(9,543)	955
At 1 August 2013	1,747	7,634	138	979	(9,543)	**955**
Loss for the year	-	-	-	-	(704)	**(704)**
Transfers	-	-	-	(979)	979	**-**
Transactions with owners:						
Share-based payment charge	-	-	5	-	-	**5**
Share options lapsed	-	-	(29)	-	29	**-**
At 31 July 2014	**1,747**	**7,634**	**114**	**-**	**(9,239)**	**256**

Details of the nature of each component of equity are set out in Notes 20 and 21.

Consolidated statement of cash flows

for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Cash flow from operating activities			
Loss after tax		**(704)**	(1,007)
Tax on losses		**(58)**	(111)
Finance income net of finance costs		**(2)**	(8)
Profit on sale of property, plant and equipment		**(5)**	-
Depreciation		**16**	54
Amortisation of intangible assets		**14**	27
Impairment losses on property, plant and equipment		**-**	67
Share-based remuneration		**-**	17
Impairment of available-for-sale asset		**72**	-
Share-based payment charges		**5**	10
Changes in working capital:			
Decrease/(increase)in trade receivables		**77**	(49)
Decrease in other receivables		**62**	24
(Decrease)/increase in trade payables		**(54)**	1
(Decrease) in other payables		**(40)**	(3)
(Decrease)/increase in provisions		**(50)**	50
Cash outflow from operations		**(667)**	(928)
Taxation received		**95**	110
Net cash outflow from operating activities		**(572)**	(818)
Cash flow from investing activities			
Purchase of property, plant and equipment	11	**(1)**	(4)
Proceeds from sale of property, plant and equipment	9	**30**	-
Finance income		**2**	8
Net cash inflow from investing activities		**31**	4
Net decrease in cash and cash equivalents	23	**(541)**	(814)
Cash and cash equivalents at the beginning of the year		**665**	1,479
Cash and cash equivalents at the end of the year	17	**124**	665

Company statement of financial position

as at 31 July 2014

	Note	2014 £000	2013 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**-**	49
Other intangible assets	13	**-**	215
Available-for-sale investments	14	**138**	-
Investments in subsidiary undertakings	15	**-**	-
Total non-current assets		**138**	264
Current assets			
Current tax recoverable	8	**-**	95
Trade and other receivables	16	**15**	142
Cash and cash equivalents	17	**124**	664
Total current assets		**139**	901
Total assets		**277**	1,165
Current liabilities			
Trade and other payables	18	**(21)**	(206)
Total current liabilities		**(21)**	(206)
Non-current liabilities			
Deferred tax liabilities	8	**-**	(5)
Total non-current liabilities		**-**	(5)
Total liabilities		**(21)**	(211)
Net assets		**256**	954
Equity attributable to equity holders of the company			
Called up share capital	20	**1,747**	1,747
Share premium reserve	20	**7,634**	7,634
Share based payments reserve	21	**114**	138
Merger reserve	21	**-**	641
Retained earnings	21	**(9,239)**	(9,206)
Total equity		**256**	954

The financial statements were approved and authorised for issue by the Board of Directors on 20 January 2014 and were signed on its behalf by:

David Lenigas
Chairman

Donald Strang
Director

Company number: 05656604

Company statement of changes in equity

for the year ended 31 July 2014

	Share capital £000	Share premium reserve £000	Share-based payments reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 August 2012	1,732	7,632	211	641	(8,387)	1,829
Loss for the year	-	-	-	-	(902)	(902)
Transactions with owners:						
Issue of new ordinary shares	15	2	-	-	-	**17**
Share-based payment charge	-	-	10	-	-	10
Share options lapsed	-	-	(83)	-	83	-
At 31 July 2013	1,747	7,634	138	641	(9,206)	954
At 1 August 2013	1,747	7,634	138	641	(9,206)	**954**
Loss for the year	-	-	-	-	(703)	**(703)**
Transfers	-	-	-	(641)	641	**-**
Transactions with owners:						
Share-based payment charge	-	-	5	-	-	**5**
Share options lapsed	-	-	(29)	-	29	**-**
At 31 July 2014	**1,747**	**7,634**	**114**	**-**	**(9,239)**	**256**

Details of the nature of each component of equity are set out in Notes 20 and 21.

Company statement of cash flows

for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Cash flow from operating activities			
Loss after tax		**(703)**	(902)
Tax on losses		**(4)**	(98)
Finance income net of finance costs		**(2)**	(8)
Profit on sale of property, plant and equipment		**(5)**	-
Depreciation		**16**	13
Amortisation of intangible assets		**14**	27
Share-based remuneration		**-**	17
Impairment of available-for-sale asset		**72**	
Share-based payment charges		**5**	10
Changes in working capital:			
Decrease/(increase) in trade receivables		**77**	(49)
Decrease in other receivables		**50**	62
(Decrease)/increase in trade payables		**(54)**	1
(Decrease)/increase in other payables		**(131)**	63
Cash outflow from operations		**(665)**	(864)
Taxation received		**94**	110
Net cash outflow from operating activities		**(571)**	(754)
Cash flow from investing activities			
Purchase of property, plant and equipment	11	**(1)**	(4)
Proceeds from sale of property, plant and equipment	9	**30**	-
Finance income		**2**	8
Net cash inflow from investing activities		**31**	4
Net decrease in cash and cash equivalents	23	**(540)**	(750)
Cash and cash equivalents at the beginning of the year		**664**	1,414
Cash and cash equivalents at the end of the year	17	**124**	664

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. From 1 August 2013 until 18 March 2014, the group was a specialist research group focused on topical antimicrobial innovations for products in the medicinal and consumer healthcare markets. The group provided independent research and testing facilities specialising in skin microbiology, living skin tissue culture and clinical dermatology.

On 19 March 2014, following closure of the group's trading operations, the company became an investing company. The financial results from the previous trade are presented within discontinued operations. The comparative figures for the year ended 31 July 2013 have been restated to enable comparison between the two years.

The Group's registered office is Evocutis plc, Suite 3B, 38 Jermyn Street, London, SW1Y 6DN.

Compliance with applicable law and IFRS
The financial statements have been prepared in accordance with the Companies Act 2006 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.

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 statements have been prepared on a going concern basis, notwithstanding the loss for the year ended 31 July 2014. 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 £704,000 after taxation. The Group had net assets of £256,000 and cash balances of £124,000 at 31 July 2014. 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 show that the Company expects to have sufficient financial resources to continue to operate as a going concern.

Following the disposal of the Company's intellectual property assets, along with associated property, plant and equipment, in March 2014, the company is now classified as an investing company and holds cash balances and available-for-sale investments. As part of the disposal of assets agreement, the Company retains a right to receive contingent consideration in the form of royalties arising on any revenues generated by those assets during the 3 year period ending 18 March 2017 or from the sale or licence of the SYN1113 asset at any time.

Subsequent to the year end, the Company has raised further funding of £1,710,000 from the issue of new ordinary shares. The Directors anticipate that the Company will have a very low level of operating costs for the next 12 months, principally the costs of maintaining the cash shell and of pursuing investment opportunities for the Company. Therefore they are confident that existing cash balances, along with the new funding, are adequate to ensure that costs can be covered.

Consequently, 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 2013 to 31 July 2014, with comparative figures for the financial years from 1 August 2012 to 31 July 2013 and, where appropriate, from 1 August 2011 to 31 July 2012.

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 15.

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 2014 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 consolidated statement of profit or loss and other comprehensive income.

Discontinued operations

The results of the research services operation have been classified as a discontinued operation and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented in the current and prior year to show the discontinued operation separately from continuing operations. Further details are set out in note 9.

Revenue
Revenue is recognised when persuasive evidence of an arrangement exists, delivery of products 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 consolidated statement of profit or loss and other comprehensive income over the performance period stipulated in the agreement.

Notes to the financial statements continued

2 Accounting principles and policies continued

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.

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.

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
Except as set out below, research and development expenditure is charged to the consolidated statement of profit or loss and other 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 consolidated statement of profit or loss and other comprehensive income.

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 improvements	– 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 consolidated statement of profit or loss and other comprehensive income.

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 consolidated statement of profit or loss and other comprehensive income.

2 Accounting principles and policies continued

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 consolidated statement of profit or loss and other comprehensive income when incurred.

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 consolidated statement of profit or loss and other comprehensive income.

All other leases are operating leases and the rental costs are charged to the consolidated statement of profit or loss and other 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 consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

Share-based payments
Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of profit or loss and other 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.

Notes to the financial statements continued

2 Accounting principles and policies continued

Financial instruments

Available-for-sale investments
Non-derivative financial assets comprising the Company's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available-for-sale reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the consolidated statement of comprehensive income. On sale, the amount held in the available-for-sale reserve associated with that asset is removed from equity and recognised in the consolidated statement of comprehensive income.

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 consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the consolidated statement of profit or loss and other 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 3 months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in values.

Financial investments
Listed investments are valued at closing bid price on 31 July. For measurement purposes, financial investments are designated at fair value through profit and loss. Gains and losses on the realisation of financial investments are recognised in the profit and loss for the period and taken to retained earnings. The difference between the market value of financial instruments and book value to the Group is shown as a gain or loss in the profit for the period and taken to the revenue reserve.

Investments in subsidiaries are reflected in the Company's accounts at cost less any provisions for diminution in value.

Taxation

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

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).

Notes to the financial statements continued

2 Accounting principles and policies continued

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 consolidated statement of profit or loss and other 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.

Significant estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at 31 July 2014 are set out below:

Fair value of contingent consideration
The consideration for the sale of intellectual property assets to Venn Life Science Holdings plc in March 2014 included an element of contingent consideration that is based on a future royalty stream from commercialisation of those assets by Venn. An estimate of the fair value of the contingent consideration has been made in these financial statements. However the actual amounts of royalties receivable in future years is dependent upon a number of factors, all of which are outside the Company's control. These include Venn's ability to be able to generate commercial revenues from the intellectual property assets, the demand for those products and other economic factors.

4 New accounting requirements

At the date of authorisation of these financial statements, the following IFRSs, IASs and Interpretations were in issue but not yet effective. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date not yet confirmed and standard not yet endorsed by the EU);
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2017, not yet endorsed by the EU);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (effective date 1 January 2016);
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (effective date 1 January 2016); and
- IFRS 14 Regulatory Deferral Accounts (effective date 1 January 2016).

Notes to the financial statements continued

5 Segmental analysis

Segmental analysis is not applicable as there is only one operating segment of the continuing business – investment activities. The performance measure of investment activities is considered by the Board to be profitability and is disclosed on the face of the consolidated statement of profit or loss and other comprehensive Income. An analysis of the Group's previous trading activities, which were discontinued during the year, is set out in note 9.

6 Information regarding Directors and employees

	2014 £000	2013 £000
Included within continuing operations		
Wages and salaries	**33**	48
Social security costs	**3**	4
	36	52
Included within discontinued operations		
Wages and salaries	244	492
Social security costs	22	47
Pension contributions	11	22
Share based payment expense	4	10
	281	571

During the year, the Group provided benefits to employees including healthcare insurance and personal life assurance.

	2014 Number	2013 Number
Average number of persons employed by the Group (including Directors) during the year		
Continuing operations - Directors	**4**	4
Discontinued operations – Research and administrative staff	**10**	12
Total	**14**	16

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

	2014 £000	2013 £000
Wages and salaries	**53**	203
Social security costs	**6**	25
Pension costs	**-**	5
Benefits in kind	**-**	2
Fees payable to third parties	**4**	15
Share-based remuneration	**-**	13
Share-based scheme costs	**-**	10
	63	273

Full details of the remuneration of individual directors, including the highest paid director, are set out in the Directors' Report. There were no directors (2013: 1 director) in the Group's stakeholder money purchase pension schemes in the year.

Notes to the financial statements continued

7 Loss for the year – continuing operations

The following items have been included in operating loss:

	2014 £000	2013 £000
Fees payable to the company's auditors in relation to the Group:		
Audit and assurance services :		
- Audit of parent Company and consolidated financial statements	**13**	23
- Audit of subsidiary companies	**2**	3
Total auditor's fees	**15**	26
Analysis of other costs:		
Legal and professional fees	**82**	130
Other general overheads	**9**	8
	91	138

At 31 July 2014, the amount due to BDO LLP for fees yet to be invoiced was £15,000, comprising statutory audit of £15,000.

8 Taxation

Taxation credit based on losses for the year	2014 £000	2013 £000
UK Corporation tax	**-**	-
Deferred taxation	**-**	-
Tax expense from continuing operations	**-**	-
Tax credit from discontinued operations	**(58)**	(111)
Total tax expense	**(58)**	(111)

Reconciliation of the taxation rate on Group profits	2014 £000	2014 %	2013 £000	2013 %
Loss for the year	**(632)**		(1,007)	
Total income tax credit	**58**		111	
Loss excluding income tax	**(690)**	**(100.0)**	(1,118)	(100.0)
UK Corporation tax at the statutory UK rate	**(154)**	**(22.3)**	(265)	(23.7)
Expenses not deductible for tax purposes	**4**	**0.6**	3	0.3
Research and development enhancement	**-**	**-**	(113)	(10.1)
Losses utilised against R & D tax credits received	**-**	**-**	109	9.7
Losses for which no deferred asset was recognised	**150**	**21.7**	155	13.9
Other permanent differences	**(58)**	**(8.4)**	-	-
Prior year adjustments	**-**	**-**	-	-
Total	**(58)**	**(8.4)**	(111)	(9.9)

Notes to the financial statements continued

8 Taxation continued

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Corporation tax recoverable	**-**	95	**-**	95

Movement in deferred tax liabilities

Group **Deferred tax liabilities**	Accelerated capital allowances	Intangibles	**Total**
	£000	£000	**£000**
At 1 August 2013	5	53	**58**
Credit to consolidated statement of profit or loss and other comprehensive income – arising from the origination and reversals of temporary differences	(5)	(53)	**(58)**
At 31 July 2014	-	-	**-**

Company **Deferred tax liabilities**	Accelerated capital allowances	**Total**
	£000	**£000**
At 1 August 2013	5	**5**
Credit to statement of profit or loss and other comprehensive income – arising from the origination and reversals of temporary differences	(5)	**(5)**
At 31 July 2014	-	**-**

	Recognised		Unrecognised	
Tax losses – Group	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000
Trading losses available indefinitely	**-**	-	**-**	6,800
Deferred tax asset	**-**	-	**-**	1,360

	Recognised		Unrecognised	
Share-based payments – Group	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000
Accumulated share-based payments	**-**	-	**114**	138
Deferred tax asset	**-**	-	**24**	28

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. The UK Government announced a phased reduction in the main rate of corporation tax to 20% and the deferred tax balances reflect that reduction in the UK tax rate.

Notes to the financial statements continued

9 Discontinued operations

In December 2013, the Group ceased its research services operation and all intellectual property assets and residual property, plant and equipment were disposed to Venn Life Science Holding plc on 19 March 2014. The results of the research services operation have been classified as a discontinued operation and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented in the current and prior year to show the discontinued operation separately from continuing operations. The results of operations discontinued during the year ended 31 July 2014 is as follows:

	2014 £000	2013 £000
Revenues	**48**	395
Expenses	**(613)**	(1,331)
Results from operating activities	**(565)**	(936)
Income tax	**58**	111
Results from operating activities, net of tax	**(507)**	(825)
Gain on sale of discontinued operation – see below	**-**	-
Tax on gain on sale of discontinued operation	**-**	-
Loss from discontinued operations for the year	**(507)**	(825)
Basic and diluted loss per shares (pence)	**(0.29p)**	(0.47p)

The loss from discontinued operation of £507,000 (2013: loss of £825,000) is attributable entirely to the owners of the Company.

Cash flows used in discontinued operations

	2014 £000	2013 £000
Net cash used in operating activities	**(447)**	(712)
Net cash from investing activities	**(1)**	(4)
Net cash flows for the year	**(448)**	(716)

Effect of the disposal on the financial position of the Group

	2014 £000
Property, plant and equipment	(8)
Other intangible assets	(202)
Net assets and liabilities disposed of	(210)
Consideration:	
- Shares in Venn Life Science Holdings plc	210
- Fair value of contingent consideration	-
Total consideration received	210
Gain on sale of discontinued operation	-

Notes to the financial statements continued

10 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 attributable to ordinary shareholders

	2014			2013		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	£000	**£000**	**£000**	£000	£000	£000
Loss for the year	**(197)**	**(507)**	**(704)**	(182)	(825)	(1,007)

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 August	**174,675,828**	173,774,928
Effect of shares issued on 1 November 2012	**-**	673,824
Weighted average number of ordinary shares at 31 July	**174,675,828**	174,448,752

11 Property, plant and equipment

Group	Leasehold improvements £000	Plant and equipment £000	Fixtures and fittings £000	**Total £000**
Cost at 1 August 2012	126	278	13	**417**
Additions	-	1	3	**4**
Cost at 31 July 2013	126	279	16	**421**
Additions	-	1	-	**1**
Disposals	(126)	(280)	(16)	**(422)**
Cost at 31 July 2014	-	-	-	**-**
Depreciation at 1 August 2012	31	211	9	**251**
Charge for the year	28	24	2	**54**
Impairment charge	67	-	-	**67**
Depreciation at 31 July 2013	126	235	11	**372**
Charge for the year	-	15	1	**16**
Disposals	(126)	(250)	(12)	**(388)**
Depreciation at 31 July 2014	-	-	-	**-**
Net book value at 1 August 2012	95	67	4	**166**
Net book value at 31 July 2013	-	44	5	**49**
Net book value at 31 July 2014	-	-	-	**-**

Following cessation of the Group's research services operation during the year, all property, plant and equipment assets were disposed of during this period.

Notes to the financial statements continued

11 Property, plant and equipment continued

Company	Plant and equipment £000	Fixtures and fittings £000	**Total £000**
Cost at 1 August 2012	207	12	**219**
Additions	1	3	**4**
Transfers from group undertakings	26	-	**26**
Cost at 31 July 2013	234	15	**249**
Additions	1	-	**1**
Disposals	(235)	(15)	**(250)**
Cost at 31 July 2014	-	-	**-**
Depreciation at 1 August 2012	178	9	**187**
Charge for the year	11	2	**13**
Depreciation at 31 July 2013	189	11	**200**
Charge for the year	15	1	**16**
Disposals	(204)	(12)	**(216)**
Depreciation at 31 July 2014	-	-	**-**
Net book value at 1 August 2012	29	3	**32**
Net book value at 31 July 2013	45	4	**49**
Net book value at 31 July 2014	-	-	**-**

Following cessation of the Company's research services operation during the year, all property, plant and equipment were disposed of during this period.

12 Goodwill

Group	Goodwill £000
Cost at 1 August 2012 and 31 July 2013	489
Eliminated during the year	(489)
Cost at 31 July 2014	-
Impairment provision at 1 August 2012 and 31 July 2013	489
Eliminated during the year	(489)
Impairment provision at 31 July 2014	-
Net book value at 1 August 2012, 31 July 2013 and 31 July 2014	-

The goodwill arose on the acquisition of Leeds Skin Centre for Applied Research Limited in May 2011. Following the sale of the Group's intellectual property assets in March 2014, the goodwill balances have been eliminated during the year ended 31 July 2014.

Notes to the financial statements continued

13 Other intangible assets

Group	Customer relationships £000	Unpatented technology & In-process R & D £000	**Total £000**
Cost at 1 August 2012 and 31 July 2013	179	275	**454**
Disposals/eliminated in the year	(179)	(275)	**(454)**
Cost at 31 July 2014	-	-	**-**
Amortisation at 1 August 2012	179	33	**212**
Charge for the year	-	27	**27**
Amortisation at 31 July 2013	179	60	**239**
Charge for the year	-	14	**14**
Disposals/eliminated in the year	(179)	(74)	**(253)**
Amortisation at 31 July 2014	-	-	**-**
Net book value at 1 August 2012	-	242	**242**
Net book value at 31 July 2013	-	215	**215**
Net book value at 31 July 2014	-	-	**-**

Company	Customer relationships £000	Unpatented technology & In-process R & D £000	**Total £000**
Cost at 1 August 2012 and 31 July 2013	174	270	**444**
Disposals/eliminated in the year	(174)	(270)	**(444)**
Cost at 31 July 2014	-	-	**-**
Amortisation at 1 August 2012	174	28	**202**
Charge for the year	-	27	**27**
Amortisation at 31 July 2013	174	55	**229**
Charge for the year	-	14	**14**
Disposals/eliminated in the year	(174)	(69)	**(243)**
Amortisation at 31 July 2014	-	-	**-**
Net book value at 1 August 2012	-	242	**242**
Net book value at 31 July 2013	-	215	**215**
Net book value at 31 July 2014	-	-	**-**

Following the cessation of the group's research services operation and the sale of its intellectual property assets in March 2014, all remaining balances on intangible assets have been eliminated in the year.

Notes to the financial statements continued

14 Available-for-sale investments

Investee company name	Country of incorporation	% of equity held at 31 July 2014	Value at 31 July 2013 £000	Additions £000	Impairment loss in the year £000	Value at 31 July 2014 £000
Venn Life Science Holdings plc	Ireland	3.06%	-	210	(72)	138

The investment in Venn Life Science Holdings plc has been valued at bid price, as quoted on the London Stock Exchange, at 31 July 2014.

15 Investments in subsidiary undertakings

Company	Investments in subsidiary undertakings £000
Cost at 1 August 2012 and 31 July 2013	**339**
Eliminated in the year	**(339)**
Cost at 31 July 2014	**-**
Impairment at 1 August 2012 and 31 July 2013	**339**
Eliminated in the year	**(339)**
Impairment at 31 July 2014	**-**
Net book value at 1 August 2012, 31 July 2013 and 31 July 2014	**-**

Principal Group companies

The following are the subsidiary undertakings of Evocutis plc at 31 July 2014.

Name of subsidiary	Country of incorporation	Principal activity	Percentage Owned
Leeds Skin Centre for Applied Research Limited	England and Wales	Dormant	100%

During the year, two dormant subsidiary companies, Syntopix Limited and Syntopix Research Services Limited were voluntarily struck off the Register of Companies. Consequently the investments in these companies, which were fully provided against, have been eliminated during the year ended 31 July 2014. Subsequent to the period end, the Directors have applied for Leeds Skin Centre for Applied Research Limited to also be voluntarily struck off.

16 Trade and other receivables

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade receivables	**-**	77	**-**	77
Other receivables	**6**	20	**6**	20
Prepayments	**9**	57	**9**	45
	15	154	**15**	142

Notes to the financial statements continued

16 Trade and other receivables continued

At 1 August 2013, the Company's financial statements contained inter-group receivables with a gross amount of £3,522,000 against which full provision of £3,522,000 had been made. These balances were due from the Company's dormant subsidiaries, Syntopix Limited and Syntopix Research Services Limited. As explained in note 15, these companies were struck off during the year ended 31 July 2014. Consequently, the Company no longer has outstanding balances due from these entities.

At 31 July 2014, the Company's financial statements contained an inter-group receivable with a gross amount of £1,167 against which full provision of £1,167 has been made. This balance is due from the Company's dormant subsidiary, Leeds Skin Centre for Applied Research Limited. The Directors are in the process of applying for this subsidiary to be struck off the Register of Companies; therefore this balance is considered irrecoverable.

17 Cash and cash equivalent

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Cash at bank	**124**	665	**124**	664

18 Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
Amounts due within one year	**£000**	£000	**£000**	£000
Trade payables	**-**	54	**-**	54
Social security	**-**	13	**-**	13
Other payables	**-**	3	**-**	3
Amounts due to subsidiary undertakings	**-**	-	**-**	91
Accruals and deferred income	**21**	45	**21**	45
	21	115	**21**	206

Notes to the financial statements continued

19 Provisions

Property dilapidations provision	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Balance at 1 August	**50**	-	**-**	-
Provisions made during the year	**25**	50	**-**	-
Utilised during the year	**(75)**	-	**-**	-
Balance at 31 July	**-**	50	**-**	-

The Group had a lease on a property which contained clauses relating to the condition of the property throughout the lease term and at the date when the lease ended. In the prior year, the Group made a provision of £50,000 in respect of the accrued estimated costs, as at 31 July 2013, of property repairs which were expected to be undertaken in order to fulfil the terms of the lease.

During the year ended 31 July 2014, the Group terminated the lease and incurred final dilapidation costs of £75,000. Consequently the provision has been fully utilised in the year.

20 Share capital and share premium account

	Ordinary shares of 1p each Number	Ordinary shares of 1p each £000	Share premium £000
Share capital issued and fully paid			
At 1 August 2012	173,179,690	1,732	7,632
Issue of new ordinary shares	1,496,138	15	2
At 31 July 2013	174,675,828	1,747	7,634
Issue of new ordinary share	-	-	-
At 31 July 2014	174,675,828	1,747	7,634

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.

21 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 profit or loss and other comprehensive income.

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

Notes to the financial statements continued

22 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 2014 £000	2013 £000	Amounts owed to related party At 31 July 2014 £000	At 31 July 2013 £000
Atraxa Consulting Limited	Common directorship of Mr J D Bamforth	Provision of accountancy services to the company	**57**	58	**-**	12

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 £1,167 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. Further details of the inter-group debt are set out in note 16.

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' Report and Note 6.

23 Reconciliation of net cash flow to movement in net funds

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Net funds at beginning of the year	**665**	1,479	**664**	1,414
Decrease in cash	**(541)**	(814)	**(540)**	(750)
Net funds at end of the year	**124**	665	**124**	664

Analysis of changes in net funds

	At 31 July 2013 £000	Cash Flow £000	At 31 July 2014 £000
Cash and cash equivalents	665	(541)	**124**
Net funds	665	(541)	**124**

Notes to the financial statements continued

24 Commitments

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

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Rental payments due within one year	**-**	80	**-**	-
Rental payments due between one and five years	**-**	106	**-**	-
Total commitments under non-cancellable operating leases	**-**	186	**-**	-

In the prior year, the Group had an operating lease in respect of its five year lease on its property in Wetherby which expired on 30 November 2015. During the year ended 31 July 2014, the Group negotiated a termination of this lease with the landlord and has vacated the property. Consequently at 31 July 2014, the Group has no operating leases outstanding.

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.

The capital structure of the Group consists of total shareholders' equity as set out in the 'Consolidated statement of changes in equity'. 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 cover the overhead costs associated with operating as an AIM-listed company.

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 directors consider that there is no significant liquidity risk faced by the Group. The Group maintains sufficient balances in cash to pay accounts payable and accrued expenses.

The Board receives forward looking cash flow projections at periodic intervals during the year as well as information regarding cash balances. At the balance sheet date the Group had cash balances of £124,000 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.

Interest rate risk
As the Group has no borrowings, to only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Cash resources are held in current, floating rate accounts.

Market risk
Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Group's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Group might suffer through holding its available-for-sale investment portfolio in the face of market movements, which was a maximum of £138,000 (2013: £nil).

The investment in equity in an AIM-quoted company that the Group holds is less frequently traded than shares in more widely traded securities. Consequently, the valuations of these investments can be more volatile.

Market price risk sensitivity
The table below shows the impact on the return and net assets of the Group if there were to be a 20% movement in overall share prices of the available-for-sale investments held at 31 July 2014. No comparative data is shown as the Group did not hold any investments of this type in the prior year.

	31 July 2014
	Other comprehensive income and
	Net assets
	£000
Decrease if overall share price falls by 20%, with all other variables held constant	**(28,000)**
Decrease in other comprehensive earnings and net asset value per Ordinary share (in pence)	**(0.02p)**
Increase if overall share price rises by 20%, with all other variables held constant	**28,000**
Increase in other comprehensive earnings and net asset value per Ordinary share (in pence)	**0.02p**

The impact of a change of 20% has been selected as this is considered reasonable given the current level of volatility observed.

Notes to the financial statements continued

25 Financial instruments and related disclosures continued

Currency risk
The directors consider that there is no significant currency risk faced by the Group. The Group no longer enters into foreign currency transactions and no balances at 31 July 2014 are denominated in foreign currencies.

Credit risk
Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Group. The Group's maximum exposure to credit risk is:

	2014 £000	2013 £000
Cash at bank	**124**	665
Other receivables	**15**	154
	139	819

The Group's cash balances are held in accounts with HSBC Bank plc.

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.

Fair value of financial assets and liabilities
Financial assets and liabilities are carried in the Consolidated Statement of Financial Position at either their fair value (available-for-sale investments) or at a reasonable approximation of the fair value (trade and other receivables, trade and other payables and cash at bank).

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.

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	
Financial assets in scope of IAS39	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Trade and other receivables (Note 16)	**15**	154	**15**	142

There are no financial assets which are past due and for which no provision for bad or doubtful debts has been made.

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	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Financial liabilities in scope of IAS39	**21**	102	**21**	193
Other liabilities	**-**	13	**-**	13
Total trade and other payables (Note 18)	**21**	115	**21**	206

Notes to the financial statements continued

26 Share schemes

During the year, the Group had 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.

Options outstanding

	Number	Weighted average exercise price
At 1 August 2012	5,257,110	9.16p
Options granted	6,295,200	1.12p
Options lapsed	(3,761,370)	(7.23p)
At 31 July 2013	7,790,940	3.60p
Options lapsed	(5,140,100)	(2.06p)
At 31 July 2014	2,650,840	6.57p
Range of exercise prices	5.25p – 8.65p	
Weighted average remaining contractual life	5.20 years	

Options outstanding at 31 July 2014

Year of grant (year ended 31 July)	Number	Weighted exercise price (p)	Latest exercise date
2009	1,031,990	8.65p	6/8/2018
2011	1,618,850	5.25p	30/11/2020
Total	2,650,840	6.57p	

Options exercisable

	Number	Weighted exercise price (p)
At 31 July 2013	4,860,807	5.07p
At 31 July 2014	2,650,840	6.57p

Charge to the consolidated statement of profit or loss and other comprehensive income

	2014 £000	2013 £000
Share based payment charges	**5**	10

27 Post balance sheet events

On 12 September 2014, shareholders approved a capital reorganisation, resulting in each of the Company's existing ordinary shares being subdivided into one new Ordinary Share of 0.01p and one Deferred Share of 0.99p.

Additionally, on 15 September 2014, the Company issued 175,000,000 new Ordinary Shares of 0.01p each for cash consideration of £210,000 (before expenses). The new shares will rank equally in all respects with the existing shares.

On the same date, the Company adopted a new investing policy under AIM Rule 15 and there were a number of board changes as disclosed in the Report of the Directors.

On 8 December 2014, the Company issued 375,000,000 new Ordinary Shares of 0.01p each for cash consideration of £1,500,000 (before expenses). The new shares will rank equally in all respects with the existing shares. Each new Ordinary Share carries a warrant which entitles the holder to subscribe for a further one new ordinary share in the Company at 0.4 pence per share up to 31 December 2015.

On 18 December 2014, the Company announced that it has signed a Binding Term Sheet ("BTS") to acquire an initial 10% interest in Brazil Tungsten Holdings Limited ("BTHL") which owns a 25 year lease over (with the option to extend) the producing Bodó Tungsten Mine in Rio Grande do Norte, Brazil, by investing US$1 million in new capital in BTHL for the specific purposes of mine expansion. The Company will acquire the 10% interest by subscribing for new shares that represent a 10% shareholding in BTHL. The Company also has an exclusive option to increase its holding in BTHL to 20% within 60 days by investing a further US$1 million towards mine expansion, subject to certain conditions to be advised.

28 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 £703,000 (2013: £902,000) which is dealt with in the financial statements of the parent company.