**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take you should seek your own financial advice immediately from a person authorised under the Financial Services and Markets Act 2000, as amended ("FSMA"), who specialises on advising on the acquisition of shares and other securities in the United Kingdom. The whole of this document should be read. You should be aware that an investment in the Enlarged Group involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" in Part III of this document before taking any action. All statements regarding the Enlarged Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this document.**

This document, which comprises an admission document, has been drawn up in accordance with the AIM Rules for Companies and has been issued in connection with the application for Admission. This document does not contain an offer or constitute any part of an offer of transferable securities to the public in the United Kingdom within the meaning of sections 85 and 1028 of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the Financial Conduct Authority in accordance with the Prospectus Rules, or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

The Directors and the Proposed Directors of the Enlarged Group, whose names and functions appear on page 12 of this document, accept responsibility (both individually and collectively) for the information contained in this document. To the best of their knowledge and belief of such directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**AIM is a market designated primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial advisor.**

**Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.**

**The London Stock Exchange itself has not examined or approved the contents of this document.**

**The whole of the text of this document should be read. In particular your attention is drawn to the letter of the Chairman of Phytopharm plc set out on pages 14 to 25 (inclusive) of this document which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

A copy of this document will be available, free of charge, during normal business hours on any day (except Saturday and Sunday and public holidays), at Peel Hunt LLP's principal place of business in the UK, from the date of this document for a period of one month.

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on 15 October 2013.

---

# Phytopharm plc

*(Incorporated and registered in England and Wales with registered number 3131723)*

## Proposed acquisition of IXICO Limited
## Proposed issue of up to 8,479,753 New Ordinary Shares
## Proposed change of name to IXICO plc
## Admission of the Enlarged Issued Share Capital to trading on AIM
## Renewal of Shareholder Authorities

and

## Notice of General Meeting

***Nominated Adviser and Broker***

## Peel Hunt LLP

---

The New Ordinary Shares will, upon Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Notice of a General Meeting of Phytopharm plc to be held at the offices of FTI Consulting LLP, Holborn Gate, 26 Southampton Buildings, London WC21 1PB at 11.00 a.m. on 14 October 2013 is set out at the end of this document. Shareholders are requested to complete the accompanying Form of Proxy for use at the General Meeting in accordance with the instructions printed thereon and return it to Equiniti Limited ("Equiniti") at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible but in any event so as to arrive no later than 11.00 a.m. on 10 October 2013. The completion and return of the Form of Proxy will not preclude Shareholders from attending the meeting, and any adjournment thereof, and voting in person should they subsequently wish to do so.

Apart from the responsibilities and liabilities, if any, which may be imposed on Peel Hunt by FSMA or the regulatory regime established thereunder, Peel Hunt, which is regulated by the Financial Conduct Authority, is acting as Nominated Adviser and Broker to Phytopharm plc and no one else in relation to the Admission and is not advising any other person or treating any other person as its client in relation thereto, and will not be responsible to any person other than Phytopharm plc for providing the protections afforded to its clients nor for providing advice in relation to the Admission nor any other matter referred to in this document.

This document may not be distributed to any person or into any country if it would be unlawful to do so.

No person has been authorised to give any information or to make any representation about Phytopharm and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in Phytopharm's affairs since the date of the issue of this document or that the information on this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

# FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements relating to the Company's (including the Enlarged Group's) future growth prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative of those, variations or comparable expressions including references to assumptions.

The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties which could cause actual results to differ materially from those expressed or implied by those statements. Certain risks and uncertainties for the Company (including the Enlarged Group) are specifically described in Part III of this document headed "Risk Factors". If one or more of these risk factors or uncertainties materialises, or if the underlying assumptions prove incorrect, the Company's (including the Enlarged Group's) actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, Shareholders and potential investors should not place any reliance on forward-looking statements.

These forward-looking statements relate only to the position as at the date of this document. None of the Directors, the Proposed Directors nor the Company undertake any obligation to update forward-looking statements or risk factors, other than as required by the AIM Rules for Companies or by the rules of any other applicable securities regulatory authority, whether as a result of the information, future events or otherwise.

The data, statistics and information and other statements in this document regarding the markets in which the Enlarged Group will operate, or the Enlarged Group's position therein, are based on the Enlarged Group's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors and the Proposed Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Unless otherwise indicated, financial information in this document in Parts IV and V, have been prepared in accordance with International Financial Reporting Standards.

Various figures and percentages in tables in this document have been rounded and accordingly may not total.

Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings per Ordinary Share for current or future financial years would necessarily match or exceed or be less than historical published earnings per Ordinary Share or any other amount.

# CONTENTS

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | *2013* |
|---|---|
| Announcement of the Acquisition and publication of the Admission Document | 23 September |
| Lifting of suspension of the Company's Existing Shares on AIM | 7.30 a.m. on 24 September |
| Latest time and date for receipt of Forms of Proxy for the General Meeting | 11.00 a.m. on 10 October |
| General Meeting | 14 October |
| Completion of the Acquisition, Admission and commencement of dealings in the Enlarged Issued Share Capital | 15 October |
| Despatch of definitive share certificates (where applicable) | 25 October |

**Note:**
Each of the times and dates in the above timetable is subject to change, in which event details of the new times and/or dates will be notified to the Financial Conduct Authority and the London Stock Exchange and, where appropriate, Shareholders.

## ADMISSION STATISTICS

| | |
|---|---|
| Existing Ordinary Shares in issue as at the date of this document | 6,938,034 |
| New Ordinary Shares to be issued on Admission | 8,014,403 |
| New Ordinary Shares proposed to be issued | 8,479,753 |
| Enlarged Issued Share Capital immediately following Admission | 14,952,437 |
| Fully Diluted Enlarged Issued Share Capital immediately following Admission[(1)(3)] | 15,417,787 |
| New Ordinary Shares as a percentage of the Company's Existing Share Capital[(1)] | 122% |
| Approximate market capitalisation immediately following Admission[(2)] | £9.9 million |
| Approximate fully diluted market capitalisation[(1)(2)(3)] | £10.2 million |
| ISIN | GB00BCLY7L40 |
| AIM Symbol on Admission | IXI |
| Website as at the date of this document | www.phytopharm.com |
| Website as at the date of Admission | www.ixico.com |

(1) Includes proposed issue of 465,350 New Ordinary Shares as a result of the outstanding share options under the IXICO unapproved share option scheme.

(2) Assumes Phytopharm's share price of 66 pence per Ordinary Share on Admission to AIM and immediate suspension on 4 September 2013.

(3) Excludes 255 options in Phytopharm that have vested.

# DEFINITIONS

In this document and the Notice of General Meeting and accompanying Form of Proxy, the following expressions have the following meanings, unless the context otherwise requires.

| | |
|---|---|
| "**Acquisition**" | the proposed acquisition of IXICO by Phytopharm |
| "**Admission**" | the admission of the Enlarged Issued Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies |
| "**Admission Document**" | this document |
| "**AIM**" | the market of that name operated by the London Stock Exchange |
| "**AIM Designated Market**" | a market whose name appears in the latest publication by the London Stock Exchange of the document entitled "AIM Designated Markets" |
| "**AIM Rules for Companies**" | the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time, which set out the rules, responsibilities and guidance notes in relation to companies whose shares are admitted to trading on AIM |
| "**AIM Rules for Nominated Advisers**" | the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time |
| "**Articles**" or "**Articles of Association**" | the articles of association of Phytopharm as at the date of this document |
| "**business days**" | a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks are generally open for business in London for the transaction of normal banking business |
| "**Cambridge Cognition**" | Cambridge Cognition Group plc |
| "**certificated**" or "**in certificated form**" | where a share or other security is not in uncertificated form |
| "**City Code**" | the City Code on Takeovers and Mergers (as published by the Panel) |
| "**Closing Price**" | the closing middle market quotation of an Existing Ordinary Share as derived from the daily official list published by the London Stock Exchange |
| "**Companies Act**" | the Companies Act 2006 (as amended) including and statutory modification or re-enactment thereof for the time being in force |
| "**Company**" or "**Phytopharm**" | Phytopharm plc, registered in England and Wales under number 3131712 |
| "**Completion**" | the completion of the Acquisition and Admission |
| "**CREST**" | the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is operator as defined in the CREST Regulations) |
| "**CREST Applications Host**" | the CREST core processor |

| | |
|---|---|
| "**CREST Manual**" | the CREST manual consisting of the CREST reference manual; CREST international manual; CREST central counterparty service manual; CREST rules; CCSS operations manual and CREST glossary of terms available at https://www.euroclear.com |
| "**CREST member**" | a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations) |
| "**CREST participant**" | a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations) |
| "**CREST personal member**" | a CREST member who holds their securities in dematerialised electronic form in CREST in their own name |
| "**CREST Regulations**" | the Uncertificated Securities Regulations 2005, as amended |
| "**CREST sponsor**" | a CREST participant admitted to CREST as a CREST sponsor |
| "**CREST sponsored member**" | a CREST member admitted to CREST as a sponsored member (which includes all CREST personal members) |
| "**Derek Hill and his Associates**" | together, Professor Derek Hill, Adrian Hill, Andrew McLeish and Kate McLeish |
| "**Directors**" or "**Board**" | the directors of Phytopharm whose names appear on page 12 of this document |
| "**Directors Reward Plan**" | the Phytopharm plc Directors Reward Plan 2010 |
| "**Directive**" | the Takeover Directive (2004/25/EC) |
| "**Disclosure and Transparency Rules**" | the disclosure and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA |
| "**EIS**" | Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007 |
| "**Enlarged Group**" | the Group following Completion |
| "**Enlarged Issued Share Capital**" | the entire issued ordinary share capital of the Company following the issue of 8,014,403 New Ordinary Shares on Admission |
| "**Equiniti**" | Equiniti Limited |
| "**EU**" | the European Union |
| "**Euroclear**" | Euroclear UK & Ireland Limited (Formerly CrestCo Limited) the operator of CREST |
| "**Executive Directors**" | a Director who is full or part-time holding an executive office |
| "**Existing Ordinary Shares**" | the 6,938,034 existing ordinary shares of 50 pence each in nominal value in the capital of the Company as at the date of this document |
| "**Financial Conduct Authority**" or "**FCA**" | the UK Financial Conduct Authority |
| "**FCA Rules**" | the FCA Handbook of Rules and Guidance |
| "**Form of Proxy**" | the form of proxy accompanying this document for use in connection with the General Meeting |

| | |
|---|---|
| "**Founders**" | together, Derek Hill and Associates, Joseph Hajnal and Associates, Professor David Hawkes, Professor Daniel Rueckert and Thomas Hartkens |
| "**Fully Diluted Enlarged Issued Share Capital**" | the entire issued ordinary share capital of the Company following the issue of 8,014,403 New Ordinary Shares on Admission and the proposed issue of 465,350 New Ordinary Shares as a result of the IXICO unapproved share option scheme |
| "**FSMA**" | the Financial Services and Markets Act 2000 (as amended) and all regulations promulgated thereunder from time to time |
| "**General Meeting**" | the General Meeting of the Company convened for the purpose of passing the Resolutions, to be held on 14 October 2013, including any adjournment thereof |
| "**Group**" or "**Phytopharm Group**" | Phytopharm plc and its subsidiaries at the date of this document |
| "**HMRC**" | HM Revenue & Customs |
| "**IAML**" | Invesco Asset Management Limited, a wholly owned subsidiary of Invesco Limited, acting as agent for and on behalf of its discretionary managed clients |
| "**IFRS**" | International Financial Reporting Standards as adopted by the European Union |
| "**Imperial Innovations**" | Imperial Innovations Group plc |
| "**Introduction Agreement**" | The agreement between the Company, Peel Hunt and the Proposed Directors relating to Admission dated 20 September 2013 |
| "**Invesco Funds**" | the discretionary managed clients of IAML who own Ordinary Shares |
| "**IXICO**" | IXICO Limited, a company registered in England and Wales |
| "**Joseph Hajnal and his Associates**" | together, Professor Joseph Hajnal, Nina Hajnal, Paula Hajnal, Sarah Hajnal, Elizabeth Corob, and Charterhouse Square Finance Company Ltd |
| "**Listing Rules**" | the listing rules made by the FCA in exercise of its function as competent authority pursuant to Part VI of FSMA |
| "**London Stock Exchange**" | London Stock Exchange plc |
| "**LTIP**" | the Phytopharm Long Term Incentive Plan 2007 |
| "**Main Market**" | the London Stock Exchange's main market for listed securities |
| "**Money Laundering Regulations**" | the United Kingdom Money Laundering Regulations 2007 (SI 2007 No. 2157) |
| "**New Ordinary Shares**" | up to 8,479,753 new Ordinary Shares of 50 pence each in nominal value in the capital of the Company proposed to be issued under the Acquisition |
| "**Non-Executive Director**" | a Director who is not a full or part-time employee of the Company or a holder of an executive office |

| | |
|---|---|
| "**Notice of General Meeting**" | the notice of General Meeting set out at the end of this document |
| "**Ordinary Share**" | ordinary shares in the capital of the Company from time to time |
| "**Panel**" | the Panel on Takeovers and Mergers |
| "**Peel Hunt**" | Peel Hunt LLP, which is authorised and regulated by the FCA, the Company's Nominated Adviser and broker |
| "**Proposals**" | the proposed acquisition of IXICO Limited, the proposed issue of up to 8,479,753 New Ordinary Shares in the Company, the proposed change of name to IXICO plc, the admission of the Enlarged Issued Share Capital to trading on AIM and the renewal of Shareholder authorities |
| "**Proposed Directors**" | Professor Derek Hill, Charles Spicer, John Bradshaw, Dr. Andrew Richards, Tim Sharpington and Maina Bhaman |
| "**Prospectus Directive**" | EU Prospectus Directive 2003/71/EC including any relevant measure in each member state of the European Economic Area that has implemented Directive 2003/71/EC |
| "**Prospectus Rules**" | the prospectus rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA |
| "**R & D Tax Credits**" | research and development tax credits, a Corporation Tax relief that may reduce a company's tax bill. If a company is small or medium sized (as defined by HMRC), a tax credit by way of a cash sum may be claimed |
| "**Regulatory Information Service**" | a Regulatory Information Service that is approved by the FCA as meeting the Primary Information Provider criteria and that is on the list of Regulatory Information Services maintained by the FCA |
| "**Resolutions**" | the resolutions to be proposed at the General Meeting, as set out in the Notice of Meeting at the end of this document |
| "**Share Option Plan**" | the Phytopharm plc 2007 Share Option Plan |
| "**Shareholder**" | a holder of Existing Ordinary Share(s) |
| "**SIP Plan**" | the Phytopharm Share Incentive Plan 2007 |
| "**SME**" | a company or organisation with fewer than 500 employees and either:<br>(a) an annual turnover not exceeding €100 million; or<br>(b) a balance sheet not exceeding €86 million |
| "**UK Corporate Governance Code**" | the UK Corporate Governance Code dated June 2010 issued by the Financial Reporting Council |
| "**UK Listing Authority**" or "**UKLA**" | the Financial Conduct Authority in its capacity as the competent authority for Part VI of FSMA |
| "**uncertificated**" or "**in uncertificated form**" | recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred to CREST |

| | |
|---|---|
| "**United Kingdom**" or "**UK**" | the United Kingdom of Great Britain and Northern Ireland |
| "**US**", "**USA**" or "**United States**" | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia |
| "**US Securities Act**" | the United States Securities Act of 1933, as amended |
| "**VCT**" | a venture capital trust for the purposes of Part 6 of the Income Tax Act 2007 and related reliefs as detailed in Part 6 of the Income Tax Act 2007 and in sections 151A and 151B of the Taxation and Chargeable Gains Act 1992 |

For the purposes of this document "subsidiary", "subsidiary undertaking" and "parent undertaking" shall, unless the context otherwise requires, have the respective meanings given to them by the Companies Act.

All references to "pounds", "pound sterling", "sterling", "£", "pence", "penny" and "p" are to the lawful currency of the United Kingdom.

All references to "Euros", "EUR" and "€" are to the lawful currency of the member states of the European Union that adopt a single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on the European Union.

All references to "USD", "US$", "US Dollars" and "United States dollars" are to the lawful currency of the United States.

# GLOSSARY OF ABBREVIATIONS AND SCIENTIFIC TERMS

In this document and the Notice of General Meeting and accompanying Form of Proxy, the following expressions have the following meanings, unless the context otherwise requires.

| | |
|---|---|
| "**Alzheimer's disease**" or "**AD**" | a condition resulting from specific degenerative changes in the brain and associated with build-up of abnormal protein deposits (amyloid and tau) in the brain. Symptoms can include loss of memory, confusion, disorientation, impaired concentration, restlessness and anxiety. AD is the most common cause of dementia in the elderly |
| "**amyloid**" | a protein which forms deposits in the brain, which is associated with the development of AD, and which is the target of many experimental treatments for AD |
| "**biomarker**" | a measurable substance in an organism whose presence is indicative of some phenomenon such as disease, infection, or environmental exposure |
| "**Cogane™**" | a small molecule member of the sapogenin class of compounds |
| "**cognition**" | the mental processes behind memory, association, concept formation, language, perception and problem solving |
| "**cognitive testing**" | a method of assessing the cognitive capabilities of a person |
| "**CNS**" | central nervous system |
| "**CRO**" | Contract Research Organisation |
| "**CT**" | computerised tomography (also known as CAT), a scanning technique using X-rays and a computer to create detailed images of the inside of the body |
| "**dementia**" | a chronic or persistent disorder of the mental processes caused by brain disease or injury and marked by loss of cognitive ability and difficulty in activities of daily living |
| "**digital healthcare**" | emerging field driven by the convergence of more personalised healthcare and consumer healthcare with the internet and mobile devices |
| "**EEG**" | electroencephalography, a technique that records the electrical activity of the brain and is used to diagnose and manage epilepsy and to investigate other conditions that affect brain function, including brain infections, tumours and injuries as well as dementia |
| "**EMA**" | European Medicines Agency (formerly EMEA), an EU agency, located in London, that is responsible for the scientific evaluation of medicines developed by pharmaceutical companies for use in the EU, and which also has responsibility for biomarker qualification |
| "**experimental medicine**" | investigation undertaken in humans which precedes and informs the development of late phase clinical trials |
| "**FDA**" | the US Food and Drug Administration, responsible for overseeing the approval process for a new drug or device to be marketed |
| "**hippocampus**" | a section of the brain, clearly seen in MRI scans, that plays a role in the establishment of memory |

| | |
|---|---|
| "**Huntington's disease**" | an inherited adult-onset disease of the central nervous system characterised by dementia and bizarre involuntary movements which is progressive and for which there is currently no known cure |
| "**memory clinic**" | a clinic that specialises in the assessment and treatment of memory problems, which may or may not be part of an illness such as AD or other form of dementia |
| "**MRI**" | magnetic resonance imaging, a scanning technique involving the use of magnetic fields rather than x-rays, that can provide detailed three dimensional images of the anatomy, pathology and function of the body including the brain |
| "**neurodegenerative disease**" | an umbrella term for a range of conditions that primarily affect the neurons in the human brain including Parkinson's disease, AD and Huntington's disease. These diseases are incurable and debilitating conditions that result in progressive degeneration and/or death of nerve cells |
| "**Parkinson's disease**" | an abnormal condition of the nervous system caused by degeneration of a particular area of the brain that results in rigidity of the muscles, slow body movement and tremor |
| "**PET**" | positron emission tomography, a scanning technique used to produce detailed, three-dimensional images of the inside of the body that shows the distribution of an injected radioactive tracer or dye |
| "**Phase 0**" | exploratory trials, involving very limited human exposure, with no therapeutic or diagnostic intent such as screening or microdose studies |
| "**Phase I**" | testing an investigational drug in human subjects for safety, tolerance and pharmacokinetics. These trials traditionally employ normal, healthy volunteers but increasingly phase I studies are also performed on patients |
| "**Phase II**" | pilot clinical studies to assess safety and provide early evidence of target engagement or efficacy in selected populations of patients with the disease or condition to be treated, diagnosed or prevented |
| "**Phase III**" | a large trial of an experimental treatment, at dose and for the indication to be marketed, in order to provide the data to support a submission to regulators for approval of the drug to be marketed |
| "**R & D**" | research and development |
| "**Sponsor**" | the entity that initiates a clinical investigation but does not actually conduct the investigation. The sponsor may be an individual or pharmaceutical company, governmental agency, academic institution, private organisation, or other organisation |
| "**Target**" | a drug target is a key molecule that is specific to a disease condition or pathology, and which a drug is designed to act upon |
| "**vascular dementia**" | the second most common form of dementia after AD, caused by damage to or diseases of the blood vessels in the brain |

# DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS

| | |
|---|---|
| **Directors of the Company** | Alistair Henderson Taylor<br>*(Non-Executive Chairman)*<br>Timothy Sharpington<br>*(Chief Executive Officer)*<br>Roger Ian Hickling<br>*(Research and Development Director)*<br>Dr. Peter Robin Blower<br>*(Non-Executive Director and Senior Independent Director)*<br>Dr. Ian Frederick Tulloch<br>*(Non-Executive Director)* |
| **Proposed Directors of the Enlarged Group** | Dr. Andrew John McGlashan Richards<br>*(Non-Executive Chairman)*<br>Professor Derek Lionel Glendon Hill<br>*(Chief Executive Officer)*<br>Charles Alexander Evan Spicer<br>*(Vice President of Corporate Development)*<br>Timothy Sharpington<br>*(Non-Executive Director and Senior Independent Director)*<br>John Bradshaw<br>*(Non-Executive Director)*<br>Maina Bhaman<br>*(Non-independent Non-Executive Director)* |
| **Company Secretary** | Zoe McGowan |
| **Registered office of the Company** | Lakeview House<br>2 Lakeview Court<br>Ermine Business Park<br>Huntingdon<br>Cambridgeshire PE29 6UA |
| **Nominated Adviser and Broker** | Peel Hunt LLP<br>Moor House<br>120 London Wall<br>London EC2Y 5ET |
| **Legal Adviser to the Company** | White & Case LLP<br>5 Old Broad Street<br>London EC2N 1DW |
| **Legal Adviser to IXICO** | Bristows LLP<br>100 Victoria Embankment<br>London EC4Y 0PH |
| **Legal Adviser to the Nominated Adviser** | Covington & Burling LLP<br>265 Strand<br>London WC2R 1BH |

| | |
|---|---|
| **Reporting Accountant and Registered Auditors to Phytopharm plc** | PricewaterhouseCoopers LLP<br>Abacus House<br>Castle Park<br>Cambridge CB3 0AN<br>*Regulated by the Institute of Chartered Accountants in England and Wales* |
| **Reporting Accountant to Phytopharm plc on the financial history of IXICO Limited** | Chantrey Vellacott DFK LLP<br>Russell Square House<br>10/12 Russell Square<br>London WC1B 5LF<br>*Regulated by the Institute of Chartered Accountants in England and Wales* |
| **Registrars** | Equiniti<br>Aspect House<br>Spencer Road<br>Lancing<br>West Sussex BN99 6DA |
| **Financial PR** | FTI Consulting LLP<br>Holborn Gate<br>26 Southampton Buildings<br>London WC2A 1PB |

## PART I

# LETTER FROM THE CHAIRMAN OF PHYTOPHARM PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 3131723)*

*Directors:*

Alistair Taylor *(Non-Executive Chairman)*
Tim Sharpington *(Chief Executive Officer)*
Roger Hickling *(Research and Development Director)*
Dr. Peter Blower *(Non-Executive Director and Senior Independent Director)*
Dr. Ian Tulloch *(Non-Executive Director)*

*Registered office:*

Lakeview House
2 Lakeview Court
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6UA

23 September 2013

*To Shareholders and, for information only, to participants in the Phytopharm Share Plans*

Dear Shareholder,

**Acquisition of IXICO Limited**
**Proposed issue of up to 8,479,753 New Ordinary Shares**
**Proposed change of name to IXICO plc**
**Admission of the Enlarged Issued Share Capital to trading on AIM**
**Renewal of Shareholder Authorities**

and

**Notice of General Meeting**

### 1. INTRODUCTION

Phytopharm has today announced that terms have been agreed for the conditional acquisition of IXICO, a medical technology and diagnostics company. The aggregate consideration for the Acquisition is some £5.6 million to be satisfied by the initial issue of 8,014,403 New Ordinary Shares on Admission and the proposed issue of 465,350 New Ordinary Shares as a result of the outstanding share options under the IXICO unapproved share option share scheme[(1)].

IXICO was founded in 2004 with a mission to translate image acquisition, management and analysis technology and know-how, which the founders had developed together, into commercial products targeting the expanding area of imaging to inform decision-making during drug development. This has resulted in commercially successful products being launched in the clinical trials and experimental medicine markets and being readied for launch into the wider clinical diagnostic market.

As previously announced, for the purposes of the AIM Rules for Companies, the Company is currently deemed to be an investment company and its investment policy is to pursue suitable corporate acquisitions offering the potential to deliver a favourable return to Shareholders over the medium term, primarily in the form of capital gain.

(1) Based on the Company's share price of 66 pence per Ordinary Share on Admission to AIM and immediate suspension on 4 September 2013.

The Company's investing policy is to invest in businesses that typically have attributed to them some or all of the following criteria and characteristics:

- Healthcare sector;
- Revenue generating or near revenue generation;
- Embedded or protected IP;
- UK based;
- Capable of significant growth potential; and
- A credible management team.

The Directors consider that IXICO will provide a platform from which to create value for Shareholders and will provide a different risk profile to Phytopharm's previous business model.

In view of the size of IXICO in relation to Phytopharm, the Acquisition is classified as a reverse takeover under the AIM Rules for Companies and is therefore conditional, *inter alia*, on the approval of Shareholders at a general meeting. Such approval is being sought at the General Meeting, notice of which is set out at the end of this document. The Acquisition will also constitute a related party transaction under the AIM Rules for Companies by reason of IAML holding 56.4 per cent. of the issued share capital of Phytopharm and 45.6 per cent. of Imperial Innovations Group plc, which itself holds 17.6 per cent. of IXICO. The Directors consider, having consulted with Peel Hunt, Nominated Adviser to the Company, that the terms of the transaction are fair and reasonable insofar as its Shareholders are concerned. Upon completion of the Acquisition, Phytopharm plc will change its name to IXICO plc.

The Acquisition is conditional upon, *inter alia*, the passing of Resolutions 1 and 2. It is expected that Admission will become effective and dealings in the Enlarged Issued Share Capital will commence on AIM on 15 October 2013. It is expected that the suspension of the Company's Existing Ordinary Shares on AIM will be lifted at 7.30 a.m. on 24 September 2013 following publication of this document.

This document contains detailed information about IXICO and the Proposals and explains why the Board considers that the Proposals are in the best interests of the Company and recommends that Shareholders vote in favour of the Resolutions.

This document comprises an Admission Document in respect of the Enlarged Group prepared in accordance with the AIM Rules for Companies.

## 2. BACKGROUND TO PROPOSALS AND REASONS FOR THE ACQUISITION

On 18 February 2013, the Board announced that analysis of the headline results from its Phase II clinical trial of Cogane™ in Parkinson's disease indicated that the drug had not demonstrated clinically meaningful efficacy. Analysis of the complete dataset was performed which confirmed that Cogane™ had no beneficial effects on patients' symptoms measured by the primary or secondary endpoints in the study, although the plasma levels of Cogane™ in Cogane™ dosed patients were in line with expectations, indicating that the drug had been well absorbed. The Board initiated a review of the strategic options available to the Company, including a review of a number of merger and acquisition opportunities.

Following the completion of the strategic review process, on 21 May 2013 the Company announced it had signed heads of terms in connection with a possible acquisition. As part of progressing the acquisition the Company received Shareholder approval on 5 August 2013 to delist from the Main Market, seek admission to trading on AIM and to effect a share capital consolidation.

The Directors consider the IXICO opportunity to be in the best interests of the Company and Shareholders for a number of reasons. Since its foundation in 2004, IXICO has established itself as

a leading provider of medical imaging analysis services in the clinical trials market and has what the Board believes to be the following key strengths:

- increasing recognition as a centre of excellence and specialised know-how in brain health and specifically dementia;
- valuable, innovative and commercialised technologies addressing the clinical trials and experimental medicines markets;
- relationships with pharmaceutical customers and key opinion leaders in the dementia market;
- proven growth in revenue over the last three years; and
- diagnostic products under development with the potential to offer material health economic benefits in primary healthcare markets internationally.

IXICO now has the opportunity to launch its current and future products, proven in the clinical trials market, into the diagnostic market.

## 3. PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION

Phytopharm today announced the Acquisition of IXICO, the purchase price to be satisfied by the proposed issue of 8,479,753 New Ordinary Shares. It is proposed that IXICO shareholders receive 15.67 New Ordinary Shares for each IXICO Ordinary Share held immediately prior to Completion.

Following Completion it is expected that Phytopharm shareholders will own approximately 45 per cent. and that IXICO shareholders will own approximately 55 per cent. of the Fully Diluted Enlarged Issued Share Capital.

The Acquisition is conditional, *inter alia*, upon:

(i) The passing of the Resolutions; and

(ii) Admission becoming effective by not later than 8.00 a.m. on 15 October 2013 (or such later time and/or date as Peel Hunt and the Company may agree, not being later than 8.00 a.m. on 24 October 2013).

## 4. BACKGROUND INFORMATION ON IXICO

IXICO brings innovative technologies to those researching, diagnosing and treating serious diseases, especially dementia. Its technologies enable timely decision-making aimed at improving patient outcomes. IXICO was founded with a mission to translate image acquisition, management and analysis technology and know-how, which the founders had developed together, into commercial products. These target the expanding area of imaging to inform decision-making during drug development. This has resulted in commercially successful products being launched in the clinical trials and experimental medicine markets and such products are now being readied for launch into the wider clinical diagnostic market.

IXICO's proprietary technology and know-how are used both to select patients for clinical trials and to assess the safety and efficacy of pharmaceuticals under development. These have been applied to patient data collected from more than 400 hospital sites globally in several of the largest clinical trials of AD treatments. While IXICO's clinical focus is predominantly dementia (especially AD and Huntington's disease), it also supports clinical studies for other CNS conditions (such as cerebral amyloid angiopathy), psychiatric conditions (such as schizophrenia), oncology and other diseases. IXICO's revenue has come largely from contracts with seven of the top 15 pharmaceutical companies, as described further in paragraph 5 of Part II.

The Directors' and Proposed Directors' vision for IXICO is to build on its credibility internationally to position itself as a 'Brain Health Company' with the ambition to bring innovative technologies to those involved in researching and treating serious brain diseases enabling them to help patients

quicker. The Directors and Proposed Directors believe IXICO's products and technology can support early, high-quality, diagnosis enabling better-targeted treatment and care plans for patients with diseases that cause dementia using both currently available and emerging drug and non-drug technologies. IXICO's products to support dementia diagnosis use digital data and electronic reports and, as such, the Directors and Proposed Directors believe such products can constitute a valuable component within the emerging and increasingly important field of '*digital healthcare*'.

IXICO's current products and those under development provide pharmaceutical customers with the ability to use specific quantified image characteristics to identify patient subpopulations (e.g. those with a higher rate of predicted cognitive decline). IXICO collaborates with pharmaceutical companies on such a basis. These products are also being designed to assist healthcare practitioners in diagnosis and aid matching patients to the most appropriate treatment; therefore they are intended to support an increasingly '*personalised*' approach to medicine and treatment. The Directors and Proposed Directors believe there is the potential for these products to be widely adopted internationally by primary care physicians (including GPs) and other primary and secondary healthcare practitioners, thus opening up potentially significant new markets internationally for the Enlarged Group.

The Directors and the Proposed Directors believe that the Enlarged Group can build on IXICO's significant successes to date to grow shareholder value in the medium and longer term. This will be achieved by continuing to generate revenues in the clinical trials market while playing a leading role internationally in the implementation of IXICO's products and expertise in the emerging dementia diagnostics market. The Directors and Proposed Directors intend to fund this implementation through the use of the Enlarged Group's cash resources, additional grant finance (where available) and any cash generated from the provision of services to pharmaceutical customers. In addition to the core technologies, the Company will continue to explore opportunities to widen its product and service offerings in all of its markets through product licensing, collaborations and corporate activity, potentially including mergers and acquisitions.

## 5. CURRENT TRADING AND PROSPECTS FOR THE ENLARGED GROUP

IXICO continues to generate revenues from the clinical trials market with its core customers. The Directors and Proposed Directors are encouraged by the Enlarged Group's current order book but recognise that the revenue performance achieved in the 12 months ended 31 May 2013, which included accelerated completion of a contract, may not be achieved in the near term. The Enlarged Group's current intention is to launch its diagnostics product in late 2013 to key opinion leaders in the EU with the goal of securing early clinical adopters that could be referenceable to the wider EU market. The Directors and Proposed Directors expect modest revenues from diagnostic products in the first 12 months following such launch with clinical adoption as a strategic priority. The Directors and Proposed Directors intend to invest in this implementation through the use of the Enlarged Group's cash resources, additional grant finance (where available) and any surplus cash generated from the provision of services to pharmaceutical customers.

**Summary financial data of IXICO**

| | *Year ended 31 May* | | |
|---|---|---|---|
| | *2013* | *2012* | *2011* |
| | £ | £ | £ |
| Revenue | 3,646,151 | 2,528,300 | 1,019,799 |
| Gross profit | 2,341,796 | 1,540,223 | 666,472 |
| Gross margin (%) | 64.2% | 60.9% | 65.4% |
| Total comprehensive income/(expense) for the year | 539,977 | (2,310) | (1,234,267) |
| Cash and cash equivalents | 859,480 | 552,403 | 209,192 |
| Total equity and liabilities | 2,129,176 | 1,448,020 | 1,021,737 |

IXICO has more than trebled its revenue over the three year period; from £1.0 million in the year ended 31 May 2011 to £3.6 million in the year ended 31 May 2013, as it has established itself in the clinical trials market. As outlined above, in 2013, revenues were inflated because of the accelerated completion of one contract following a trial termination, therefore the Directors and Proposed Directors believe that this level of revenue may not be repeated in the near term. In 2011, IXICO generated significant losses as it invested significantly in research and development for its technologies. It achieved close to breakeven profitability in 2012 following significant revenue growth and generated a profit in 2013. IXICO's cash and cash equivalents and equity balances have improved due to the generation of profits in 2013 and the raising of investment capital.

The above financial information has been extracted, without material adjustment, from the financial information on IXICO for the financial years ended 31 May 2011, 2012 and 2013 as set out in Part V of this document.

## 6. BOARD CHANGES

The Enlarged Group Board will comprise the following directors:

**Directors**

| | |
|---|---|
| Dr. Andy Richards[(1)(2)] | Non-Executive Chairman |
| Professor Derek Hill | Chief Executive Officer |
| Charles Spicer | Vice President of Corporate Development |
| John Bradshaw[(1)(2)] | Non-Executive Director |
| Tim Sharpington[(1)(2)] | Non-Executive Director and Senior Independent Director |
| Maina Bhaman | Non-independent non-Executive Director |

(1) Member of the Audit Committee
(2) Member of the Remuneration Committee

At Completion therefore Alistair Taylor, Roger Hickling, Dr. Peter Blower and Dr. Ian Tulloch will be resigning from the Board.

**The Board**

***Dr. Andy Richards*** *– Chairman (aged 53)*

Andy has been chairman of IXICO since 2009. He is an established life science entrepreneur with experience in growing businesses, corporate transactions and exits. He is currently chairman of Altacor Ltd, Novacta Biosystems Ltd, and Abcodia Ltd and is a director of Arecor Ltd, Psychologyonline.co.uk Ltd, Cambridge Temperature Concepts Limited, Congenica Limited, Cancer Research Technology Ltd (commercial arm of CR-UK) and Babraham Bioscience Technologies Ltd. He is a council member of the Biotechnology and Biological Sciences Research Council (BBSRC) and an adviser to Vectura Group plc. Andy's early career was with ICI (now AstraZeneca) and with PA Technology. He was a founder of Chiroscience Group PLC and an executive director through to the sale to Celltech Group PLC in 1999. Since that time he has been founding and investing in new Cambridge-based biotechnology companies including several of those listed above as well as Arakis Ltd, Geneservice Ltd, Cambridge Biotechnology Ltd, Amedis Pharmaceuticals Ltd, Sirus Pharmaceuticals Ltd, Daniolabs Ltd and Pharmakodex Ltd, each of which was recently sold. He is a graduate of Cambridge University with a PhD in Chemistry.

***Professor Derek Hill*** *– Chief Executive Officer (aged 47)*

Derek is a founder and has been chief executive officer of IXICO since its incorporation in 2004. As such, he has built IXICO into a profitable international business including taking the entrepreneurial leadership role in raising both equity and grant finance as well as in customer-facing activities. He also holds an academic appointment as full professor at University College London to which he was appointed shortly before co-founding IXICO having previously been a professor at King's College London. He has been working on medical imaging science for over 25 years and has

authored more than 80 journal papers in this field. He is a member of the MRI Core of the Alzheimer's Disease Neuroimaging Initiative (ADNI) in the US, has served on the scientific advisory board for several pharmaceutical companies and is involved in the US FDA Critical Path Institute's Coalition Against Major Diseases (CAMD) biomarker qualification initiatives. Derek has a PhD in medical image analysis at the Medical School of Guy's & St Thomas' Hospitals, University of London, an MSc in Medical Physics at the University of Surrey and a BSc degree in Physics from Imperial College. He undertook business training at London Business School as part of the CSEL programme.

***Charles Spicer*** *– Vice President of Corporate Development (aged 48)*

Charles joined IXICO in July 2013 having previously been an adviser on corporate strategy to the board since 2011. He is an experienced director of, and adviser to, public and private companies primarily in the medtech and life science sectors. He is currently a non-executive director of PuriCore plc, SIW Holdings Limited (Stanmore Implants), Aircraft Medical Limited, XCounter AB, Gresham's Schools and Ark Therapeutics Group Plc. He is chair of the UK Department of Health's Invention for Innovation Funding Panel, a panel member on the UK Health Innovation Challenge Fund and a member of the techMARK Advisory Group at the London Stock Exchange. He was previously Chief Executive of MDY Healthcare plc, a strategic healthcare investor and prior to that, Head of Healthcare Corporate Finance at both Numis Securities and Nomura International. He has an MA in History from Cambridge University.

***Tim Sharpington*** *– Non-Executive Director and Senior Independent Director (aged 47)*

Tim has been asked to remain on the board of the Enlarged Group on Admission as a non-executive director having previously served as chief executive officer of Phytopharm since 2010. He has more than 20 years' experience in the life sciences sector with various pharmaceutical, biotechnology and pharmaceutical service companies in Europe and the US. He has broad experience across drug development, in-licensing, mergers and acquisitions as well as fundraisings. Tim founded and was Chief Executive Officer of Serentis Limited. Previously he was Development Director at Arakis Limited, a UK-based VC-backed biotechnology company which was sold to Sosei of Japan in 2005 for £107 million. Prior to that, Tim led product development at US-based Sequus Inc. following a period of time at Pfizer. His CRO experience was gained at ICON, one the world's largest CROs, where he led European operations. Tim was also a non-executive director at Clinical Force Limited, a clinical trial software company, until its successful trade sale in 2011.

***John Bradshaw ACA*** *– Non-Executive Director (aged 49)*

John is a chartered accountant with more than 15 years' experience as a CFO with venture capital backed and listed companies. He is a partner in Bradshaw Daniel, which provides CFO services to small and medium sized companies throughout the UK and Europe. He is the Chief Financial Officer of Syncona Partners LLP, an independent subsidiary of the Wellcome Trust founded in 2012 to invest in healthcare. He was previously CFO of Gyrus Group PLC, which he joined prior to listing it on the London Stock Exchange, following 11 years at Arthur Andersen in Cambridge and Turin where he qualified as a chartered accountant. John has a law degree from the University of Liverpool.

***Maina Bhaman*** *– Non-independent non-Executive Director (aged 41)*

Maina joined the board of IXICO in 2010. She is director of Healthcare Ventures at Imperial Innovations, a founding shareholder of IXICO, which she joined in 2006. She has led a number of healthcare investments at Imperial Innovations and is currently a non-executive director of Autifony Therapeutics Limited, Cell Medica Limited, Psioxus Therapeutics Limited and Topivert Pharma Limited. She has previously served as a non-executive director of Acrobot Limited and Molecular Vision Limited. She previously worked in the research and development team at Celltech Group plc and at Oxford Glycosciences Plc. Maina has a BSc from the University of Texas and an MBA from the Imperial College Business School.

**Company Secretary**

***Zoe McGowan***

Zoe will remain as Company Secretary for an interim period following completion of its acquisition by Phytopharm after which a successor will be appointed. Zoe previously served as Head of Finance and Company Secretary at Phytopharm which she joined in 2001 and worked on the re-focussing of the Group on pharmaceutical development following the successful £25 million fundraising in 2009. She has over 25 years' financial and commercial experience including within the pharmaceutical, healthcare and technology sectors. Her previous roles also include Chief Accountant at CCG Limited and Finance Manager at Addenbrookes NHS Trust as well as roles in a number of private companies and in the public sector. Zoe is a Fellow of the Association of Accounting Technicians and a Fellow of the Chartered Management Institute.

**Senior management on Admission**

The following persons are considered by the Board to be members of the Enlarged Group's senior management team:

| | |
|---|---|
| Michelle Lax | Vice President of Clinical Operations |
| Dr. Kate McLeish | Vice President of Technology |
| Dr. John Hall | Vice President of Business Development |
| Dr. Jane Whitrow | Vice President of Business Operations |
| Roger Humm | Vice President of Finance |

**Employees**

The Enlarged Group will, on Admission have 39 employees (including Executive Directors but excluding Non-Executive Directors).

**7. CORPORATE GOVERNANCE**

The Directors and Proposed Directors are committed to practising good corporate governance and recognise that they are accountable to Shareholders for the Group's standard of governance. The Directors and Proposed Directors recognise the value of the principles of good corporate governance and the principles embodied in the UK Corporate Governance Code and intend, following Admission, to take into account the Corporate Governance Guidelines of the Quoted Companies Alliance so far as is practicable and appropriate in the Board's determination for a public company of the Company's size, board structure, stage of development and resources.

The principles set out in the UK Corporate Governance Code cover five areas: leadership, effectiveness, accountability, remuneration and relations with shareholders.

**The Enlarged Group Board**

Immediately following Admission, the Board of the Enlarged Group will comprise six directors, four of whom are non-executive. The Board will be chaired by Dr. Andy Richards. He, John Bradshaw and Tim Sharpington are considered to be independent of the executive directors and free from any relationship which could materially affect the exercise of their independent judgment. Maina Bhaman is not considered independent.

The Board typically will have six scheduled meetings during the year. In addition, further meetings will be held when circumstances and urgent business dictate. All directors will receive an agenda and Board papers in advance of the Board meetings to facilitate an effective contribution at the meetings. The executive directors will maintain regular informal contact between the Board meetings with non-executive directors.

The Board of the Enlarged Group will be responsible for the overall direction and strategy of the Enlarged Group and for securing the optimum performance from Enlarged Group assets. At each meeting, the Board will review strategy and progress of the Enlarged Group towards its objectives, particularly in respect of research and development projects, and monitors financial progress against budget.

While the Board retains overall responsibility for, and control of, the Enlarged Group, day-to-day management of the business is conducted by the Executive Directors.

The Board of the Enlarged Group has agreed a schedule of items that are specifically reserved for its consideration, which is reviewed on an annual basis. This schedule includes:

- strategy and management;
- structure and capital;
- financial reporting and controls;
- internal controls;
- approval of significant contracts;
- approval of shareholder communications;
- board composition;
- corporate governance; and
- health and safety policy.

**Division of responsibilities between Chairman and Chief Executive Officer**

There will be clear separation of the roles of Chairman and Chief Executive Officer on terms which have been agreed and set out in writing by the Board of the Enlarged Group and which will be reviewed on an annual basis. The Chairman will be responsible for overseeing the running of the Board of the Enlarged Group, encouraging all Directors to participate fully in discussions with the aim of reaching a consensus and ensuring that the Non-Executive Directors are properly briefed on matters. The Chief Executive has responsibility for implementing the Enlarged Group's strategy and managing day-to-day business activities with the Executive Directors and senior managers. The Company Secretary, through the Chairman, is responsible for advising the Board of the Enlarged Group on all governance matters.

**Board committees**

The Enlarged Group has established Audit and Remuneration Committees with written terms of reference stating their authorities and duties. The full terms of reference of all the terms of reference will published on the Enlarged Group's website immediately following Admission.

***Audit Committee***

The Audit Committee will be chaired by John Bradshaw. The current members will be Dr. Andy Richards and Tim Sharpington.

The terms of reference of the Audit Committee will be reviewed on an annual basis and include the following responsibilities:

- to monitor the integrity of the Group's financial statements and make recommendations to the Board;
- to review annually the need for an internal audit function;
- to review the effectiveness of the Group's internal control and risk management systems; and
- to consider and make recommendations to the Board regarding the appointment of the Group's external auditors.

***Remuneration Committee***

The Remuneration Committee will be chaired by Tim Sharpington. The other members will be Dr. Andy Richards and John Bradshaw.

The terms of reference of the Remuneration Committee will be reviewed on an annual basis and include the following responsibilities:

- to determine and agree with the Board the framework and policy for the remuneration of the Executive directors and other members of the Executive Team;
- to determine targets for any performance related pay scheme;
- to approve overall remuneration structure; and
- to review employee benefit structures.

**Internal controls and risk management**

The Board of the Enlarged Group acknowledges that it is ultimately responsible for the Enlarged Group's system of internal control and reviews its effectiveness at least annually. However, the Board of the Enlarged Group acknowledges that such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The key procedures that the Board has established are designed to provide effective internal controls within the Enlarged Group and comply with the Internal Control Guidance for Directors on the UK Corporate Governance Code (Turnbull Guidance 2005) issued by the Financial Reporting Council. There will be an ongoing process for identifying, evaluating and managing significant risks faced by the Enlarged Group.

The Company has adopted a code of securities dealings in relation to the securities of the Company which is based on, and is at least as rigorous as, rule 21 of the AIM Rules for Companies. The code adopted will continue to apply to the Proposed Directors and other relevant employees of the Enlarged Group following Admission.

**8. RELATED PARTY TRANSACTION**

The Acquisition will constitute a related party transaction under the AIM Rules for Companies by reason of IAML holding 56.4 per cent. of the issued share capital of Phytopharm and 45.6 per cent. of Imperial Innovations Group plc, which itself holds 18.0 per cent. of IXICO. The Directors consider, having consulted with the Company's nominated adviser, Peel Hunt, that the terms of the transaction are fair and reasonable insofar as the Company's Shareholders are concerned.

**9. EFFECT OF THE ACQUISITION**

Upon Admission and assuming no further exercises of share options under the Share Schemes, the Enlarged Issued Share Capital is expected to be 14,952,437 Ordinary Shares. On this basis, the New Ordinary Shares will represent approximately 53.6 per cent. of the Enlarged Issued Share Capital on Admission.

Following the proposed issue of up to 8,479,753 New Ordinary Shares to be allotted pursuant to the Acquisition, an Existing Shareholder will suffer dilution of 55 per cent. to his interests in the Company.

**10. CHANGE OF NAME**

It is proposed that the name of the Company be changed to IXICO plc. A special resolution, being Resolution 4, will be proposed at the General Meeting to this effect.

Share certificates with a nominal value of 50 pence issued in respect of the recent Share Capital consolidation in the name of Phytopharm will remain valid.

**11. DIVIDEND POLICY**

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions (if any) declared, paid or made by the Company after Admission.

However, it is, at present, intended that no dividends will be paid by the Enlarged Group for the foreseeable future. The Directors will review this dividend policy in view of the level of future

distributable profit, if any, cash requirements, future prospects and financial conditions at the appropriate time.

**12. TAXATION**

Certain statements regarding United Kingdom taxation in connection with the Acquisition are set out in paragraph 14 of Part VI of his document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction, should consult their professional adviser as soon as possible.

**13. RISK FACTORS**

Shareholders and investors should consider fully the risk factors associated with the Acquisition and Admission, the business of the Enlarged Group, the stock market and share trading. Your attention is drawn to the section entitled "Risk Factors" set out in pages 41 to 51 of this document.

**14. ADDITIONAL INFORMATION**

You are recommended to read all the information contained in this document and not just rely on the key or summarised information and your attention is drawn to the information set out in Parts II to VI of this document.

**15. LIFTING OF SUSPENSION, ADMISSION AND CREST**

It is expected that the suspension of the Company's Existing Ordinary Shares on AIM will be lifted at 7.30 a.m. on 24 September 2013 following publication of this document.

As the Acquisition constitutes a reverse takeover under the AIM Rules for Companies, Shareholder consent to the Acquisition is required at the General Meeting. If Resolutions 1 and 2 are duly passed at the General Meeting, the admission of the Company's Existing Ordinary Shares to trading on AIM will be cancelled (immediately prior to Admission) and application will be made to the London Stock Exchange for 14,952,437 Ordinary Shares to be admitted to trading on AIM. Admission is expected to take place at 8.00 a.m. on 15 October 2013. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of CREST. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the requirements of CREST. It is anticipated that the Enlarged Issued Share Capital will be eligible for CREST settlement and application has been made for the 14,952,437 Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, following Admission, settlement of transactions in Ordinary Shares may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

**16. GENERAL MEETING**

You will find set out at the end of this document a notice convening the General Meeting of the Company to be held at 11.00 a.m. on 14 October 2013 at the offices of FTI Consulting LLP, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB, where the following resolutions will be proposed:

**Resolution 1**

An ordinary resolution to approve the acquisition of IXICO on the terms set out in the share purchase agreement dated 20 September 2013, as summarises in Part VI paragraph 12. This resolution is conditional upon the passing of Resolution 2.

**Resolution 2**

An ordinary resolution to authorise the directors of the Company to allot and grant rights to subscribe for shares of the Company for the purposes of the Acquisition up to an aggregate nominal amount of £4,239,877. This authority is limited to the allotment of ordinary shares of 50 pence each

pursuant to the Acquisition and, if approved, will expire on the earlier of the conclusion of the Company's next annual general meeting and the close of business on 14 January 2015.

**Resolution 3**

An ordinary resolution, conditional on the passing or Resolutions 1 and 2, to renew the directors' power to allot shares. The authority in paragraph (a) of the resolution will allow the directors of the Company to allot new shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to a nominal value of £2,492,073, which will be equivalent to approximately one third of the total issued ordinary share capital of the Company immediately following the Acquisition.

The authority in Part (b) of the resolution will allow the directors of the Company to allot new shares or to grant rights to subscribe for or convert any security onto shares in the Company only in connection with a rights issue up to a further nominal value of £4,984,146, which will be equivalent to approximately two-thirds of the total issued ordinary share capital of the Company immediately following the Acquisition. This is consistent with the guidance issued by the Association of British Insurers.

The authority in each of paragraphs (a) and (b) of the resolution is required by section 551 of the Act and, if approved, will expire at the conclusion of the next annual general meeting of the Company in 2014, or if earlier, the close of business on 14 January 2015.

There is no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. If they do exercise this authority, the Proposed Directors intend to follow emerging best practice as regards its use, where practicable.

**Resolution 4**

A special resolution to approve the change of the Company's name to IXICO plc.

**Resolution 5**

A special resolution, conditional upon the passing of Resolution 3, which is to grant the directors of the Company authority to allot equity securities for cash without first offering them to existing Shareholders in proportion to their existing shareholdings.

Under section 561(1) of the Act, if the directors of the Company wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their existing holdings. There may be occasions, however, when the directors of the Company will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless shareholders have first waived their pre-emption rights. Resolution 5 asks shareholders to do this and apart from rights issues or any other pre-emptive offer concerning shares, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £747,622 which is equivalent to approximately 10 per cent. of the Enlarged Issued Share Capital on completion of the Acquisition.

This authority, if granted will expire at the conclusion of the next annual general meeting or, if earlier at the close of business on 14 January 2015.

The Ordinary Resolutions 1, 2 and 3 will require a simple majority of those voting in person or on a poll by proxy in favour of the resolutions. The special resolutions 4 and 5 will require approval by not less than 75 per cent. of the votes cast by Shareholders voting in person or on a poll by proxy.

## 17. ACTION TO BE TAKEN

You will find enclosed with this document a Form of Proxy for use in relation to the General Meeting. Whether or not you propose to attend the General Meeting in person, you are requested

to complete and return the Form of Proxy to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by them no later than 11.00 a.m. on 10 October 2013. Completion and return of a Form of Proxy will not preclude Shareholders from attending the General Meeting and voting in person if they so wish.

CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual. CREST personal members of other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

**18. RECOMMENDATIONS**

The Board, which has been so advised by Peel Hunt, believes that the Acquisition and the Resolutions are fair and reasonable as far as the Shareholders are concerned and are in the best interests of Phytopharm and the Shareholders as a whole. In providing such advice to the Directors, Peel Hunt has taken into account the Directors' commercial assessments.

**Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own beneficial holdings amounting to (at 20 September 2013, being the latest practicable date prior to the publication of this document) an aggregate of 15,273 Existing Ordinary Shares representing approximately 0.22 per cent. of the current issued ordinary share capital of the Company.**

**In addition to the Directors, IAML has irrevocably undertaken to vote in favour of the Resolutions in respect of the Ordinary Shares in which it is interested, amounting, in aggregate, to 3,910,452 Ordinary Shares, representing 56.4 per cent. of the current issued ordinary share capital of the Company.**

Yours faithfully

**Alistair Taylor**
*Chairman*

## PART II

# INFORMATION ON IXICO LIMITED

### 1. SUMMARY AND BACKGROUND

IXICO brings innovative technologies to those researching, diagnosing and treating serious diseases, especially dementia. Its technologies enable timely decision-making aimed at improving patient outcomes. Its proprietary technology and knowhow are used both to select patients for clinical trials and to assess the safety and efficacy of pharmaceuticals under development. These have been applied to patient data collected from more than 400 hospital sites globally in several of the largest clinical trials of AD treatments. While its clinical focus is predominantly dementia (especially AD and Huntington's disease), IXICO also supports clinical studies for other CNS conditions (such as cerebral amyloid angiopathy), psychiatric conditions (such as schizophrenia), oncology and other diseases.

AD and other types of dementia can be devastating for patients, families and carers. With rapidly aging populations, healthcare systems are predicted to face increasing health and social care costs. Worldwide, an estimated thirty-six million people are currently living with dementia, and this is expected to treble by 2050. The global cost of dementia in 2010 was estimated at $604 billion or 1 per cent. of global GDP. There is an increasingly urgent and recognised need to manage the growing population of dementia sufferers worldwide and to enable them to live better with the disease. Combining earlier diagnosis of dementia with earlier clinical intervention and support is believed to improve the lives of sufferers and their families and to reduce costs. It is therefore a key policy priority in recent national dementia strategies. The Directors and the Proposed Directors believe the development of better diagnostic tools to address this market represents a major commercial opportunity.

IXICO is translating its proprietary technology, already widely used and validated in clinical trials, into decision support tools for the diagnosis of dementia in the broader healthcare market and is enhancing these products by incorporating complementary technologies such as computerised cognitive testing. In this way, the Enlarged Group intends to commercialise products that assist healthcare professionals to provide earlier and accurate diagnosis that can match patients to the most appropriate treatment. When the tests prove positive, this should enable patients to access faster the right treatment and support to extend their independent life; when negative, it can reassure them that dementia is not the cause of their symptoms. These technologies are therefore intended to support an increasingly 'personalised' approach to medicine and treatment.

IXICO's products and services (incorporating its proprietary and IP-protected *TrialTracker*™ and *LEAP* technologies) are focused in three main areas that overlap:

- *Clinical Trials* where IXICO is a service provider for clinical trial sponsors;
- *Experimental Medicine* where IXICO collaborates with pharmaceutical companies and research organisations as part of a more strategic relationship and may develop joint intellectual property such as new methods of measuring drug efficacy and new tools to select patients for clinical trials; and
- *Disease Diagnostics* to support both initial diagnosis and continuing patient monitoring where IXICO's customers will be healthcare payers and/or pharmaceutical companies.

Clinical trials and experimental medicine activities have been and will continue to be proving grounds and markets for IXICO's medical device technologies. These devices can be sold into the wider healthcare market and once established they are also expected to be sold as companion diagnostics to the pharmaceutical market. Regulators increasingly encourage the adoption of

approved medical devices as tools in clinical trials. Also pharmaceutical companies increasingly seek partners with diagnostic technologies to support their commercial strategy.

IXICO is also undertaking a joint development project with Cambridge Cognition partly funded by the UK Technology Strategy Board to combine its technologies with Cambridge Cognition's computerised cognitive testing products. The objective of this project is to produce a combination product and evaluate it in the UK NHS.

## 2. CORPORATE VISION AND STRATEGY

The Directors' and the Proposed Directors' vision for the Enlarged Group is to build on IXICO's credibility internationally to position itself as a 'Brain Health Company'. The ambition is to bring innovative technologies to those involved in researching and treating serious brain diseases enabling them to help patients quicker. The Directors and the Proposed Directors believe IXICO's products and technology can support early, high-quality diagnosis enabling better-targeted treatment and care plans for patients with diseases that cause dementia (such as AD) using both currently available and emerging drug and non-drug technologies. IXICO's products to support dementia diagnosis use digital data and electronic reports and, as such, the Directors and the Proposed Directors believe can constitute a valuable component within the emerging and increasingly important field of '*digital healthcare*'.

IXICO's current products and those under development provide pharmaceutical customers with the ability to use specific quantified patient characteristics (e.g. those determined from IXICO's quantitative analysis of structural brain scans to identify patients with a higher rate of cognitive decline or those more likely to progress from mild cognitive impairment to clinical dementia) to enrich clinical trials so that the detection of a drug effect is more likely. IXICO collaborates with pharmaceutical companies on such a basis. These products are also being designed to assist healthcare practitioners in diagnosis and assist them in matching patients to the most appropriate treatment, therefore they are intended to support an increasingly '*personalised*' approach to medicine and treatment. This approach incorporates the ability to monitor the individual progression of a patient's condition over time. The Directors and Proposed Directors believe there is the potential for these products to be widely adopted by primary care physicians (including GPs) and other primary and secondary healthcare practitioners, opening potentially significant new markets internationally for the Enlarged Group.

The Directors and the Proposed Directors believe IXICO's disruptive technologies and approach will significantly reduce health and social care costs as they offer the potential to provide clinically improved management of dementia patients based on significantly improved cost models.

Assessing this progress to date, the Directors and the Proposed Directors are confident that IXICO is increasingly recognised as a '*centre of excellence*' in brain health and specifically dementia. For example, members of IXICO's senior management and employees:

- are currently members of the UK Prime Minister's Research Champion Group, itself part of his Dementia Challenge, the responsibilities of which include assisting the UK Government in organising the G8 Dementia Research summit in December 2013;
- have played a leading role on the Coalition Against Major Diseases qualification of low hippocampal volume as a biomarker with the EMA;
- are assisting with the on-going qualification process of low hippocampal volume as a biomarker for enriching clinical trials with the FDA;
- assisted in the definition of the MRI image acquisition method used in the AD Neuroimaging Initiative (ADNI) project;
- are collaborating through joint publications with researchers at major academic centres in Europe and North America and with employees of pharmaceutical companies; and

- are assisting in the standardisation of hippocampal volumetry and European AD Consortium – ADNI effort with the US Alzheimer's Association.

The Directors and the Proposed Directors believe that the Enlarged Group can build on IXICO's significant successes to date to create shareholder value growth in the medium and longer term. This will be achieved by continuing to generate revenues in the clinical trials market while playing a leading role internationally in the implementation of IXICO's products and expertise in the emerging dementia diagnostics market. The Directors and Proposed Directors intend to fund this implementation through the use of the Enlarged Group's cash resources, additional grant finance (where available) and any surplus cash generated from the provision of services to pharmaceutical customers. In addition to the core technologies, the Enlarged Group will continue to explore opportunities to widen its product and service offerings in all of its markets through product licensing, collaborations and corporate activity potentially including mergers and acquisitions.

The Directors and the Proposed Directors intend to use the Enlarged Group's cash resources to advance the development and marketing of its diagnostic products while continuing to generate revenues in all parts of the business both organically and through product licensing, collaborations and other corporate activity as appropriate.

## 3. HISTORY AND GROWTH

IXICO was founded in 2004 (and incorporated in December 2004) by Professors Derek Hill, Jo Hajnal, David Hawkes and Daniel Rueckert. The four founders were then research scientists in the medical imaging field at three major London-based academic institutions – University College, King's College and Imperial College. They had been working collaboratively on imaging and informatics research projects funded by UK Government grants and industry partners including Philips and GSK, including the 'Information eXtraction from Images' (IXI) project which inspired IXICO's name. IXICO was founded with a mission to translate image acquisition, management and analysis technology and know-how, which the founders had developed together, into commercial products targeting the expanding area of imaging to inform decision-making during drug development. This has resulted in commercially successful products being launched in the clinical trials and experimental medicine markets and being readied for launch into the wider clinical diagnostic market.

Since incorporation, IXICO has raised approximately £4.5 million of investment in the form of equity and loan notes and has been awarded grant funding totalling approximately £3 million from the UK Technology Strategy Board and the European Commission's Seventh Framework Programme. Of this, approximately £2 million has been awarded but not yet invested. In total, IXICO has been awarded more than £17 million in contract value from a range of customers, primarily large pharmaceutical companies.

IXICO was awarded its first sub-contract of a pharmaceutical company R&D contract in 2005 and its first clinical trial contract with a US West Coast biotech company in 2006. Its first phase III clinical trial contract in AD followed the same year. IXICO was awarded a full-service imaging contract for a high-profile prodromal AD clinical trial in 2010 and, a year later, the image analysis contract for the largest-to-date phase III study involving carbon labelled molecular imaging in AD. In 2012, IXICO signed its first experimental medicine alliance contract with a pharmaceutical company offering the opportunity to co-own intellectual property.

IXICO has worked with pharmaceutical companies on potential AD treatments involving several different approaches to slowing down or curing the disease, including anti-amyloid immunotherapy, gamma secretase modulators, gamma secretase inhibitors, BACE inhibitors, statins and TAU targets. The Directors and the Proposed Directors believe IXICO has consequently established itself as an internationally credible supplier of image interpretation and analysis technologies for clinical trials in dementia and has successfully entered additional market segments in imaging for oncology and imaging centre and data management for clinical studies.

Professor Derek Hill, IXICO's chief executive officer, has led IXICO since foundation. He remains a full professor at University College London, but has been on leave of absence since 2007 with no academic responsibilities or salary. Jo Hajnal is Chair of Imaging Sciences at King's College London. David Hawkes is Director of the Centre for Medical Image Computing at University College London. Daniel Rueckert is Professor of Visual Information Processing (Computing) at Imperial College London. All four founders continue to play an active role in IXICO and are material shareholders. Jo Hajnal maintains an active role having served on the board since foundation and advises the executive management team on a part-time basis. David Hawkes and Daniel Rueckert continue to collaborate with IXICO especially on joint-funded R&D projects as well as providing scientific advice.

IXICO has both developed internally and in-licensed (from external groups such as universities) proprietary technologies for image analysis and image data management, several of which are patent protected.

## 4. BACKGROUND TO ALZHEIMER'S DISEASE AND OTHER TYPES OF DEMENTIA

AD and other types of dementia (such as vascular dementia, dementia with lewy bodies due to Parkinson's disease, and frontal temporal dementia) are widely recognised as being devastating, not only for the patient but also for their families and carers. With rapidly aging populations in the developed economies, the health and social care costs of dementia are expected to become increasingly hard to sustain for healthcare systems. An estimated 800,000 people in the UK currently suffer from dementia and by 2051, the number of sufferers in the country is forecast to reach approximately 1,700,000.

In 2010, an estimated 36 million people worldwide were living with dementia, and this number is expected roughly to double every 20 years to approximately 66 million by 2030, and approximately 115 million by 2050. The global cost of dementia in 2010 was estimated at $604 billion or 1 per cent. of global GDP. Governments are increasingly recognising these trends with several countries, including Australia, the UK, France, Norway, South Korea and the US, having recently launched national Alzheimer strategies. The National Dementia Strategy in the UK, for example, outlines initiatives to contain growing costs and improve the quality of life for people with dementia, their families and their carers.

The combination of earlier diagnosis of dementia and consequently earlier clinical intervention is increasingly believed to contribute to improving the lives of people with dementia, their families and carers and to controlling health and social care costs. Consequently, both are key policy priorities in the recently formulated national dementia strategies. Recent studies have indicated that currently available pharmaceutical interventions (such as acetylcholinesterase inhibitors) as well as psychological and psychosocial caregiver interventions (such as counselling and support) can, if applied earlier in the disease course, produce improved cognitive outcomes for patients. Such improvement can reduce the strain for carers during the early stages of the disease allowing them to provide care at home for longer. This delays the time to institutionalisation and therefore extends the period of relatively independent living.

Diagnosis is obviously required in order to put these care interventions in place. In higher income countries such as the UK and US, it is estimated by The International Federation of Alzheimer's Disease and Related Disorders ("Alzheimer's Disease International") that currently only between 20 to 50 per cent. of dementia cases are recognised and documented in the primary care setting. In developing countries, such as India and China, it is estimated that up to 90 per cent. of sufferers remain undiagnosed. It is estimated that earlier detection and treatment of dementia could save up to approximately £7,741 per patient (of which £4,148 is indirect cost savings) compared with no early assessment or treatment, and £5,726 per patient (of which £3,142 is indirect savings) compared with treatment but no early assessment, in health and social care costs (in the UK) with a large proportion of savings from reduced expenditure on hospital stays and residential care.

Following earlier diagnosis, treatment and care should be able to be effectively co-ordinated by general practitioners in the primary care environment.

The Directors and the Proposed Directors believe using current diagnostic measures, accurate diagnosis relatively early in the disease stage is very challenging, thus providing an opportunity for the development of new products. The diagnostic process for suspected dementia sufferers in the UK has typically been slow and inefficient. Furthermore, NHS memory clinics have had waiting lists that average several months and reach 18 months in some areas. It is estimated that 60 per cent. of patients have been waiting between one to four years to complete the diagnostic process for suspected dementia under the current system. Structural brain imaging is often recommended, for example, by the UK National Institute for Clinical Excellence (NICE) in the assessment of patients with possible dementia with MRI frequently being the preferred modality. Current routine clinical practice is for these images to be viewed by a radiologist who produces a written report. Quantitative measurements of brain structure have been shown to be correlated with disease progression in Alzheimer's disease and its pre-dementia phases. This measurement has also been incorporated into proposed new diagnostic criteria such as for mild cognitive impairment due to AD. The Directors and the Proposed Directors believe there is an increasing recognition among experts in this area that quantitative measurements from structural MRI scans can provide an early indication of likely neurodegenerative causes of cognitive impairment and the Enlarged Group's products are well-positioned to provide these measurements to support diagnosis and provide longer term monitoring of the patient's condition.

## 5. CUSTOMERS AND MARKETS

IXICO's products and services are focused in three main areas that overlap: (i) the clinical trials market; (ii) the experimental medicine market and; (iii) the disease diagnostics market.

The need for improved tools both for patient selection for clinical trials and improving diagnosis was validated by the recently reported negative results in phase III clinical trials of bapineuzumab (developed by Pfizer and Johnson & Johnson) and solanezumab (developed by Eli Lilly) both potential pharmaceutical treatments for AD. Post-trial analysis showed that approximately 22 per cent. of the patients enrolled in these trials did not have amyloid plaques, the molecular hallmark of the disease. Significantly, this patient sub-set on average did not decline over the 18 month study period demonstrating that, even in the highly standardised process of selecting patients for clinical trials, misdiagnosis is common. Given this challenge in enrolling appropriate patients for clinical trials in AD, the Directors and the Proposed Directors believe that in the memory clinic setting erroneous diagnosis of dementia is therefore even more likely.

The clinical trials and experimental medicine markets have been and will continue to be proving grounds for IXICO's disease diagnostic technologies. These devices in turn have the potential to be translated back to pharmaceutical customers as regulators increasingly encourage the adoption of approved medical devices as tools in clinical trials and as pharmaceutical companies seek partners with diagnostic technologies to support reimbursement in the clinical market.

### Clinical Trials and Experimental Medicine

Since incorporation, IXICO has been contracted by seven of the top 15 global pharmaceutical companies and leading biotechnology companies. By way of example, IXICO's relationship with global pharmaceutical companies is demonstrated in jointly published conference proceedings and journal submissions with Bristol-Myers Squibb Company, Eli Lilly & Company, F. Hoffmann-La Roche Ltd., Pfizer Inc., GlaxoSmithKline plc, Amgen Inc., Johnson & Johnson, and Novartis AG. IXICO's technology has been, and/or is currently being used to analyse tens of thousands of medical images collected from a total of approximately 400 imaging centres across North America, Latin America, Europe, Asia and Australasia, including 25 hospitals in 10 cities across China. IXICO has provided products and services across all the major phases of clinical development from Phase 0 to Phase III and also for studies investigating the natural history of diseases. IXICO's track record spans CNS, oncology, metabolic disease, musculoskeletal disease and inflammation, and IXICO's

products are currently being used in projects that involve the handling and analysis of images collected on MRI scanners, PET scanners and CT scanners.

IXICO organises its business development for its clinical trials business around pharmaceutical company accounts, which are divided up among the members of the business development team. Leads are generated through a mixture of regular discussions with current and potential customers, and searching databases to identify companies that have potential compounds in development in areas that match our capabilities. Prior to tendering for contracts, IXICO is often required to bid competitively to be an approved or preferred supplier. The contracts with pharmaceutical companies that IXICO is awarded are typically each valued between £200,000 and £1 million over the contract period that typically lasts between one year and three years. In many cases, amendments to these contracts (change orders) result in extensions that can increase their value and duration significantly.

In addition, IXICO has supported research projects undertaken by leading medical research centres, consortia and medical charities around the world including:

- Alzheimer's Disease Neuroimaging Initiative (ADNI) in the US;
- CHDI Foundation, Inc. (Cure Huntington's Disease Initiative);
- Harmonised Protocol for Hippocampal Volumetry Project (and EADC-ADNI effort);
- Imperial College London;
- King's College London;
- Pharma Imaging Network for Therapeutics and Diagnostics (PINTAD);
- Uniform Protocols for Imaging in Clinical Trials (UPICT) for Alzheimer's Disease;
- University College London; and
- Critical Path Institute's Coalition Against Major Diseases (CAMD) projects on Alzheimer's Disease.

The Directors and the Proposed Directors believe that the clinical trials market in dementia will continue to be an important source of revenue for the Enlarged Group in future years driven by a number of factors. Currently approved therapies for AD only treat the symptoms and deliver modest efficacy at best with no proven effect on the rate of underlying disease progression. Given the increased incidence of AD (detailed above) and the lack of currently available disease-modifying therapies, its treatment represents a high unmet need and therefore a significant continuing opportunity for drug developers. It has been estimated that an effective commercialised AD drug could generate revenues in the region of $8-9 billion per year. Future clinical trials of potential AD therapies will continue to need technologies to select patients, monitor drug safety and provide a quantitative indication of efficacy.

IXICO is collaborating with certain pharmaceutical companies to model the impact of using prognostic biomarkers for patient enrichment on clinical trial costs and durations. The Directors and the Proposed Directors believe trial costs could potentially be reduced by up to 40 per cent. (i.e. a potential saving of more than $40 million) by the use of such biomarkers while trial timelines could be shortened by up to 15 per cent.

**Disease Diagnostics**

In the clinic, earlier detection and treatment of dementia using currently available non-drug and drug interventions is estimated as cost effective, for example, the paper by Getsios et al (Alzheimer's & Dementia 8, 2012) reported that in the UK earlier detection and treatment could save £7,741 per patient (of which £4,148 is indirect cost savings) compared with no early assessment or treatment, and £5,726 per patient (of which £3,142 is indirect savings) compared with treatment but no early assessment. A large proportion of these savings come from reduced spend on hospital stays (bed

blocking) and residential care. Interventions following diagnosis have been shown to extend independent living by up to 18 months in the papers by Mittelman et al (American Academy of Neurology, 2007) and Banerjee et al (International Journal of Geriatric Psychiatry, 2009). The Directors and Proposed Directors believe that there is a substantial global market for dementia diagnosis accessible to the Enlarged Group. Given the aging population and the consensus on encouraging diagnosis of pre-clinical disease, the Directors and the Proposed Directors expect this market to grow rapidly as patients with subjective memory complaints enter the diagnostic process and require repeat assessments to monitor progression of their condition. The Directors and the Proposed Directors also believe there is a comparable need for improved diagnostics in other disease areas in which IXICO has expertise.

The Directors and Proposed Directors believe that the diagnostic technologies are most likely to be sold on a per-patient software-as-a-service business model. This business model is already used, for example, by diagnostic image analysis technologies such as Sectra's OneScreen, Resonance Health's FerriScan and Cortech Labs' NeuroQuant. IXICO's initial business development activity for these diagnostic technologies will focus on referenceable key opinion leader uptake and deployments in a primary healthcare setting in Europe. These initial deployments will assist IXICO's business development team in identifying channel partners to sell the technology in the wider healthcare market both in Europe and, as other regulatory approvals are achieved, elsewhere in the world.

## 6. PRODUCTS AND SERVICES

IXICO's products and services are focused in three main areas that overlap:

### 6.1 Clinical Trials

IXICO's products and services collect medical images and translate them into value-adding, standardised reports to pharmaceutical and biotech companies as well as medical charities. Products and services include image data management, image analysis and associated services including training clinical sites and quality assurance. The Directors and the Proposed Directors believe it is this combination of technologies and services that has enabled IXICO to win contracts from several of the world's largest pharmaceutical companies.

***TrialTracker***™

TrialTracker™ is IXICO's proprietary image data management platform that underpins its clinical trial operations. This provides a repository for image and associated data and provides a secure interface for uploading data from sites with built-in anonymisation. It has distinct architecture to support regulatory compliance in clinical trials and the integration of radiological reading workflows, image processing/analysis algorithms, and data reporting engines as plugins.

IXICO uses technologies for computerised quantitative image analysis developed both in-house and licensed from academic centres including University College London, Imperial College London and Oxford University. These technologies make quantitative measurements from scans taken using conventional hospital-located MRI, CT and PET medical scanners and have been applied to both natural history studies and trials of potentially novel pharmaceuticals to treat AD and other diseases. IXICO is currently developing new products for the analysis of PET and advanced MR imaging data including resting state functional MRI, task functional MRI, Arterial Spin Labelling, and MRI diffusion imaging. These measure changes in the structure, function and other properties of the brain and are increasingly used in earlier phase clinical trials and natural history studies but are not yet sufficiently established for use in phase III clinical trials. The Directors and the Proposed Directors believe they will be more widely used in the future and will provide another opportunity for future revenue growth.

***LEAP***

IXICO's LEAP (Learning Embedded Atlas Propagation) technology is a computational framework that allows IXICO to asses quantitative measures of brain volume. LEAP can measure at a single time point and also changes between time points. The technology has been patented by Imperial College London and exclusively licensed to IXICO, following its development in the laboratory of Daniel Rueckert, one of the IXICO founders. LEAP is incorporated into TrialTracker™ as a plugin. The LEAP algorithm is specified in the EMA 'Biomarker Qualification of Low Hippocampal Volume' opinion for enriching clinical trials of Alzheimer's disease in the pre-dementia phase.

The LEAP algorithm has been shown by independent researchers to be more effective than other currently available approaches including radiological scoring or manual delineation of brain structures for predicting patients progressing to Alzheimer's disease. The performance of the LEAP algorithm has been shown to be robust to MR scanner magnetic field strength and to between-scan variability, which are important characteristics in an imaging biomarker.

6.2 **Experimental Medicine**

IXICO is establishing a number of alliances with pharmaceutical companies and research organisations. These are typically on a different contractual basis to the clinical trials services being more strategic relationships with the potential, in addition to recurring fees for service, jointly to develop and own intellectual property such as new methods of measuring drug efficacy and new tools to select patients for clinical trials. These new tools may subsequently generate revenue from other customers. For example, one current research alliance contract with a large global pharmaceutical company involves IXICO undertaking a portfolio of projects linked to that company's expanding use of imaging in drug development. Projects include translating advanced functional imaging methods from a single academic centre to multi-centre clinical trials, using data from negative clinical trials to inform biomarker strategy in future programmes and supporting collaborations with academic centres.

The Directors and Proposed Directors believe this is a promising area of potential growth for IXICO because pharmaceutical companies are increasingly conducting highly monitored experiments in the clinical setting earlier in the development (and even discovery) process and, as the sector moves away from all-encompassing development infrastructures, outsourcing more to CROs and through collaborations with SMEs and academia.

6.3 **Disease Diagnostics**

IXICO is translating its proprietary technology already widely used in clinical trials into decision support tools for the diagnosis of dementia. It is also enhancing these products by incorporating complementary technologies such as computerised cognitive testing. In this way, the Enlarged Group intends to commercialise products that assist healthcare professionals to provide earlier and accurate diagnosis and that can match patients to the most appropriate treatment. When positive, this should enable patients to access faster the right treatment and support allowing them to extend their independent life; when negative, it can reassure them that dementia is not the cause of their symptoms. These technologies are therefore intended to support an increasingly 'personalised' approach to medicine and treatment. This is a way of enhancing human judgement with a digital means of measuring, comparing and combining information about the brain and making it available as a decision-making tool for healthcare professionals.

IXICO's first medical device, named Assessa, was CE marked in March 2013. This incorporates both the core TrialTracker™ platform and LEAP. This product is for use with elderly patients being investigated for possible memory problems and is designed to support the diagnosis of dementia and mild cognitive impairment due to AD or other causes. The Enlarged Group's current intention is to launch Assessa in late 2013 to key opinion leaders in the EU. The goal is to secure early clinical adopters that could be referenceable to the

wider EU market. The Directors and the Proposed Directors expect only modest revenues in the first 12 months following launch with clinical adoption as a strategic priority. The product specification and functionality will be subject to fine-tuning following feedback from such early adopters. The Directors and the Proposed Directors believe the US represents a significant market for dementia diagnosis products generally and that Assessa should be approvable through the FDA 510k clearance. The regulatory process for a combinatorial product (i.e. including cognitive testing) is still under evaluation.

Assessa uses the LEAP algorithm to measure the volume of the hippocampus, amygdala and temporal horn of the lateral ventricles from brain MRI scans. The use of this type of measurement as part of dementia diagnosis is recommended by various international working groups. The IXICO device provides a patient risk factor output based on the patient's age, gender and demographics. This output is compared to the distribution of normal and diseased patients to provide a better-informed decision towards diagnosis. As such, it is interpretive as the measurements are not diagnostic in isolation but rather are used in conjunction with other assessments by other healthcare professionals (potentially including radiologists, physicians, psychologists, occupational therapists, nurses and general practitioners) before a final diagnosis is determined. The Directors and the Proposed Directors believe this will improve the timeliness and quality of diagnosis and therefore improve patient outcomes by providing quicker access to effective treatments and support. The Directors and the Proposed Directors believe Assessa is applicable to all current treatments in that it should add value to, rather than disrupt, existing clinical approaches and processes.

IXICO is actively collecting further reference data from Europe, North America and Asia relating to brain imaging, cognition, function and molecular markers from both diseased and clinically normal elderly populations. The Directors and the Proposed Directors believe this data should allow IXICO to improve the performance of, and differentiate, its products. Current sources of such data include completed pharmaceutical clinical trials, ADNI (AD Neuroimaging Initiative) and university research collaborations. IXICO's work on data from China is partly funded by a UK Government grant.

***Cambridge Cognition/IXICO combination product***

Dementia diagnosis currently involves assessing patients in a number of ways including their memory and thinking (cognition) and, under various guidelines, using brain scans to look at the structure of the brain and any signs of significant vascular disease in the brain. IXICO is currently undertaking a joint research and development project with Cambridge Cognition. This will include both IXICO's technologies and Cambridge Cognition's computerised cognitive testing technologies. It involves piloting the combination technology in two NHS settings: a community setting in the south of England and a memory clinic setting in South London.

***PSYSCAN***

IXICO is part of a consortium grant funded (subject to finalisation of the consortium agreement) under the European Commission's Framework Programme 7 to develop tools to support diagnosis and prognosis of patients at risk of, and in the early stages of, psychotic illness. IXICO is the largest commercial partner in this €6 million project, involving several prestigious academic psychiatry centres in Europe, and is providing the technology platform and a potential path for commercialisation of the output of the project.

## 7. COMPETITION

### Competitors in the clinical trial imaging and experimental medicine markets

The Directors and the Proposed Directors believe that IXICO's competitors in the clinical trials imaging market can be generally categorised into three groups: (i) large established global CROs

that operate across a number of therapeutic areas and modalities; (ii) niche CROs that concentrate predominantly in a specific therapeutic area or modality; and (iii) academic imaging core labs that provide services in exploratory or advanced areas. The competitors in the first group include:

- BioClinica Inc., headquartered in Newtown, PA, US and offering eClinical and imaging core lab services and recently merged with CoreLab Partners Inc., a provider of medical imaging solutions and cardiac safety services based in Princeton, NJ, US;
- ICON Medical Imaging, a service department of ICON Plc, a global CRO headquartered in Dublin, Ireland;
- Perceptive Informatics, a subsidiary of PAREXCEL International Corp., headquartered in Waltham, MA, US that offers eClinical and imaging core lab services;
- SYNARC Inc., headquartered in Newark, CA, US and offering imaging core lab services, subject-recruitment, and biochemical-marker services; and
- VirtualScopics Inc. (NASDAQ: VSCP) headquartered on Rochester, NY, US and providing central reads and quantitative imaging solutions for drug and medical device clinical trials.

Competitors in the second group include: NeuroRX, headquartered in Montreal, Canada; Molecular Neuro Imaging (MNI), headquartered in New Haven, CT, US; and Biospective Inc., headquartered in Montreal, Canada. Competitors in the third group include the Image Analysis Centre, VUMC, headquartered in Amsterdam, Netherlands.

**Competitors with technologies to support dementia diagnosis**

There are several competing and potentially competing technologies to support dementia diagnosis including: paper and pencil cognitive assessments, computerised tests of cognition and function, EEG, retinal imaging, cerebrospinal fluid biomarkers, protein based blood tests, retinal imaging, molecular neuroimaging agents and quantitative volumetric MRI analysis.

An established competitor providing quantitative image analysis for dementia in the clinical market is CorTechs Labs, based in La Jolla, CA, US. The CorTechs Labs technology, branded as NeuroQuant®, is said to make automatic quantitative measurements of volumes of neurological structures from brain MRI scans. The reports generated include an age-related atrophy report which automatically compares the resulting values to age-appropriate reference distributions and a general morphometry report which provides an asymmetry index (a measure of the difference between volumes of brain structures in the left and right hemispheres). This assessment can aid physicians to identify changes in the brain that could be indicative of the early stage of a neurodegenerative disease, such as Alzheimer's disease. CorTechs Labs markets NeuroQuant® directly and also through agreements with Philips Medical Systems and Invivo Corporation.

In addition, a number of new organisations are emerging and starting to market image analysis services to support dementia diagnosis in the healthcare market, including ADM Diagnostics, LLC (a joint venture between Predictek, Inc. and Abiant, Inc.) and True Positive Medical Devices Inc., founded by image analysis experts from the Montreal Neurological Institute (MNI), McGill, Canada.

The Directors and the Proposed Directors believe it is likely that this widening range of diagnostic technologies (including cognitive testing, molecular neuroimaging and blood tests) will be used in combination to provide patients with an accurate and timely diagnosis and consequently it is unlikely any single technology will be sufficiently diagnostic on its own. This underpins the Enlarged Group's active research and development into combination products such as its collaboration with Cambridge Cognition.

## 8. INTELLECTUAL PROPERTY PROTECTION

IXICO has patents that are either filed by IXICO or in-licensed from Universities with claims that support both TrialTracker™ and some image analysis capabilities. The intellectual property

protection arises both from the granted and pending patents as well as confidential algorithms and software and registered trademarks. IXICO's medical device products are protected by patents, reference data and know-how. IXICO's in-licensed and filed patents together have claims that protect core data management and image analysis capabilities of both current and planned products subject to the claims not being materially changed on examination.

IXICO has in-licensed seven different patent families exclusively from the laboratories of its founders. These are filed in various jurisdictions and in total include 15 filed patents detailed in the table below.

| *IXICO ref.* | *IXICO Title* | *Area* | *Status* |
|---|---|---|---|
| IXIP00A | Groupwise Registration | US | Granted |
| IXIP00B | Classification Based on Deformation Fields | Europe | In examination |
| IXIP001 | QA Box | US | In examination |
| IXIP002 | Motion correction for Parametric Maps from MRI | Europe | In examination |
| IXIP002 | Motion correction for Parametric Maps from MRI | US | In examination |
| IXIP006 | Overlap Classifier Biomarker | Europe | In examination |
| IXIP006 | Overlap Classifier Biomarker | US | In examination |
| IXIP009 | LEAP Label Propagation | China | In examination |
| IXIP009 | LEAP Label Propagation | Europe | In examination |
| IXIP009 | LEAP Label Propagation | Hong Kong | In examination |
| IXIP009 | LEAP Label Propagation | India | In examination |
| IXIP009 | LEAP Label Propagation | Japan | In examination |
| IXIP009 | LEAP Label Propagation | US | In examination |

In addition, IXICO has itself filed two further patent families related to its products. These patents are filed in various areas and represent in total four filed patents detailed in the table below.

| *IXICO ref.* | *IXICO Title* | *Area* | *Status* |
|---|---|---|---|
| IXIP003 | Fraud Protection | Europe | In examination |
| IXIP003 | Fraud Protection | US | In examination |
| IXIP004 | Bulk upload | Europe | In examination |
| IXIP004 | Bulk upload | US | In examination |

IXICO's pays royalty payments related to in-licensed patents that are calculated as a percentage of net sales revenue, with provision for combination products and anti-stacking provisions.

IXICO is continuing to strengthen its IP position both by in house research and development and collaboration with the academic labs of the founders. For those collaboration agreements, IP option agreements are in place to enable IXICO to in licence the outcomes of those collaborations.

## 9. REGULATORY ENVIRONMENT

IXICO's quality management system has been certified to ISO9001:2008 and ISO13485:2003. IXICO's technologies for use in clinical trials have been developed under:

- the International Conference on Harmonisation E6 Guideline for Good Clinical Practice standards (a set of international quality standards for the conduct of clinical trials involving human subjects);
- EU Directive 2001/20/EC (the European Union directive on the laws and regulations for the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use);

- Code of Federal Regulations Title 21 Part 11 (which defines the criteria under which the FDA considers electronic records and electronic signatures to be trustworthy, reliable and equivalent to paper records); and
- EU Directive 95/46/EEC as implemented via the Data Protection Act 1998 (European Union directive on the protection of person data with regard to its processing and free movement).

The Directors and the Proposed Directors believe that IXICO's significant familiarity with these regulatory environments represents a key element of its expertise and acts as a significant barrier to entry for less specialised potential competitors.

IXICO's first medical device, Assessa, was developed in accordance with the requirements of the Medical Devices Directive 93/42/EEC. It is categorised with a Software Safety Classification: Class A (i.e. no injury or damage to health is possible) in accordance with IEC 62304:2006 and a device product class categorised as Class IIa according to the Medical Devices Directive 93/42 EEC Annex IX. Lloyd's Register Quality Assurance Limited (LRQA) was the certified body. The Directors and the Proposed Directors believe that the regulatory pathway that IXICO's current medical device products (i.e. Assessa and others currently in development) are required to follow is significantly less onerous than pharmaceutical or *in vitro* diagnostic products. IXICO has identified and documented a regulatory pathway for its medical device products with the FDA through its 510(k) clearance and has selected a preferred supplier to assist in getting approval with the China Food and Drug Administration.

## 10. FINANCIAL HISTORY

The historical financial record of IXICO is as follows:

**Summary financial data**

| | *Year ended 31 May* | | |
|---|---|---|---|
| | *2013* | *2012* | *2011* |
| | £ | £ | £ |
| Revenue | 3,646,151 | 2,528,300 | 1,019,799 |
| Gross profit | 2,341,796 | 1,540,223 | 666,472 |
| Gross margin (%) | 64.2% | 60.9% | 65.4% |
| Total comprehensive income/(expense) for the year | 539,977 | (2,310) | (1,234,267) |
| Cash and cash equivalents | 859,480 | 552,403 | 209,192 |
| Total equity and liabilities | 2,129,176 | 1,448,020 | 1,021,737 |

IXICO has more than trebled its revenue over the three year period; from £1.0 million in the year ended 31 May 2011 to £3.6 million in the year ended 31 May 2013, as it has established itself in the clinical trials market. As outlined above, in 2013, revenues were unusually high because of the acceleration of one contract following a trial termination, therefore the Directors and Proposed Directors believe that this level of revenue may not be repeated in the near term. In 2011, IXICO generated significant losses as it invested significantly in research and development for its technologies. It achieved close to breakeven profitability in 2012 following significant revenue growth and generated a profit in 2013. IXICO's cash and cash equivalents and equity balances have improved due to the generation of profits in 2013 and the raising of investment capital.

The above financial information has been extracted, without material adjustment from the financial information on IXICO for the financial years ended 31 May 2011, 2012 and 2013 as set out in Part V of this document.

## 11. THE IXICO BOARD AND SCIENTIFIC ADVISERS

### 11.1 IXICO's board

| | |
|---|---|
| Dr. Andy Richards | Non-executive Chairman |
| Professor Derek Hill | Chief Executive Officer |
| Professor Jo Hajnal(1) | Founder |
| Charles Spicer | Vice President of Corporate Development |
| Peter Hudson Ellis(1) | Non-executive Director |
| Sir Colin Dollery(1) | Non-executive Director |
| Maina Bhaman | Non-independent non-executive Director |

(1) Resigning on Admission.

### 11.2 Scientific advisers

***Professor Jo Hajnal*** *– Scientific adviser and founder (aged 54)*

Jo is Professor of Imaging Science at Kings College London. He was previously head of the Imaging Sciences Department at Imperial College London and chair of the imaging research section of the Clinical Sciences Centre, a UK national research institute. Prior to that, he held various academic and research posts in the UK and Australia. He has maintained an active involvement in the IXICO as a non-executive director, scientific expert and adviser to the executive team. His current research interests include MR data acquisition and processing, image registration and data fusion as well as novel scanner technology, parallel imaging and motion artefact correction. He has invented and pioneered techniques that are now widely used in the medical imaging industry and published over 200 papers in peer reviewed journals. His research is supported by research councils, industry and charities. He has a PhD in the physics of electromagnetic waves and a first class Honours degree in Physics from Bristol University.

***Professor David Hawkes*** *– Scientific adviser and founder (aged 60)*

Dave is director of the Centre for Medical Image Computing (MedIC) at University College London. His current research interests encompass image matching, data fusion, visualisation, shape representation, surface geometry and modelling tissue deformation with applications in medical image analysis and image guided interventions. He was Director of the Engineering and Physical Sciences Research Council (EPSRC) and Medical Research Council (MRC) funded Interdisciplinary Research Collaboration on Medical Images and Signals (MIAS-IRC). He is also principal investigator of four EPSRC funded projects, one Cancer Research UK project and manager of three industrially sponsored projects. He has 180 publications in medical imaging. He has worked at Southampton General Hospital, Surrey University, the Royal Marsden Hospital and St. George's Hospital, London, and Guy's Hospital. He has a PhD in X-ray computed tomography and a degree in Natural Sciences (Physics) from Oxford University.

***Professor Daniel Rueckert*** *– Scientific adviser and founder (aged 44)*

Daniel is a Professor at the Department of Computing at Imperial College. He is currently principal investigator in three EPSRC projects in the area of medical imaging. He was previously a post-doctoral research fellow in the Division of Radiological Sciences and Medical Engineering, King's College London in the EPSRC funded project "Application of information theory for medical image matching" for use in computer-assisted interventions, navigation and surgery. During his doctoral and post-doctoral research he published approximately 300 journal and conference articles. He has served as guest editor for a special issue of IEEE Transaction on Medical Imaging on 3D cardiac image analysis and as a referee for a number of international journals and conferences on medical imaging. He has a PhD in Computer Science from Imperial College London and an MSc in Computer Science from the Technical University of Berlin.

11.3 **Senior Executives**

In addition to the board and scientific advisers, the Enlarged Group employs the following key senior executives:

***Michelle Lax*** *– Vice President of Clinical Operations (aged 34)*

Michelle joined IXICO in 2011 and leads a team of project managers, image analysts, image scientists, and data managers. She previously worked at GE Healthcare, Medical Diagnostics in a variety of roles including New Business Manager EMEA and Technology Project Manager providing scientific strategic guidance on the development of PET, MRI, Optical, CT, and Ultrasound imaging agents in global multicentre trials. She completed the IPEM-sponsored two year programme to obtain state registered clinical scientist status and continued working within the NHS as a nuclear medicine physicist. Michelle has an MSc in Medical Physics and Clinical Engineering from The University of Sheffield and a BSc in Physics with Medical Physics from The University of Nottingham.

***Dr Kate McLeish*** *– Vice President of Technology (aged 37)*

Kate joined IXICO in 2005 and has been working in the field of medical image analysis for 13 years. She is responsible for the development of IXICO's image management system, TrialTracker™, and medical device product. Prior to joining IXICO, she was responsible for co-ordinating large imaging studies in the academic sector, focused on brain imaging with MRI. She has a PhD in medical image analysis from King's College London an MSc in Medical Physics at Imperial College London and a BSc degree in Physics from Oxford University.

***Dr John Hall*** *– Vice President of Business Development (aged 34)*

John joined IXICO in 2008 and leads the sales and marketing team. He previously worked in technology transfer roles at Warwick University and King's College London where he identified and developed commercial opportunities and spin-out companies (such as Warwick Warp Limited) which under his leadership raised significant seed capital and won the 2006 Research Councils Business Plan Competition. He has a PhD in Proteomics and Systems Biology from the University of Durham (co-funded by Amersham Biosciences (now GE) in collaboration with the National Institute for Basic Biology, Japan) and a BSc in Biochemistry from the University of Manchester.

***Dr Jane Whitrow FCA*** *– Vice President of Business Operations (aged 47)*

Jane joined IXICO in 2009 and has been responsible for finance, fundraising, company secretarial and business operations including HR, quality control, regulatory affairs, facilities and other internal administration. Previously she worked with a number of entrepreneurial companies on fundraising, forecasting, financial reporting, investor relations, HR, IT, legal, facilities and company secretarial matters. Prior to that, she was Finance Director at Merlin Biosciences (formerly Merlin Ventures). She qualified as a chartered accountant at KPMG and spent five years working with a range of clients, primarily hi-tech and owner-managed companies. Jane has a PhD in Plant Genetics from the University of Birmingham and a BSc in Genetics & Cell Biology from the University of Manchester.

***Roger Humm FCA*** *– Vice President of Finance (aged 54)*

Roger was appointed VP, Finance in September 2013 and has acted as a consultant to IXICO since 2008. Roger is an experienced Commercial and Finance Director with both private and public company experience. He has extensive knowledge of technology companies and start-up businesses with accumulated experience of trans-national capital transactions covering acquisitions, divestments, licensing and spin-outs and has raised finance from a variety of sources including grant funding, early stage, angel, VCT and venture capital funds. Roger joined Oxford Instruments plc and held corporate, financial and senior management roles both in the UK and USA before assuming responsibility for the Group's corporate

development and intellectual property activities, and business development projects within the Innovations team. He has worked with a number of smaller companies including G-Volution Limited, NanoSight Limited, UKRD Group Limited, The Local Radio Company plc (AIM) and Oxford Instruments Nanotechnology Tools Limited. Roger qualified as a chartered accountant with Grant Thornton, has an MBA from the University of Bath and a BSc in microbiology and virology from Warwick University.

11.4 **Employees**

As at 20 September 2013, IXICO had a total of 36 employees operating from its London office that are detailed by function in the table below. The Directors and the Proposed Directors believe that the Enlarged Group's staff represents a key asset of the Enlarged Group's current and future value given their specialist sector experience, advanced scientific qualifications (including six PhDs) and technical training.

| | |
|---|---|
| Management | 7 |
| Business operations | 2 |
| Business development | 4 |
| Clinical operations | 13 |
| Scientific solutions and IT | 10 |
| Total | 36 |

## PART III

# RISK FACTORS

**The following risks, which the Directors believe include material risks in relation to the Acquisition, the stock market and share trading and the business of the Enlarged Group, should be carefully considered by investors when deciding (in the case of Shareholders) what action to take at the General Meeting and/or whether to make an investment in the Group. Shareholders and investors should carefully consider the whole of this document and not rely solely on the information set out in this section.**

**Investors should be aware that any investment in the Company involves a higher degree of risk and should be made only by those with the necessary expertise to appraise their investment.**

**Additional risks currently unknown to the Group, or currently believed to be immaterial could have an adverse effect on the Group. Any or all of these factors could have a material and adverse effect on the Group's operational results, financial condition and prospects. Furthermore, the trading price of Ordinary Shares could decline, possible rapidly, resulting in the loss of all or part of any investment therein.**

The risk factors below are not listed in any order of priority with regard to significance of probability. It is not possible to quantify the significance to the Group of each individual risk factor, as each risk described below may materialise to a greater of lesser degree or have unforeseen consequences.

### A. RISKS RELATING TO THE ACQUISITION

**1. If the Resolutions to be proposed at the General Meeting to be held on 14 October 2013 are not passed, the Acquisition will not proceed**

Phytopharm will then be required to pursue other corporate acquisitions in line with its investing policy set out in Part I of this document. There can be no guarantee that the Directors will be able to identify such acquisitions and no assurance can be provided that the Directors will be able to conclude successfully agreements with any such business.

Within 12 months from the date of Admission to AIM, under the provisions of AIM Rule 9 the Company will be required to undertake one of the following, either:

(i) to complete an acquisition which constitutes a reverse takeover under AIM Rule 14; or

(ii) to implement the Investing Policy to the satisfaction of the London Stock Exchange; or

(iii) to complete an equity fundraise of no less than £3 million so as to fully satisfy the requirements of AIM Rule 8.

Should the Company not satisfy at least one of the required actions in (i), (ii) or (iii) above within 12 months of Admission, the Exchange may suspend trading in the Company's AIM securities pursuant to AIM Rule 40 for the Company's failure to comply with the special condition imposed by AIM Rule 9. Should the Company's AIM securities not be restored to trading within six months of such suspension, the Company's AIM securities will be cancelled from trading on AIM in the normal course pursuant to AIM Rule 41. In respect of such suspension, a restoration event will be the satisfaction of at least one of either (i), (ii) or (iii) above.

**2. Phytopharm Shareholders will suffer a dilution in their interests in the Company**

Following the issue of the New Ordinary Shares, Shareholders will suffer a dilution of 55 per cent. to their interests in the Company.

**B. RISKS RELATING TO THE STOCK MARKET AND TRADING ON AIM**

**1. The Company's share price may be volatile and affected by a number of factors, some of which are outside the Company's control**

The Ordinary Shares may fluctuate in value substantially. Factors that could have a significant adverse impact on the market price of the Company's shares in the future other than those described elsewhere in this document include:

- actual or anticipated regulatory approvals of products or of competing products;
- change in regulations;
- announcements concerning technological innovations or financial results by the Company or its competitors;
- governmental regulatory initiatives;
- the FDA, EMA or other regulatory authorities (approving, delaying approval or denying new product applications);
- patent or proprietary rights developments;
- sales of substantial amounts of the Company's shares by existing shareholders;
- price and volume fluctuations in the stock market at large that do not relate to the Company's operating performance;
- changes in financial estimates by securities analysts, comments by securities analysts, or the Company's failure to meet analysts' expectations;
- actual or anticipated variations in periodic operating results;
- new products or services introduced or announced by the Enlarged Group or its competitors;
- changes in the market valuations of other similar companies or in perceptions of the sector;
- changes in the market valuations of UK companies generally, as a result of fiscal or macroeconomic changes, or otherwise;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and the Enlarged Group's ability to obtain, maintain and defend patent protection for its technologies and to avoid infringement of third party intellectual property rights;
- announcements by the Enlarged Group of significant licences, strategic partnerships, collaboration agreement or capital commitments; and
- addition or departures of key personnel.

**2. Investors should be aware of the differences between the obligations of a company whose shares are traded on AIM to those of companies whose shares are listed on the premium segment of the Official List**

AIM has a regulatory framework well suited to emerging or smaller growing companies. Whilst for the most part the obligations of a company whose shares are traded on AIM are similar to those of companies whose shares are listed on the premium segment of the Official List, there are certain exceptions, including those referred to below:

- Under the AIM Rules for Companies, prior shareholder approval is required only for: (i) reverse takeovers (being an acquisition or acquisitions in a 12 month period which would: (a) exceed 100 per cent. in various class tests; or (b) result in a fundamental change in the Company's business, board or voting control; or (c) in the case of an Investing Company, depart materially from its Investing Policy as approved by shareholders; and (ii) disposals which, when aggregated with any other disposals over the previous 12 months, result in a fundamental change of business (being disposals that exceed 75 per cent. in various class tests). Under the Listing Rules, a more extensive range of transactions are conditional on shareholder approval and require a detailed circular.
- There is no requirement under the AIM Rules for Companies for a prospectus or an AIM Admission Document to be published for further issues of securities to institutional investors, except when seeking admission for a new class of securities or as otherwise required by law.
- Unlike the Listing Rules, the AIM Rules for Companies do not specify any required structure or discount limits in relation to further issues of securities.
- The UK Corporate Governance Code does not apply directly to companies who are admitted to trading on AIM. The Directors recognise, however, the importance of high standards of corporate governance and intend that the Company should observe the requirements of the QCA Corporate Governance Guidelines for smaller companies and the UK Corporate Governance Code to the extent the Directors consider appropriate having regard to the size, nature and resources of the Company.
- The ABI Guidelines, which give guidance on issues such as executive compensation and share based remuneration, corporate governance, share capital management and the issue and allotment of shares on a pre-emptive or non-pre-emptive basis, do not apply directly to companies whose shares are traded on AIM. The Directors recognise, however, the importance of high standards of corporate governance and intend that the Company should observe the requirements of the ABI Guidelines to the extent the Directors consider appropriate having regard to the size, nature and resources of the Company.
- Under the AIM Rules for Companies a 'nominated adviser' is required to be engaged by an AIM listed company at all times and has ongoing obligations to the company and responsibilities to the London Stock Exchange. On Admission, the Company has agreed to appoint Peel Hunt as its nominated adviser.
- Under the AIM Rules for Companies there is no minimum requirement for the percentage of shares required to be held in public hands, whereas on the Official List, a minimum of 25 per cent. of a company's issued ordinary share capital normally has to be maintained in public hands at all times under the Listing Rules.
- Certain securities laws will no longer apply to the Company following Admission, for example, the Disclosure and Transparency Rules (save that Chapter 5 in respect of significant shareholder notifications will continue to apply to the Company) and the Prospectus Rules (unless an offer is made to the public). This is because AIM is not a regulated market for the purposes of the European Union's directives relating to securities. Additionally, the Listing Rules for premium listed companies, the Combined Code and the ABI Guidelines do not apply directly to companies whose shares are admitted to trading on AIM.

**3. AIM may not provide the levels of liquidity normally associated with Official List or other exchanges**

It may therefore be more difficult for an investor to realise its investment in an AIM-traded company than a company whose securities are listed on the Official List. The future success of AIM and liquidity in the Company's shares cannot be guaranteed. The market for the Company's shares may be, or may become, relatively illiquid and therefore the Company's shares may be or may become more difficult to sell. Potential investors and Shareholders should be aware that the value of the Existing Ordinary Shares can go down as well as up. Liquidity on AIM is currently provided by market makers who are member firms of the London Stock Exchange and are obliged to quote a share price for each company for which they make a market between 8.00 a.m. and 4.30 p.m. on business days. The Directors believe that AIM has demonstrated that it can provide a liquid trading platform for shares.

**4. There is no guarantee that admission to AIM will be successful**

There is no guarantee that the Directors will be successful in achieving admission to AIM and there may be a period of delay during which the Company's Enlarged Issued Share Capital will not be admitted to trading on an exchange. If the Company's Enlarged Issued Share Capital is not admitted to trading on an exchange, the ability to buy and sell shares in the Company could be materially restricted.

**5. The Company can give no assurance that an active trading market for the New Ordinary Shares will develop or, if developed, will be sustained following the Acquisition**

Prior to the Acquisition, there has been no public market for the New Ordinary Shares and trading in the Existing Ordinary Shares has been suspended since 21 May 2013. Although the Company has applied for Admission of the New Ordinary Shares, and it is expected that the application will be approved, the Company can give no assurance that an active trading market for the New Ordinary Shares will develop or if developed, will be sustained following the Acquisition. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

**C. RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP AND THE MARKETS IN WHICH IT OPERATES**

**1. Planned growth may not be achieved**

The Enlarged Group's operating results could fluctuate as a result of a number of factors, many of which are beyond its control. These factors include, amongst others:

(a) the growth rate of the markets (i.e. pharmaceutical companies and other organisations undertaking clinical studies, and health care providers purchasing products to support diagnosis) into which the Enlarged Group sells its products;

(b) general economic conditions that impact the market purchasing power of health care providers and the pharmaceutical industry;

(c) unanticipated delays or problems in the introduction of its products. If the Enlarged Group does not realise sufficient levels of profitability, it may require additional financing or need to materially adapt its future growth strategy; and/or

(d) specific local regulatory regimes may delay and/or otherwise negatively impact the Enlarged Group's ability to execute its growth strategy.

**2. Market acceptance of current and new products**

Whilst the Directors and the Proposed Directors believe that a viable market for the Enlarged Group's products supporting dementia diagnosis exists, there can be no assurance that its technology will prove to be an attractive addition or alternative to traditional tools

and competing technologies currently used to support the diagnosis of dementia. The development of a market for the Enlarged Group's products is affected by many factors, some of which are beyond the Enlarged Group's control, including:

(a) the emergence of newer, more competitive technologies and products, which could be based on imaging, cognition, body fluid assays or EEG;

(b) the cost of the Enlarged Group's products themselves;

(c) regulatory requirements;

(d) customer perceptions of the accuracy and reliability of its products;

(e) customer reluctance to buy a new product; and

(f) customer reliance on competitors' proprietary systems.

If a market fails to develop or develops more slowly than anticipated, the Enlarged Group's revenue will likely be negatively impacted and it may be unable to recover the losses it will have incurred in the development and marketing of the new products, which it intends to develop or is developing.

**3. Market competition**

The Enlarged Group's competitors and potential competitors within: (i) the core business of supporting clinical studies; and (ii) technologies to support dementia diagnosis include:

(a) other imaging CRO companies specialising in quantitative analysis and other companies, which may be larger, have a stronger track record, and have substantially greater resources than those of the Enlarged Group; and

(b) other companies developing technologies to support dementia diagnosis and/or treatment which may have substantially greater resources than those of the Enlarged Group. Competitors and potential competitors may develop technologies and products (and those technologies and products may be patented) that are less costly and/or more effective than the technology or products of the Enlarged Group or which may make those of the Enlarged Group obsolete or uncompetitive.

**4. Dependence on the pharmaceutical industry**

Most of the Enlarged Group's current revenue results from expenditure by pharmaceutical businesses on running clinical trials. If customers or potential customers in this sector were to:

(a) reduce such expenditure, in particular by reducing the number of clinical trials especially in the area of neurodegenerative disease, which has the been the main source of revenue for the Enlarged Group in the most recent three financial years;

(b) seek to retain such activities in-house rather than outsourcing them;

(c) exclude the Enlarged Group from bidding for business by removing it from the list of approved suppliers; and/or

(d) consolidate through the vertical integration of their businesses and choose not to engage the Enlarged Group,

the Enlarged Group's business could be negatively impacted. If any one such customer were to delay or terminate a significant clinical trial or terminate a master services agreement, it might have a significant adverse effect on the Enlarged Group's financial performance and future prospects. Any such negative impact on the current business would likely negatively impact the Enlarged Group's ability to execute its growth strategy.

5. **Acceptance of diagnostic technologies**

It may take a long time for acceptance of the Enlarged Group's technologies that support dementia diagnosis by physicians, patients, hospitals, the neurodegeneration community, national health systems and insurance companies to occur. The Enlarged Group's products currently marketed and under development, are targeted at quantitative analysis of medical images, for which a number of products already exist and where other companies also have new products in development. In the event of any such delay in acceptance, the Enlarged Group's revenue will likely be negatively impacted and it may be unable to recover the losses it will have incurred in the development of the new products, which it intends to develop or is developing.

6. **Technological change and technological obsolescence**

The Enlarged Group's image analysis technologies including TrialTracker™ and LEAP could be adversely impacted by the discovery of new technology for more accurate or convenient image data collection or analysis, or by the discovery or development of new technology based on non-imaging modalities for studying the brain such as cognitive testing and EEG and the Enlarged Group may be unable to predict or adapt to new techniques or discoveries. There can be no assurance that the Enlarged Group's products will not be rendered obsolete. In the event of any such obsolescence, the Enlarged Group's revenue will likely be negatively impacted and it may be unable to recover the losses it will have incurred in the development of the new products, which it intends to develop or is developing. In addition there is no guarantee the Enlarged Group will be able to adapt existing technology for future clinical applications and may not be able to gain traction, which would limit market potential.

7. **Reliance on reference data**

The Enlarged Group's products to support dementia diagnosis make use of measurements obtained from images combined with other sources of information about the patient, combined with reference data from suitable normal and diseased populations, to provide an interpretation that can support a healthcare professional making a diagnosis. The Enlarged Group has access to certain reference data for this purpose and is negotiating access to further sources of data. There is no guarantee that the Enlarged Group will succeed in these negotiations or that the data, or measurements from this reference data, will be the exclusive property of the Enlarged Group. If new image acquisition technologies are introduced into the market, displacing current approaches, then the reference data of the Enlarged Group may become obsolete. Changes in the scientific understanding of the causes of dementia, or of the diagnostic criteria, may also require that the Enlarged Group invest in obtaining additional reference data. Any need for additional data could impact the timing and quantum of revenues and profitability.

8. **Reliance on reimbursement**

The commercial success of the Enlarged Group's products is likely to depend, in part, on the extent to which reimbursement for them and their use will be available, within a reasonable timeframe, from government and health administration authorities, private health insurers, managed care programmes and other third-party payers in the countries where its products are marketed. Programmes such as competitive bidding pilot projects or other volume aggregation price reduction programmes could have an adverse impact on the Enlarged Group's access to market for certain products if it is unable to successfully compete in these programmes.

9. **Dependence on key personnel**

Retention of key employees by the Enlarged Group remains critical to its success. The loss of key employees would be likely to weaken the Enlarged Group's scientific, technical and management capabilities, resulting in delays in the development of its products and

impacting negatively on its business. Although the Enlarged Group has entered into employment arrangements with each of its key personnel with the aim of securing their services, the retention of such services cannot be guaranteed.

Scientific companies such as IXICO are highly dependent on employees who have an in-depth and long-term understanding of the Enlarged Group's technologies, products, programmes, collaborative relationships and strategic goals. The loss of these key employees and the Enlarged Group's inability to recruit new employees to replace them could have a negative impact on the business and prospects of the Enlarged Group. Competition for qualified employees and personnel in scientific research and medical technology may be intense and there may be a limited number of persons with appropriate knowledge of, and experience within, such industries. The process to identify such personnel with the combination of skills and attributes required to enable the Group to carry out its strategy is often lengthy.

**10. History of trading losses**

Both Phytopharm and IXICO have a history of trading losses. As at, 31 May 2013 IXICO's accumulated losses as extracted from the Historical Financial Information on IXICO set out in Part V of this document were approximately £3.7 million. There can be no assurance that the Enlarged Group will ever achieve significant revenues or profitability.

**11. Dependence on information technology systems**

The Enlarged Group is dependent on information technology systems to support product delivery and a wide variety of key business processes as well as internal and external communications. Although the Enlarged Group believes that the information technology systems it currently uses are reliable and meet the requirements of its operations, it cannot be certain that these systems will not require upgrades or repair, even in the near future, or that they will not be subject to technical or other failure, including damage caused by viruses or hackers. Significant disruption of these systems can, despite all safety measures, cause a loss of data and/or disruption of business processes such as product delivery, sales or accounting. Further, while the Enlarged Group does have disaster recovery plans and business continuity plans in place for both their in-house IT systems and those hosted by approved suppliers, in the event of, among other things, natural disasters such as flooding, such natural disasters could still cause mechanical failure in, or physical destruction of, the Enlarged Group's information technology systems. Any disruptions in the Enlarged Group's information technology systems could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations as well as the Enlarged Group's prospects.

**12. The Enlarged Group may not be able to secure adequate insurance at an acceptable cost**

The Enlarged Group's business exposes it to potential product liability, professional indemnity and other risks which are inherent in the sale of products and services to the pharmaceutical industry and to healthcare providers for use on patients. No assurance can be given that product liability, or any future necessary insurance cover will be available to the Enlarged Group at an acceptable cost, if at all, or that, if there is any claim, the level of the insurance the Enlarged Group carries now or in the future will be adequate or that a product liability, professional indemnity or other claim would not materially and adversely affect the Enlarged Group's business. In addition, it may be necessary for the Enlarged Group to secure certain levels of insurance as a condition to the conduct of clinical trials. In the event of any claim, the Enlarged Group's insurance coverage may not be adequate.

**13. Success may depend on its collaborators and third party organisations**

The Enlarged Group's success may be dependent on its collaborators and third party organisations. The Enlarged Group's collaborators may have substantial responsibility for

some of the development and commercialisation of the Enlarged Group's products. Certain of the Enlarged Group's collaborators also have significant discretion over the resources they devote to these efforts. The Enlarged Group's success, therefore, will depend on the ability and efforts of these outside parties in performing their responsibilities.

**14. Protection of intellectual property which is significant to the Group's competitive position**

The Enlarged Group's success depends in part on its ability to obtain and maintain protection for its inventions and proprietary information, so that it can stop others from making, using or selling its inventions or proprietary rights. The Enlarged Group owns a portfolio of patents and patent applications and is the authorised licensee of other patents.

There is a significant delay between the time of filing a patent application and the time its contents are made public, and others may have filed patent applications for subject matter covered by the Enlarged Group's pending patent applications without the Enlarged Group being aware of these applications. The Enlarged Group's patent applications may not have priority over patent applications of others and their pending patent applications may not result in issued patents. Even if the Enlarged Group and its collaborators obtain patents, they may not be valid or enforceable against others. Moreover, even if the Enlarged Group receives patent protection for some or all of its products, those patents may not give the Enlarged Group an advantage over competitors with similar products.

The technologies of the Enlarged Group are based on software, including algorithms for image data manipulation and analysis. Patents related to software-based systems are considered to be less of a barrier to competitors than patents related to hardware devices or molecules.

Copyright in the software incorporated into the Enlarged Group's products is a further form of intellectual property protection for IXICO's products, but can be hard to enforce if a competitor obtains access to the source code.

To develop and maintain its competitive position, the Enlarged Group also relies on unpatented trade secrets and improvements, unpatented know-how and continuing technological innovation, which it protects with security measures it considers to be reasonable, including confidentiality agreements with collaborators, consultants and employees. The Enlarged Group may not have adequate remedies if these agreements are breached and the Enlarged Group's competitors may independently develop any of this proprietary information.

If the Enlarged Group fails to obtain adequate protection for its intellectual property, the Enlarged Group's competitors may be able to take advantage of the Enlarged Group's research and development efforts. The Enlarged Group's success will depend, in large part, on its ability to obtain and maintain patent or other proprietary protection for, in general, its technologies and, in particular, its products and processes. The Group may not be able to obtain patent protection for its technologies and products. Legal standards relating to patents covering software and algorithms, and the scope of claims made under these patents are still developing. There is no consistent policy regarding the breadth of claims allowed in such patents across jurisdictions. The Enlarged Group's patent position is therefore never certain and involves complex legal and factual issues and applications.

**15. Disputes relating to intellectual property**

The Enlarged Group may have to initiate litigation to enforce its patent and licence rights. If the Enlarged Group's competitors file patent applications that claim technology also claimed by the Enlarged Group, the Enlarged Group may have to participate in interference or opposition proceedings to determine the priority of invention. An adverse outcome could subject the Enlarged Group to significant liabilities and require the Enlarged Group either to cease selling the related products or services to pay licence fees.

**16. The Enlarged Group may accidentally infringe the intellectual property of others**

Third parties may allege that the Enlarged Group is employing their proprietary technology or products without authorisation, which could result in a judgment and award of damages against the Enlarged Group. Further, parties making claims against the Enlarged Group may be able to obtain injunctive or other equitable relief, which could prevent the Enlarged Group from further developing and commercialising future products without obtaining relevant licences.

**17. Reliance on licences granted to it by third parties**

The products being developed by the Enlarged Group may rely on licences granted to the Enlarged Group which will need to be readily capable of enforcement through normal legal process. The contractual rights in favour of the Enlarged Group contained in the licences may not be fully recognised by the courts of law or authorities of all countries or may be difficult, time consuming or expensive to enforce. These licences will need to be granted for a sufficiently long time and not be terminated. There is no guarantee that the Enlarged Group will be able, in the future, to maintain its licences on such terms or at all and even if maintained there is no guarantee that they will survive challenge, legal or otherwise.

**18. Impact of regulatory environment**

Given the regulatory environment in which the Enlarged Group operates, any change in that environment could negatively impact the Enlarged Group's growth strategy, revenues, profitability and consequently cash available for investment and new product development. Specifically any change in the regulatory requirement for the development of pharmaceuticals could negatively impact the existing business. Any change in the regulatory environment for medical devices could negatively impact the cost, feasibility and timing of new product launches in some or all jurisdictions as well as any claims made about those products.

**19. Potential requirement for additional finance**

The expenditure required to fund the Enlarged Group's growth strategy may be more than expected. Revenues and grant income in respect of existing and new products may be less than expected with a consequently negative impact on profitability and cash available for investment and new product development and potentially result in the Enlarged Group requiring additional funding in the longer term (being not less than 12 months from the date of this document).

**D. GENERAL RISKS**

**1. Economic cycles**

Any significant downturn in economic markets would be likely to impact adversely on funding for centres that use the Enlarged Group's products for research purposes and centres that use the Enlarged Group's products in a clinical setting, which in turn result in reduced demand for the products and could thereby materially and adversely affect the Enlarged Group's business and financial position.

**2. Credit and payment terms**

Growth strategies may expose the Enlarged Group to greater credit risk related to distributors, agents and channel partners. The Enlarged Group's growth may require the adoption of less restrictive credit and payment terms particularly in markets where extended acceptance and payment terms are more typical. Some geographic regions in which the Enlarged Group's strategy anticipates growth may pose different or enhanced credit risks than those historically experienced by the Enlarged Group.

The Enlarged Group could incur substantial costs in litigation or other proceedings relating to patent rights, even if it is resolved in the Enlarged Group's favour. Some of the Enlarged Group's competitors may be able to sustain the costs of complex litigation more effectively

for longer periods of time than the Enlarged Group can because of their substantially greater resources. In addition, uncertainties relating to any patent, pending patent or other intellectual property litigation could have a material adverse effect on the Enlarged Group's ability to bring a product to market, enter into collaborations in respect of the disputed or other product, or to raise additional funds.

**3. Additional funding may be required in the longer term**

The Enlarged Group may require additional funding in the longer term (being not less than 12 months from the date of this document).

The Enlarged Group's financing requirements depend on numerous factors including the rate of market acceptance of its technologies and its ability to attract customers. The Enlarged Group may be unable to obtain adequate funding on acceptable terms, if at all. Although not presently anticipated by the Directors and the Proposed Directors, the Enlarged Group may, in the future, need to raise further equity funds to finance working capital requirements through future stages of development. Any additional share issue may have a dilutive effect on Shareholders, particularly if they are unable or choose not to subscribe. Further, there can be no guarantee or assurance that any additional equity funding will be forthcoming when required nor as to the terms and price on which such funds would be available.

**4. Dividends**

Phytopharm has not paid dividends in the past and the Directors and the Proposed Directors do not expect that dividends will be paid by the Enlarged Group in the foreseeable future. The declaration and payment by the Enlarged Group of any dividends in the future and the amount of any future dividends will depend upon the results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors considered by the Proposed Directors to be relevant at the time. Before the Enlarged Group can pay dividends, it will need to have profits available for distribution determined in accordance with the Companies Act.

**5. Foreign currency risk**

The Enlarged Group records its transactions and prepares its financial statements in sterling. The majority of the costs incurred by the Enlarged Group are in sterling, whereas some customer contracts are in foreign currencies. To the extent that income and expenditure in foreign currencies are not matched, fluctuations in exchange rates between sterling and these foreign currencies, may result in realised or unrealised foreign exchange losses. Where there is certainty of the amount and timing of income in foreign currencies, the Enlarged Group may purchase financial instruments to minimise any foreign exchange gains or losses. Where the timing and/or the amount to be received is uncertain, risk management is more difficult and financial instruments to minimise foreign exchange gains or losses may be uneconomic. To the extent that financial instruments are not utilised, any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities.

Therefore movements in the exchange rates used by the Enlarged Group to translate foreign currencies, in particular the US dollar and the Euro, into pounds sterling may have a significant impact on the Enlarged Group's reported results of operations, financial position and cash flow.

**6. Utilisation of tax losses**

Phytopharm has accumulated significant tax losses since its foundation. These are not recorded on Phytopharm's consolidated balance sheet. At 30 September 2012, Phytopharm had unrecognised deferred tax assets amounting to £12,655,408.

IXICO has accumulated significant tax losses since its foundation. These are not recorded on the Company's consolidated balance sheet. At 31 May 2013, IXICO had total net unrecognised deferred tax assets (including short term and fixed asset timing differences) amounting to £679,035.

These accumulated tax losses are being carried forward with the possibility that they may be offset against future profits by the Enlarged Group, if any, and thereby reduce the future tax liabilities of the Enlarged Group. However, a change in the taxation regime in the UK or in the Enlarged Group's activity may result in some or all of the accumulated tax losses not being available to reduce any future tax liability.

A number of changes to the UK tax system were announced in the March 2012 and March 2013 Budget Statements. Legislation to reduce the main rate of corporation tax to 23 per cent. from 1 April 2013 was substantively enacted in the Finance Act 2012 on 3 July 2012 and legislation to reduce the rate to 21 per cent. from 1 April 2014 and 20 per cent. from 1 April 2015 was substantively enacted as part of the Finance Bill 2013 on 2 July 2013.

**7. Future acquisitions**

The Directors and the Proposed Directors believe that there may be acquisition opportunities for the Enlarged Group. There can be no assurance that the Enlarged Group will be able to conclude agreements with any of the target businesses which may be identified in the future. Further, there is no certainty that any potential acquisitions conducted will prove successful.

## PART IV

# HISTORICAL FINANCIAL INFORMATION ON PHYTOPHARM PLC

This financial review should be read together with Phytopharm's audited consolidated profit and loss account, consolidated balance sheet. consolidated cash flow statement and accompanying notes to the financial statements for the financial years ended 30 September 2010, 2011 and 2012 and the unaudited income statement, consolidated balance sheet, consolidated cash flow statement and accompanying notes to the unaudited interim financial statements for the six months ended 31 March 2013 which are incorporated by reference in this Part IV of this document and described in "Documentation Incorporated by Reference" on page 60 of this document. These were all prepared in accordance with IFRS.

**Investors should read the whole of this document and should not just rely on the summary financial information set out in this Part IV.**

The principal risks and uncertainties facing the Enlarged Group are discussed in the section entitled "Risk Factors" in Part III of this document.

### 1. INTRODUCTION

On 18 February 2013, the Board announced that analysis of the headline results from its Phase II clinical trial of Cogane™ in Parkinson's disease indicated that the drug had not demonstrated clinically meaningful efficacy. Analysis of the complete dataset was performed which confirmed that Cogane™ had no beneficial effects on patients' symptoms measured by the primary or secondary endpoints in the study, although the plasma levels of Cogane™ in Cogane™ dosed patients were in line with expectations, indicating that the drug had been well absorbed. The Board initiated a review of the strategic options available to the Company, including a review of a number of merger and acquisition opportunities.

As at 31 July 2013 Phytopharm had unaudited money market investments and cash and cash equivalents of £5.15 million.

Phytopharm has now agreed terms for the conditional acquisition of IXICO, a medical technology and diagnostics company.

IXICO was founded in 2004 with a mission to translate image acquisition, management and analysis technology and know-how, which the founders had developed together, into commercial products targeting the expanding area of imaging to inform decision-making during drug development. This has resulted in commercially successful products being launched in the clinical trials and experimental medicine markets and being readied for launch into the wider clinical diagnostic market.

## 2. SUMMARY FINANCIAL INFORMATION

The selected financial information set out below has, unless otherwise stated, been extracted without material adjustment from the audited consolidated financial statements of the Group for the years ended 30 September 2010, 30 September 2011 and 30 September 2012, and the unaudited interim financial statements for the six months ended 31 March 2013, which are incorporated by reference into this document.

### Consolidated Statements of Comprehensive Income

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| **Revenue** | **696,854** | **66,659** | **18,717** | **17,474** | **—** |
| Cost of sales | (87,447) | — | — | — | — |
| **Gross profit** | **609,407** | **66,659** | **18,717** | **17,474** | **—** |
| Other income | 17,120 | — | 77,400 | 66,343 | — |
| Operating expenses | 5,129,037 | (8,613,800) | (9,392,016) | (5,380,180) | (3,054,043) |
| **Operating loss** | **(4,502,510)** | **(8,547,141)** | **(9,295,899)** | **(5,296,363)** | **(3,054,043)** |
| Finance income | 289,825 | 375,685 | 211,481 | 120,315 | 58,195 |
| **Loss before taxation** | **(4,212,685)** | **(8,171,456)** | **(9,084,418)** | **(5,176,048)** | **(2,995,848)** |
| Taxation | 411,171 | 513,126 | 1,318,109 | 291,786 | 342,011 |
| **Loss and total comprehensive income for the year** | **(3,801,514)** | **(7,658,330)** | **(7,766,309)** | **(4,884,262)** | **(2,653,837)** |
| **Basic and diluted loss per ordinary share (pence)** | **(1.3)** | **(2.2)** | **(2.2)** | **(1.4)** | **(0.8)** |

## Consolidated Statements of Financial Position

| | *As at 30 September 2010 (audited)* £ | *As at 30 September 2011 (audited)* £ | *As at 30 September 2012 (audited)* £ | *As at 31 March 2012 (unaudited)* £ | *As at 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property plant and equipment | 112,904 | 83,646 | 62,284 | 83,394 | 49,898 |
| **Non-current assets** | **112,904** | **83,646** | **62,284** | **83,394** | **49,898** |
| Trade and other receivables | 480,974 | 459,954 | 321,562 | 475,425 | 333,838 |
| Current tax receivable | 411,171 | 479,229 | 1,318,109 | 291,786 | 342,011 |
| Money market investments | 22,500,000 | 14,500,000 | 8,600,507 | 10,600,000 | 3,601,515 |
| Cash and cash equivalents | 1,108,171 | 3,074,476 | 286,713 | 2,734,240 | 2,729,055 |
| **Current assets** | **24,500,316** | **18,513,659** | **10,526,891** | **14,101,451** | **7,006,419** |
| **Total assets** | **24,613,220** | **18,597,305** | **10,589,175** | **14,184,845** | **7,056,317** |
| **Liabilities and equity** | | | | | |
| Trade and other payables | 1,134,915 | 2,633,307 | 2,215,453 | 3,023,463 | 1,289,251 |
| **Total current liabilities** | **1,134,915** | **2,633,307** | **2,215,453** | **3,023,463** | **1,289,251** |
| Equity attributable to owners of the parent | | | | | |
| Ordinary shares | 3,466,774 | 3,468,019 | 3,469,017 | 3,468,019 | 3,469,017 |
| Share premium and other reserves | 77,278,113 | 77,283,731 | 77,286,854 | 77,283,731 | 77,286,854 |
| Merger reserve | (204,211) | (204,211) | (204,211) | (204,211) | (204,211) |
| Accumulated loss | (57,062,371) | (64,583,541) | (72,177,938) | (69,386,157) | (74,784,594) |
| **Total equity** | **23,478,305** | **15,963,998** | **8,373,722** | **11,161,382** | **5,767,066** |
| **Total liabilities and equity** | **24,613,220** | **18,597,305** | **10,589,175** | **14,184,845** | **7,056,317** |

## 3. GROUP OPERATING AND FINANCIAL PERFORMANCE

### (a) Revenue

The following tables show revenues by geographic area:

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Europe | 566,717 | 4,761 | 17,474 | 17,474 | — |
| Asia | 130,137 | — | 1,243 | — | — |
| South Africa | — | 61,898 | — | — | — |
| | **696,854** | **66,659** | **18,717** | **17,474** | **—** |
| **Other income** | | | | | |
| USA[1] | 17,120 | — | — | — | — |
| United Kingdom[1] | — | — | 77,400 | 66,343 | — |
| | **713,974** | **66,659** | **96,117** | **83,817** | **—** |

(1) Represents grant income recognised.

Historically revenue has been derived primarily from product sales, licensing and collaborative research and development programmes, including funding development activities and milestone payments.

### (b) Operating expenses

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Research and development | 4,013,486 | 7,461,246 | 8,290,976 | 4,831,513 | 2,410,384 |
| Administration expenses | 1,115,551 | 1,152,554 | 1,101,040 | 548,667 | 643,659 |
| | **5,129,037** | **8,613,800** | **9,392,016** | **5,380,180** | **3,054,043** |

The Group's research and development expenses consist primarily of:

***Internal costs***

- Salaries and other related costs of employees who are engaged directly in research and development activities; and
- An appropriate time allocation from the Group's administrative expenses that are indirectly related to research and development.

***External costs***

- The cost of services provided by third party contract research and manufacturing organisations that Phytopharm employs to conduct preclinical and clinical development work on its behalf; and
- Expenses relating to the filing, defence and enforcement of patent and other intellectual property rights.

The Group's administration expenses consist primarily of the salaries and other related costs of employees of the Group in various support functions including corporate, finance and general administration together with the costs of premises, fees for professional advisors and depreciation.

(c) **Employees**

The average monthly number of persons (including Executive Directors) employed during the year was:

| | *Year ended 30 September 2010 (audited)* | *Year ended 30 September 2011 (audited)* | *Year ended 30 September 2012 (audited)* | *Six months ended 31 March 2012 (unaudited)* | *Six months ended 31 March 2013 (unaudited)* |
|---|---|---|---|---|---|
| Research and development | 15 | 10 | 10 | 10 | 8 |
| Administration | 5 | 4 | 4 | 4 | 4 |
| | **20** | **14** | **14** | **13** | **13** |

(d) **Finance income**

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Interest on cash and cash equivalents | 93,678 | 59,262 | 11,196 | 3,286 | 22,699 |
| Interest on money market deposits | 196,147 | 316,423 | 200,285 | 117,029 | 35,496 |
| | **289,825** | **375,685** | **211,481** | **120,315** | **58,195** |

The Group monitors future potential cash outflows on a regular basis and where possible places cash resources in money market investments with fixed interest rates for the term of the deposit. The remaining cash resources are held in accounts with floating interest rates based on LIBID. Changes in interest rates for fixed and floating deposits may increase or decrease the Group's finance income. The Group does not have any committed borrowing facilities.

(e) **Taxation**

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Current UK corporation tax credit on loss for the year | 411,171 | 479,229 | 1,318,109 | 291,786 | 342,011 |
| Adjustment in respect of prior year | — | 33,897 | — | — | — |
| Current UK corporation tax credit on loss for the year | **411,171** | **513,126** | **1,318,109** | **291,786** | **342,011** |

The Group has taken advantage of the research and development corporation tax credits introduced in the Finance Act 2000 whereby a company may surrender corporation tax losses incurred on research and development expenditure for a corporation tax refund. During the year ended 30 September 2012 a number of changes to the research and development corporation tax credit system were confirmed. These changes included the removal of the cap on the level of refund payable at the level of PAYE and NIC paid in each year.

## (f) Property, plant and equipment

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Leasehold improvements | 32,637 | 37,072 | 37,072 | 37,072 | 37,922 |
| Computer equipment | 233,257 | 234,212 | 235,851 | 250,162 | 236,410 |
| Motor vehicles | 61,304 | — | — | — | — |
| Plant and machinery | 19,049 | 12,780 | 12,292 | 12,777 | 12,290 |
| Fixtures and fittings | 130,054 | 84,666 | 84,666 | 84,668 | 84,666 |
| | **476,301** | **368,730** | **369,881** | **384,679** | **371,288** |
| **Accumulated depreciation** | | | | | |
| Leasehold improvements | 2,011 | 9,129 | 16,543 | 12,836 | 20,368 |
| Computer equipment | 187,644 | 207,817 | 214,610 | 215,443 | 220,785 |
| Motor vehicles | 60,111 | — | — | — | — |
| Plant and machinery | 17,281 | 7,847 | 8,465 | 8,458 | 9,055 |
| Fixtures and fittings | 96,350 | 60,291 | 67,979 | 64,548 | 71,182 |
| | **363,397** | **285,084** | **307,597** | **301,285** | **321,390** |
| **Net book value** | **112,904** | **83,646** | **62,284** | **83,394** | **49,898** |

## (g) Trade and other receivables

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Trade receivables | — | 5,581 | — | — | — |
| Other receivables | 59,926 | 86,395 | 103,227 | 79,135 | 211,607 |
| Prepayments and accrued income | 421,048 | 367,978 | 218,335 | 396,290 | 122,231 |
| | **480,974** | **459,954** | **321,562** | **475,425** | **333,838** |

## (h) Current tax receivable

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Current UK corporation tax credit | 411,171 | 479,229 | 1,318,109 | 291,786 | 342,011 |

The UK corporation tax credit is received in arrears following the submission of the UK corporation tax returns subsequent to each year end.

(i) **Trade and other payables**

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Trade payables | 354,219 | 665,109 | 523,968 | 657,674 | 336,184 |
| Other taxation and social security | 36,364 | 37,945 | 38,921 | 39,221 | 49,308 |
| Other payables | 11,502 | 10,662 | 11,541 | 11,107 | 10,477 |
| Accrued expenses | 732,830 | 1,919,591 | 1,641,023 | 2,315,461 | 893,282 |
| | **1,134,915** | **2,633,307** | **2,215,453** | **3,023,463** | **1,289,251** |

(j) **Share capital and share premium**

The proceeds and costs of share issues are set out below:

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| **Share Capital** | | | | | |
| Issued under placing and open offer | 2,521,290 | — | — | — | — |
| Issued on exercise of share options | — | 1,245 | 998 | — | — |
| **Total value of share issued in the period** | **2,521,290** | **1,245** | **998** | **—** | |
| **Share premium and other reserves** | | | | | |
| Premium on shares issued under placing and open offer | 21,569,061 | — | — | — | — |
| Premium on shares issued on exercise of share options | — | 5,618 | 3,123 | — | — |
| **Total increase in share premium in the period** | **21,569,061** | **5,618** | **3,123** | **—** | **—** |

## 4. CASH OUTFLOWS

The Group's research and development activities and other financial requirements have been financed to date primarily through the proceeds of previous equity fundraisings.

| | *Year ended 30 September 2010 (audited)* £ | *Year ended 30 September 2011 (audited)* £ | *Year ended 30 September 2012 (audited)* £ | *Six months ended 31 March 2012 (unaudited)* £ | *Six months ended 31 March 2013 (unaudited)* £ |
|---|---|---|---|---|---|
| Net cash used in operating activities | (4,441,908) | (6,424,035) | (8,995,375) | (4,301,968) | (2,641,322) |
| Net cash generated from investing activities | 49,611 | 383,850 | 308,169 | 63,803 | 86,423 |
| Net cash generated from financing activities | 1,590,351 | 8,006,490 | 5,899,443 | 3,897,929 | 4,997,241 |
| **Movement in cash and cash equivalents in the period** | **(2,801,946)** | **1,966,305** | **(2,787,763)** | **(340,236)** | **2,442,342** |

## 5. OTHER MATTERS

Although there have been numerous updates to accounting standards and interpretations under IFRS, none have had a material impact on the Company's accounting policies or the financial information presented in this document.

## Financial Information Relating to Phytopharm plc

The following documents, all of which have been filed with the National Storage Mechanism or announced through a Regulatory Information Service are incorporated in full into this document by reference.

(a) Phytopharm's Unaudited Condensed Financial Statements for the six months ended 31 March 2013 under IFRS together with the relevant notes including the unaudited condensed consolidated income statement, the unaudited condensed consolidated balance sheet, an unaudited condensed consolidated statement of changes in Shareholders equity, the unaudited condensed consolidated cash flow statement and the explanatory notes

(b) Phytopharm's 2012 Annual Report and Accounts, comprising Phytopharm's audited consolidated financial statements for the year ended 30 September 2012 under IFRS together with relevant notes. The independent auditors report in on pages 37 and 38, the consolidated balance sheet as at 30 September 2012 is on page 40, the consolidated statement of comprehensive income for the year ended 30 September 2012 is on page 38, a statement of changes in Shareholders' equity is on page 41, the consolidated cash flow statement is on page 43 and the explanatory notes are on pages 44 to 52;

(c) Phytopharm's 2011 Annual Report and Accounts, comprising Phytopharm's audited consolidated financial statements for the year ended 30 September 2011 under IFRS together with relevant notes. The independent auditors report in on pages 37 and 38, the consolidated balance sheet as at 30 September 2011 is on page 37, the consolidated statement of comprehensive income for the year ended 30 September 2011 is on page 38, a statement of changes in Shareholders' equity is on page 38, the consolidated cash flow statement is on page 40 and the explanatory notes are on pages 42 to 64;

(d) Phytopharm's 2010 Annual Report and Accounts, comprising Phytopharm's audited consolidated financial statements for the year ended 30 September 2010 under IFRS together with relevant notes. The independent auditors report in on pages 35 and 36, the consolidated balance sheet as at 30 September 2010 is on page 38, the consolidated statement of comprehensive income for the year ended 30 September 2010 is on page 37, a statement of changes in Shareholders' equity is on page 39, the consolidated cash flow statement is on page 41 and the explanatory notes are on pages 42 to 64;

Phytopharm will provide without charge to each person to whom a copy of this document has been delivered, upon written or oral request of such person, a copy of any documents incorporated by reference in this document except that exhibits to such documents will not be provided unless they are specifically incorporated by reference into this document. Requests for copies of any such documents should be directed to:

Phytopharm plc
Lakeview House
2 Lakeview Court
Ermine Business Park
Huntingdon
Cambridgeshire PE29 6UA
England

Att: Zoe McGowan, Company Secretary

Telephone +44 1480 437697

A copy of the annual and interim reports and accounts referred to above can also be accessed on the Company's website at www.phytopharm.com

Where the documents incorporated by reference make reference to other documents, such other documents are not incorporated into and do not form part of this document.

## PART V

# FINANCIAL INFORMATION ON IXICO LIMITED

The Directors
Phytopharm plc
Lakeview House
2 Lakeview Court
Ermine Business Park
Huntingdon
PE29 6UA

23 September 2013

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Dear Sirs

**IXICO Limited ("IXICO")**

**INTRODUCTION**

We report on the financial information on IXICO set out in Part V of the admission document issued by Phytopharm Plc (the "Company") and dated 23 September 2013 (the "Admission Document") relating *inter alia*, to the proposed acquisition of IXICO and the admission of the Enlarged Issued Share Capital of the Company to trading on AIM and on the basis of the accounting policies set out in the notes to the financial information. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

**RESPONSIBILITY**

The Directors and the Proposed Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

**BASIS OF OPINION**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment

of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**OPINION**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of IXICO as at 31 May 2011, 2012 and 2013, and of its total comprehensive expense, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and applicable financial reporting framework as set out in the notes to the financial information.

**DECLARATION**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**Chantrey Vellacott DFK LLP**
*Chartered Accountants*

## HISTORICAL FINANCIAL INFORMATION ON IXICO LIMITED

### STATEMENTS OF COMPREHENSIVE INCOME

| | | *Year ended 31 May* | | |
|---|---|---|---|---|
| | | *2013* | *2012* | *2011* |
| | *Notes* | *£* | *£* | *£* |
| **Revenue** | | 3,646,151 | 2,528,300 | 1,019,799 |
| Cost of sales | | (1,304,355) | (988,077) | (353,327) |
| **Gross profit** | | 2,341,796 | 1,540,223 | 666,472 |
| **Other operating income** | | | | |
| Other income | | 70,165 | — | 35,393 |
| Operating expenses | 5 | (2,033,184) | (1,554,976) | (1,914,144) |
| **Operating profit/(loss)** | | 378,777 | (14,753) | (1,212,279) |
| Finance income | 3 | 73 | 42 | 548 |
| Finance expense | 4 | 96,801 | (81,483) | (160,994) |
| Profit/(loss) on ordinary activities before taxation | | 475,651 | (96,194) | (1,372,725) |
| Taxation | 6 | 64,326 | 93,884 | 138,458 |
| **Total comprehensive income/(expense) for the year** | | 539,977 | (2,310) | (1,234,267) |

## STATEMENTS OF FINANCIAL POSITION

| | | As at 31 May | | |
|---|---|---|---|---|
| | | 2013 | 2012 | 2011 |
| | Notes | £ | £ | £ |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 7 | 46,309 | 48,880 | 18,771 |
| **Non-current assets** | | 46,309 | 48,880 | 18,771 |
| **Current assets** | | | | |
| Trade and other receivables | 8 | 926,719 | 614,395 | 513,807 |
| Current tax receivable | 6 | 296,668 | 232,342 | 279,967 |
| Cash and cash equivalents | | 859,480 | 552,403 | 209,192 |
| **Current assets** | | 2,082,867 | 1,399,140 | 1,002,966 |
| **Total assets** | | 2,129,176 | 1,448,020 | 1,021,737 |
| **LIABILITIES AND EQUITY** | | | | |
| **Non-current liabilities** | | | | |
| Convertible loan notes | 11 | — | 1,318,497 | 1,237,014 |
| **Total non-current liabilities** | | — | 1,318,497 | 1,237,014 |
| **Current liabilities** | | | | |
| Trade and other payables | 10 | 1,185,948 | 1,054,475 | 799,480 |
| Convertible loan notes | 11 | 1,221,696 | — | — |
| **Total current liabilities** | | 2,407,644 | 1,054,475 | 799,480 |
| **Total liabilities** | | 2,407,644 | 2,372,972 | 2,036,494 |
| **Equity** | | | | |
| Ordinary shares | 13 | 3,329 | 3,329 | 3,329 |
| Share premium | 13 | 3,461,455 | 3,461,455 | 3,461,455 |
| Accumulated losses | | (3,743,252) | (4,389,736) | (4,479,541) |
| **Total equity** | | (278,468) | (924,952) | (1,014,757) |
| **Total equity and liabilities** | | 2,129,176 | 1,448,020 | 1,021,737 |

## STATEMENTS OF CHANGES IN EQUITY

| | *Ordinary shares* £ | *Share premium* £ | *Accumulated losses* £ | *Total equity* £ |
|---|---|---|---|---|
| **Balance at 1 June 2010** | 3,329 | 3,461,455 | (3,254,497) | 210,287 |
| Total comprehensive expense | — | — | (1,234,267) | (1,234,267) |
| Credit in respect of share options | — | — | 9,223 | 9,223 |
| **At 31 May 2011 and 1 June 2011** | 3,329 | 3,461,455 | (4,479,541) | (1,014,757) |
| Total comprehensive expense | — | — | (2,310) | (2,310) |
| Credit in respect of share options | — | — | 92,115 | 92,115 |
| **At 31 May 2012 and 1 June 2012** | 3,329 | 3,461,455 | (4,389,736) | (924,952) |
| Total comprehensive income | — | — | 539,977 | 539,977 |
| Credit in respect of share options | — | — | 106,507 | 106,507 |
| **At 31 May 2013** | 3,329 | 3,461,455 | (3,743,252) | (278,468) |

## STATEMENTS OF CASH FLOWS

| | Year ended 31 May | | |
|---|---|---|---|
| | *2013* | *2012* | *2011* |
| | £ | £ | £ |
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year | 539,977 | (2,310) | (1,234,267) |
| Finance income | (73) | (42) | (548) |
| Finance expense | (96,801) | 81,483 | 160,994 |
| Taxation | (64,326) | (93,884) | (138,458) |
| Depreciation | 22,197 | 15,593 | 12,139 |
| Loss on disposal of property, plant and equipment | — | (78) | — |
| Share option charge | 106,507 | 92,115 | 9,223 |
| | 507,481 | 92,877 | (1,190,917) |
| **Changes in working capital** | | | |
| (Increase) in trade and other receivables | (312,324) | (100,588) | (71,465) |
| Increase in trade and other payables | 131,473 | 254,995 | 70,530 |
| **Cash generated from/(used in) operations** | 326,630 | 247,284 | (1,191,852) |
| Taxation received | — | 141,509 | — |
| **Net cash generated from/(used in) operating activities** | 326,630 | 388,793 | (1,191,852) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | (19,626) | (46,266) | (12,747) |
| Sale of property, plant and equipment | — | 642 | — |
| Interest received | 73 | 42 | 548 |
| **Net cash used in investing activities** | (19,553) | (45,582) | (12,199) |
| **Cash flows from financing activities** | | | |
| Issue of convertible loan notes | — | — | 1,055,645 |
| **Net cash generated from financing activities** | — | — | 1,055,645 |
| **Movements in cash and cash equivalents in the year** | 307,077 | 343,211 | (148,406) |
| Cash and cash equivalents at beginning of year | 552,403 | 209,192 | 357,598 |
| **Cash and cash equivalents at end of year** | 859,480 | 552,403 | 209,192 |

## NOTES TO THE FINANCIAL INFORMATION

### Background

IXICO Limited ('IXICO') is an established provider of medical image management and analysis products to the global pharmaceutical industry. IXICO brings innovative technologies to those involved in researching and treating serious diseases, especially dementia, to enable timely decision-making aiming to improve patient outcomes. IXICO was founded with a mission to translate image acquisition, management and analysis technology and know-how, which the founders had developed together, into commercial products. These target the expanding area of imaging to inform decision-making during drug development. This has resulted in commercially successful products being launched in the clinical trials and experimental medicine markets and now being readied for launch into the wider clinical diagnostic market.

Historically IXICO has prepared its statutory financial statements under UK GAAP and the Financial Reporting Standards for Smaller Entities which are available to small companies under the Companies Act. The financial information presented has been prepared under IFRS and therefore the financial information may differ from the statutory accounts. The key differences under IFRS are the share-based payment charge and the finance cost relating to the fair value of the convertible loan. The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been consistently applied to the financial information presented.

### 1. Accounting policies and basis of preparation

The historical financial information presents the financial record of IXICO for the three years ended 31 May 2013 (the "Financial Information").

#### *Basis of preparation*

The Financial Information has been prepared under International Financial Reporting Standards ("IFRS") as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Information has been prepared on a going concern basis and under the historical cost convention, modified by the revaluation of certain financial instruments.

The Financial Information does not constitute statutory accounts.

The Financial Information is presented in Sterling (£). This is the predominant functional currency of IXICO, and is the currency of the primary economic environment in which it operates. Foreign transactions are accounted within the Financial Information in accordance with the policies set out below.

#### *Critical judgements*

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The main accounting judgements relate to the determination of the period over which research and development costs are recognised, the fair value of the loan notes and the share option charge and the underlying assumptions.

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

IXICO recognises revenue with regard to amounts chargeable to customers under service contracts. The policy is to recognise testing services upon achievement of milestones set out in

the related agreements. This is expected to approximate to the timing of the physical performance of the service activity on such contracts. In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of continuous services set out in IAS 18, Revenue.

IXICO measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, with the assumptions detailed in note 14.

The basis of measurement for the convertible loan notes is detailed in note 11.

***Revenue***

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

Revenue from short term professional services contracts, such as consultancy and training, is recognised as the service is performed.

Revenue on longer term contracts for services is recognised according to the substance of the company's obligations under a contract. Where the substance of a transaction is that the company's contractual obligations are performed gradually over time, revenue is recognised as contract activity progresses, to reflect the company's partial performance of its contractual obligations. Where the substance of a contract is that a right to consideration does not arise until the occurrence of a critical event, revenue is not recognised until the event occurs.

Revenue recognised in the income statement but not yet invoiced is held on the statement of financial position within 'trade and other receivables'. Revenue invoiced but not yet recognised in the income statement is held on the statement of financial position within 'trade and other payables'.

***Other income***

Government grants received relating to tangible fixed assets are treated as deferred income and released to the statement of comprehensive income over the expected useful lives of the assets concerned. Other grants received are recognised on a work done basis.

***Research and development***

Research and development costs are written off to the statement of comprehensive income in the year in which they are incurred. All research and development costs, whether funded by grant or not, are included within operating expenses and classified as research and development costs.

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

***Share-based payments***

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 14.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest. At each balance sheet date, the company revises its estimate

of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

***Operating leases***

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

***Property, plant and equipment***

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

The principal rates used for this purpose are:

| | | |
|---|---|---|
| Fixtures and fittings | – | 33% Straight line |
| Equipment | – | 33% Straight line |

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date.

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

***Impairment of assets***

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

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

***Trade and other receivables***

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

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

***Current tax***

Current tax represents UK tax recoverable and is provided at amounts expected to be recovered using the tax rates and laws that have been enacted at the balance sheet date.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and in hand with original maturities at inception of 90 days or less.

***Foreign currency translation***

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

***Trade and other payables***

Trade payables are non-interest bearing and are initially stated at their fair value and subsequently held at amortised cost.

***Equity instruments***

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

***Financial Instruments***

Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due. The amount of any provision is recognised in the statement of comprehensive income.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

The component parts of compound instruments (convertible loan notes) issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of tax effects, and is not subsequently remeasured. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, to the net carrying amount on initial recognition.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

***Deferred taxation***

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

***Accounting developments***

At the date of approval of the Financial Information, the following Standards and Interpretations which have not been applied in the Financial Information were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

| | |
|---|---|
| IFRS 1 (amended) | Government Loans |
| IFRS 7 (amended) | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| IFRS 9 | Financial Instruments |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 10, IFRS 12 and IAS 27 | Investment entities (amended) |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| IAS 27 (revised) | Separate Financial Statements |
| IAS 28 (revised) | Investments in Associates and Joint Ventures |
| IAS 32 (amended) | Offsetting Financial Assets and Financial Liabilities |

Where relevant, the company is still evaluating the effect of these Standards issued but not yet effective, on the presentation of its financial information.

## 2. Segmental information

IXICO's development and commercial functions operating across all the company's activities, are managed centrally and are reported internally as a single business. The chief operating decision maker has been identified as the chief executive officer. The executive management review the company's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. Accordingly, the directors consider that there is only one reporting segment.

(i) IXICO is domiciled in the UK with all sales originating in the UK.

(ii) In the year ended 31 May 2013, the company had three customers that exceeded 10 per cent. of total revenue, being 31 per cent., 27 per cent. and 13 per cent. In the year ended 31 May 2012 the company had four customers that exceeded 10 per cent. of total revenue, being 27 per cent., 25 per cent., 19 per cent. and 11 per cent.. In the year ended 31 May 2011 the company had two customers that exceeded 10 per cent. of total revenue, being 49 per cent. and 27 per cent.

## 3. Finance income

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *£* | *£* | *£* |
| Interest on cash and cash equivalents | 73 | 42 | 548 |

## 4. Finance expense

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Deemed interest on the convertible loan | (114,417) | (102,250) | (91,378) |
| Fair value movement on the embedded derivative | 211,218 | 20,767 | (69,616) |
| Net finance credit/(expense) | 96,801 | (81,483) | (160,994) |

Further information on the fair value movement on the embedded derivative and the interest on the convertible loan notes can be found in note 11.

## 5. Operating profit/(loss)

Operating profit/(loss) is the result for the company before finance income, finance expense and taxation and is stated after charging the following operating expenses:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Research and development | 631,350 | 339,430 | 531,823 |
| Foreign exchange (gain)/loss | (47,873) | (3,763) | 57,851 |
| Gain on disposal of property plant and equipment | — | (78) | — |
| Operating lease charges – land and buildings | 107,591 | 86,853 | 83,925 |
| Fees payable to the company's auditor in respect of: | | | |
| Audit of the company's financial statements | 12,875 | 12,875 | 12,500 |
| Tax compliance services | 2,325 | 2,325 | 2,325 |
| Other services | 14,939 | 11,239 | 20,277 |
| Administrative expenses | 1,311,977 | 1,106,095 | 1,205,443 |
| | 2,033,184 | 1,554,976 | 1,914,144 |

## 6. Taxation

The tax assessed differs from the standard rate of corporation tax in the UK. The differences are explained below.

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Profit/(loss) before taxation | 475,651 | (96,194) | (1,372,725) |
| Loss before tax at the effective rate of corporation tax in the UK of 23.83% (2012: 25.67% and 2011: 27.67%) | 113,361 | (24,690) | (379,775) |
| Effects of: | | | |
| Expenses not deductible for tax purposes | (32,383) | 17,544 | 48,576 |
| R&D uplifts net of losses surrendered for tax credits | (197,456) | (111,427) | 14,711 |
| Other short term timing differences | 17,768 | 8,041 | 5,287 |
| Trading losses carried forward | 34,023 | 26,223 | 175,260 |
| Capital allowances in excess of depreciation | 361 | (9,575) | (2,517) |
| Tax credit for the year | (64,326) | (93,884) | (138,458) |

The following is a reconciliation between the tax charge and the tax receivable within the statement of financial position:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Current tax receivable at 1 June | 232,342 | 279,967 | 231,332 |
| Current year credit | 64,326 | 93,884 | 138,458 |
| Corporation tax repayment | — | (141,509) | (89,823) |
| Current tax receivable as at 31 May | 296,668 | 232,342 | 279,967 |

## 7. Property, plant and equipment

| | *Fixtures and fittings* | *Equipment* | *Total* |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| At 1 June 2010 | 5,621 | 95,273 | 100,894 |
| Additions | — | 12,747 | 12,747 |
| **At 31 May 2011** | 5,621 | 108,020 | 113,641 |
| Additions | 712 | 45,554 | 46,266 |
| Disposals | — | (922) | (922) |
| **At 31 May 2012** | 6,333 | 152,652 | 158,985 |
| Additions | — | 19,626 | 19,626 |
| **At 31 May 2013** | 6,333 | 172,278 | 178,611 |
| **Accumulated depreciation** | | | |
| At 1 June 2010 | 4,102 | 78,629 | 82,731 |
| Charge for the year | 598 | 11,541 | 12,139 |
| **At 31 May 2011** | 4,700 | 90,170 | 94,870 |
| Charge for the year | 603 | 14,990 | 15,593 |
| Disposals | — | (358) | (358) |
| **At 31 May 2012** | 5,303 | 104,802 | 110,105 |
| Charge for the year | 527 | 21,670 | 22,197 |
| **At 31 May 2013** | 5,830 | 126,472 | 132,302 |
| **Net book value** | | | |
| **At 31 May 2011** | 921 | 17,850 | 18,771 |
| **At 31 May 2012** | 1,030 | 47,850 | 48,880 |
| **At 31 May 2013** | 503 | 45,806 | 46,309 |

## 8. Trade and other receivables

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Trade receivables | 819,943 | 587,715 | 424,263 |
| Other receivables | 77,694 | — | 87,915 |
| Prepayments | 29,082 | 26,680 | 1,629 |
| | 926,719 | 614,395 | 513,807 |

Trade receivables disclosed above are classified as receivables and are measured at amortised cost.

The average credit period offered on sales of goods varies amongst customers having payment terms ranging from 30 days to 75 days. The company has recognised an allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the year-end but against which the company has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts (which include interest accrued on overdue receivable balances) are still considered recoverable. The average age of these receivables is 82 days in 2013 (2012: 85 days, 2011: 152 days).

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

As at the balance sheet date the ageing of trade receivable which are past due but not impaired is as follows:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Less than 30 days | 98,191 | 89,503 | 26,897 |
| 31-60 Days | 133 | 2,732 | 70,809 |
| 61-90 Days | — | 32,083 | 15,643 |
| Total | 98,324 | 124,318 | 113,349 |

## 9. Investments

The following was a subsidiary undertaking of IXICO:

| *Name of undertaking* | *Nature of business* | *Description of shares held* | *Proportion of voting rights held* |
|---|---|---|---|
| IXICO LLC (Incorporated in the US) | Research | Members interest | 100% |

During the year ended 31 May 2011, the subsidiary became dormant. As such the net book value of £1 was written off in that year and remains at £Nil at 31 May 2012 and 2013.

Losses incurred by IXICO LLC in the two years ended 31 May 2010 and 2011 have been expensed in the statement of comprehensive income.

## 10. Trade and other payables

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Trade payables | 194,407 | 164,508 | 65,419 |
| Other taxation and social security | 114,251 | 49,091 | 44,717 |
| Accrued expenses | 875,366 | 829,693 | 669,144 |
| Other payables | 1,924 | 11,183 | 20,200 |
| | 1,185,948 | 1,054,475 | 799,480 |

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 54 days. For all suppliers no interest is charged on the trade payables. The company's policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments.

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

## 11. Convertible loan notes

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| **Current liability** | | | |
| Host debt | 1,076,020 | — | — |
| Embedded derivative | 145,676 | — | — |
| **Non-current liability** | | | |
| Host debt | — | 961,603 | 859,353 |
| Embedded derivative | — | 356,894 | 377,661 |
| | 1,221,696 | 1,318,497 | 1,237,014 |

On 11 May 2010, IXICO passed a resolution to create up to £1,200,000 of convertible unsecured loan notes, with a minimum of £800,000 on a three year term. They were interest bearing only if the company did not convert or redeem within the three year term.

The loan notes could only be converted or redeemed in the following circumstances:

- Note holders could request redemption at twice the loan note value after three years or after a sale/exit event;
- Note holders could convert after three years, or after a sale/exit event, or after a further fundraising.

The conversion price was based on twice the last 12 months' audited revenue with the number of shares issued to loan note holders being twice the loan amount at the conversion price.

A deed of variation was made on 13 June 2013, to suspend the rights of note holders to demand redemption or conversion until the earlier of:

- 30 September 2013; or
- the date that the company notifies note holders that a sale is no longer contemplated.

The convertible loan notes are carried at amortised cost.

On initial recognition, the conversion option in relation to the convertible loan notes led to a potentially variable number of shares, therefore the convertible loan notes are accounted for as a host debt (recorded initially at fair value, net of transaction costs and subsequently valued at amortised cost) with an embedded derivative (recorded at fair value through profit and loss and fair valued at each reporting date).

The convertible loan notes have been separated into two components – the host debt instrument and the embedded derivative on initial recognition. The value of the host debt instrument will increase to the principal amount by the date of maturity.

The effective interest cost of the convertible loan notes is the sum of that increasing value in the period. The derivative element varies in value according to the market price of the underlying ordinary shares and the period remaining for conversion, amongst other factors.

On 20 September 2013, the entire outstanding balance of the convertible loan notes was converted into 126,131 ordinary shares of IXICO.

## 12. Deferred taxation (unrecognised)

| | *2013* £ | *2012* £ | *2011* £ |
|---|---|---|---|
| Tax effect of timing differences: | | | |
| Depreciation in excess of tax allowances | 4,738 | 5,086 | (3,494) |
| Accumulated losses | (679,704) | (646,871) | (623,373) |
| Short term timing differences | (4,069) | (1,383) | (5,101) |
| | (679,035) | (643,168) | (631,968) |

The unrecognised deferred tax asset is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the latest balance date, currently 23 per cent.

The unrecognised deferred tax is based on material timing differences that have originated but not reversed at the balance sheet date from transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more than likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

## 13. Share capital and share premium

| | *Ordinary shares of one pence* | *Share capital* £ | *Share premium* £ |
|---|---|---|---|
| At 1 June 2010 and 31 May 2011 | 332,920 | 3,329 | 3,461,455 |
| At 31 May 2012 and 1 June 2012 | 332,920 | 3,329 | 3,461,455 |
| At 31 May 2013 | 332,920 | 3,329 | 3,461,455 |

## 14. Share-based payments

Certain directors and employees of IXICO hold options to subscribe for shares in the company under share option schemes.

The number of shares subject to options, the periods in which they were granted and the period in which they may be exercised are given below.

The company operates two share option schemes, which are open to any employee (including directors). Options granted under the schemes are for £nil consideration and are exercisable at a price determined on the date of the grant.

The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before options vest. A reconciliation of share option scheme movements for the years ended 31 May 2013, 31 May 2012 and 31 May 2011 is set out below:

| | *2013* | | *2012* | | *2011* | |
|---|---|---|---|---|---|---|
| | *Number* | *Weighted average exercise price* | *Number* | *Weighted average exercise price* | *Number* | *Weighted average exercise price* |
| At 1 June | 65,460 | £3.56 | 24,887 | £3.69 | 24,887 | £3.69 |
| Granted | 14,140 | £3.00 | 40,573 | £3.49 | — | — |
| Exercised | — | — | — | — | — | — |
| Lapsed | — | — | — | — | — | — |
| Outstanding at 31 May | 79,600 | £3.46 | 65,460 | £3.56 | 24,887 | £3.69 |
| Exercisable at 31 May | 56,649 | £3.54 | 33,316 | £3.25 | 14,696 | £2.09 |

As at 31 May 2013, there were 29,700 options outstanding under the unapproved scheme and 49,900 under the approved scheme.

The inputs used in the measurement of fair values at grant date of the share options issued each year were as follows:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| Weighted average share price | 12 | 6.1 | 4 |
| Weighted average exercise price | 3 | 3.5 | 6 |
| Expected volatility | 46% | 49% | 55% |
| Expected life | 7 years | 7 years | 7 years |
| Expected dividends | 0% | 0% | 0% |
| Risk free interest rate | 0.5% | 0.5% | 0.5% |

Note to assumptions:

(a) *Expected volatility*

Expected volatility was determined by considering the expected share price movements based on revenue and multiples of other comparable listed companies in the sector.

(b) *Expected life*

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(c) *Expected dividends*

The historical dividend yield is 0%.

(d) *Risk free interest rate*

Risk free rate has been taken from Bank of England 3-month treasury bills at closest month-end dates to the grants of options.

The share options have a range of exercise prices from par to £6 per option and the weighted average contractual life is 7.6 years.

The total charge for each year relating to employee share-based payments plans for continuing operations is disclosed in note 15, all of which relates to the above equity-based transactions.

By a deed of variation dated 20 September 2013, the period in which the unapproved option holders can exercise their options following the Acquisition was extended from six months to two years from Completion. At the same time Phytopharm plc issued a letter to each such option holder committing to exchange all the shares in IXICO arising from the exercise of such options for Ordinary Shares in Phytopharm plc at the Acquisition price.

All of the outstanding approved options at 31 May 2013 will have been exercised or lapsed prior to Admission.

**15. Employees and directors**

The average monthly number of persons (including executive directors) employed by IXICO was:

| | *2013* *Number* | *2012* *Number* | *2011* *Number* |
|---|---|---|---|
| Administration | 13 | 11 | 11 |
| Operations, research and development | 28 | 20 | 18 |
| | 41 | 31 | 29 |

As at 31 May 2013 the company had 39 employees (2012: 39 and 2011: 31)

Staff costs in respect of these employees were:

| | *2013* *£* | *2012* *£* | *2011* *£* |
|---|---|---|---|
| Wages and salaries | 1,658,286 | 1,391,083 | 1,125,334 |
| Social security costs | 187,505 | 155,881 | 124,901 |
| Other pension costs | 53,717 | 52,684 | 52,492 |
| Share-based payments | 101,381 | 83,572 | 9,223 |
| | 2,000,889 | 1,683,220 | 1,311,950 |

IXICO operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in independently administered funds. The amounts outstanding at 31 May 2013 in respect of pension are £nil (2012: £6,016; 2011: £22,179).

There was also a share based payment charge in 2013 of £5,126 (2012: £8,543 and 2011: £nil) relating to options issued to former directors of the company who are no longer employees.

***Key management remuneration***

| | *2013* *£* | *2012* *£* | *2011* *£* |
|---|---|---|---|
| Short-term employee benefits | 647,255 | 601,662 | 388,225 |
| Post-employment benefits | 38,708 | 35,342 | 23,707 |
| | 685,963 | 637,004 | 411,932 |

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

## 16. Financial risk management

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

The company's financial instruments comprise the convertible loan note, cash and various items such as trade receivables and trade payables, which arise directly from its operations.

***Cash flow and liquidity risk***

Management monitors the level of cash on a regular basis to ensure that the company has sufficient funds to meet its commitments where due. The table below analyses the company's financial assets and liabilities:

| | *2013 Loans and receivables* £ | *2012 Loans and receivables* £ | *2011 Loan and receivables* £ |
|---|---|---|---|
| **Assets as per statement of financial position** | | | |
| Trade and other receivables excluding prepayments | 1,194,305 | 820,057 | 792,145 |
| Cash and cash equivalents | 859,480 | 552,403 | 209,192 |
| | 2,053,785 | 1,372,460 | 1,001,337 |

| | *2013 Financial liabilities at amortised cost* £ | *2012 Financial liabilities at amortised cost* £ | *2011 Financial liabilities at amortised cost* £ |
|---|---|---|---|
| **Liabilities as per statement of financial position** | | | |
| Trade and other payables excluding statutory liabilities | 1,071,697 | 1,005,384 | 754,763 |

IXICO's financial liabilities are all due within three months of the balance sheet date.

In addition to trade and other payables the company has the convertible loan notes, the repayment of which is detailed in note 11.

***Interest rate risk***

IXICO holds all cash and cash equivalents in sterling and US dollar accounts with institutions with a recognised high rating (typically AA or above) or with one of the major clearing banks.

Interest rates on current accounts are floating. Changes in interest rates may increase or decrease IXICO's finance income. The company does not have any committed interest bearing borrowing facilities. Consequently, there is no material exposure to interest rate risk in respect of financial liabilities.

***Foreign currency risk***

IXICO receives revenue in foreign currency and so fluctuations in exchange rates between sterling and foreign currencies, principally the US dollar, may result in realised or unrealised foreign exchange gains and losses.

At present the company doesn't make use of financial instruments to minimise any foreign exchange gains or losses so any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities.

***Foreign currency sensitivity analysis***

IXICO has an exposure to the sterling/US dollar exchange rates due to revenue denominated in US dollars. Had sterling been 10 per cent. weaker in relation to the US dollar, the profit in 2013

would have decreased by £107,000 (2012: £70,000; 2011: £30,000). Ten per cent. represents management's assessment of a reasonably possible change in foreign exchange rates.

***Fair value of financial assets and liabilities***

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

***Credit risk***

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

Other than trade and other receivables, the financial instruments that subject the company to a potential credit risk comprise principally cash and cash equivalents. The company's policy is to minimise the risks associated with cash and cash equivalents by placing these deposits with institutions with a recognised high rating. The disclosure above does not include cash in hand amounting to £302 (2012: £29; 2011: £267).

***Capital risk management***

IXICO considers capital to be shareholders' equity as shown in the statement of financial position along with the convertible loan notes detailed in note 11, as the company is primarily funded by equity finance. The company is not yet in a position to pay a dividend.

The objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders. In order to maintain or adjust the capital structure the company may return capital to shareholders and issue new shares.

## 17. Related party transactions

During the period IXICO had the following dealings with its directors:

The following directors' fees were charged in the year:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | £ | £ | £ |
| Professor Sir C. T. Dollery | 12,000 | 12,000 | 12,000 |
| P. H. Ellis | 12,000 | 12,000 | 12,000 |
| Professor Sir J. M. Brady | — | — | 1,167 |
| Professor J. V. Hajnal | 12,000 | 12,000 | 12,000 |
| Dr. A. J. M. Richards | 12,500 | 12,500 | 12,500 |

The amounts outstanding at the year end 2013 totalled £nil (2012: £nil; 2011: £3,042), and were included in creditors.

During the year IXICO sold project management services totalling £130,937 (2012: £68,808; 2011: £48,762) to University College London Business Plc, a shareholder of IXICO. The amount owed by University College London Business Plc at 31 May 2013 was £38,895 (2012: £10,414; 2011: £9,309).

During the year IXICO also purchased services totalling £103,176 (2012: £26,759; 2011: £5,745) from University College London Business Plc, a shareholder of IXICO. The amount owed to University College London Business Plc at 31 May 2013 was £103,176 (2012: £nil; 2011: £4,126).

During the year IXICO sold project management services totalling £nil (2012: £nil; 2011: £108,700) to King's College London, a shareholder of IXICO. The amount owed by King's College London at 31 May 2013 was £nil (2012: £nil; 2011: £34,155).

During the year IXICO also purchased services totalling £7,440 (2012: £12,909; 2011: £18,189) from King's College London, a shareholder of IXICO. The amount owed to King's College London at 31 May 2013 was £2,040 (2012: £15,017; 2011: £nil).

During the year IXICO purchased £29,909 (2012: £21,863; 2011: £31,528) of consultancy services from Croggan Limited, a company owned by Dr. A. J. M. Richards, a director. The amount owed to Croggan Limited at 31 May 2013 was £nil (2012: £5,896; 2011: £3,845).

During the year IXICO was charged £18,651 (2012: £12,000; 2011: £12,000) in monitoring fees by Imperial Innovations Businesses LLP, a shareholder. At 31 May 2013 £8,115 (2012: £26,188; 2011: £14,188) was owed to Imperial Innovations Business LLP.

During the year IXICO was charged £12,948 (2012: £nil; 2011: £nil) in monitoring fees by YFM Venture Finance Limited, manager of The Capital Fund No 1 LLP, a shareholder. At 31 May 2013 £nil (2012: £3,000; 2011: £nil) was owed to YFM.

## PART VI

# ADDITIONAL INFORMATION

### 1. RESPONSIBILITY

The Company and the Directors, including the Proposed Directors, whose names are set out on page 12 of this document, accept responsibility, collectively and individually, in accordance with the AIM Rules for Companies for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2. THE COMPANY

2.1 The Company was incorporated and registered in England and Wales on 28 November 1995 with registered number 3131723 under the Companies Act as a public limited company under the name Lawnhale plc. On 13 March 1996 the Company changed its name to Phytopharm plc. The Company's registered office as at the date of this document is Lakeview House, 2 Lakeview Court, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6UA (Telephone +44 1480 437697).

Upon Admission the Company will change its name to IXICO plc and the registered office will be changed to The London Bioscience Innovation Centre, 2 Royal College Street, London NW1 0NH (telephone +44 20 7691 2064).

**Phytopharm is the parent company of the Group. Details of the Company's wholly owned subsidiary undertakings are set out below, each of which is a private limited company, incorporated in England and Wales:**

| *Name* | *Principal activity* | *Issued share capital (fully paid)* |
|---|---|---|
| Phytotech Limited (Company number 02466556) | Research and development | 17,500 ordinary 10p shares |
| Phytodevelopments Limited (Company number 02796377) | Dormant | 160 ordinary £1 shares |

On completion of the Acquisition, Phytopharm plc will be renamed IXICO plc and the Group will have the following subsidiary undertakings:

| *Name* | *Principal activity* | *Issued share capital (fully paid)* |
|---|---|---|
| Phytotech Limited (Company number 02466556) | Research and development | 17,500 ordinary 10p shares |
| Phytodevelopments Limited (Company number 02796377) | Dormant | 160 ordinary £1 shares |
| IXICO Limited (Company number 05313505) | Research, development and sales | 332,920 ordinary 1p shares |

2.2 The principal legislation under which the Company operates and under which the shares were and are created is the Companies Act and regulations made thereunder.

2.3 The accounting reference date of the Company is 30 September.

## 3. SHARE CAPITAL

3.1 The issued and fully paid up share capital of the Company as at 20 September 2013 (being the latest practicable date before publication of this document) was as follows:

| | *Authorised* | *Number* | *Issued* | *Number* |
|---|---|---|---|---|
| Existing Ordinary Shares of 50 pence each | Unlimited | Unlimited | £3,469,017 | 6,938,034 |

The issued and fully paid up share capital of the Company immediately following Admission will be as follows:

| | *Authorised* | *Number* | *Issued* | *Number* |
|---|---|---|---|---|
| Ordinary Shares of 50 pence each | Unlimited | Unlimited | £7,476,219 | 14,952,437 |

3.2 On 1 October 2009 (being the date of commencement of the period for which historical financial information on the Company has been provided in this document), the share capital of the Company was £945,484 divided into 94,548,391 Ordinary Shares of one pence each in nominal value of which all were issued and fully paid. Since that date the following changes have been made to the authorised and issued share capital of the Company:

(a) On 29 December 2009, the Company issued 252,129,042 Ordinary Shares of one penny each in connection with a placing and open offer;

(b) On 16 December 2010, the Company issued 38,563 Ordinary Shares of one pence each in connection with an exercise of options under the Company's Share Option Plan;

(c) On 14 January 2011, the Company issued 17,600 Ordinary Shares of one pence each in connection with an exercise of options under the Company's Save As You Earn Plan;

(d) On 6 June 2011, the Company issued 68,376 Ordinary Shares of one pence each in connection with an exercise of options under Company's Save As You Earn Plan;

(e) On 21 September 2012, the Company issued 99,777 Ordinary Shares of one pence each in connection with an exercise of options under Company's Share Option Plan.

(f) On 4 September 2013 the Company effected a share capital consolidation on the basis of one new ordinary share for every 50 existing ordinary shares held.

3.3 Save as disclosed in paragraph 3.8 of this Part VI, neither the Company nor any of its subsidiaries has granted any options over its share capital which remain outstanding or has agreed, conditionally or unconditionally, to grant any such options.

3.4 The Existing Ordinary Shares currently in issue are in registered form and capable of being held in uncertificated form in CREST. Where New Ordinary Shares are held in certificated form, share certificates will be sent to the registered member by first class post.

3.5 When admitted to trading, the New Ordinary Shares will be registered with the International Security Identification Number GB00BCLY7L40 the same as the current ISIN number for Existing Ordinary Shares.

3.6 The New Ordinary Shares to be issued pursuant to the Acquisition will be credited as fully paid and will rank equally in all respects with the Existing Ordinary Shares, including the right to receive and dividends or distributions made, paid or declared after Admission.

3.7 Following Admission, 465,350 Ordinary Shares are available for issue on exercise of outstanding share options granted to Proposed Directors and employees of the Group under the IXICO unapproved share option share scheme. The option holders retain their options

over shares in IXICO for a period of two years from Completion following a variation of the original option terms, further details of which are included under material contracts in Part VI below. Pursuant to a letter dated on or about the date of this document, the Company has agreed to issue Ordinary Shares in exchange for shares in IXICO arising from the exercise of such options at the Acquisition price.

| *Name* | *Date of Grant* | *Number of existing IXICO shares under option* | *Exercise price (pence)* | *Number of Ordinary Shares to be issued for each IXICO share following exercise* | *Expiry date* |
|---|---|---|---|---|---|
| Daniel Rueckert | 21/04/2005 | 1,900 | 1 | 15.67 | 21/04/2015 |
| | 20/09/2007 | 400 | 1 | 15.67 | 20/09/2017 |
| David Hawkes | 21/04/2005 | 1,900 | 1 | 15.67 | 21/04/2015 |
| | 20/09/2007 | 400 | 1 | 15.67 | 20/09/2017 |
| Peter Ellis | 21/04/2005 | 2,000 | 1 | 15.67 | 21/04/2015 |
| | 20/09/2007 | 1,600 | 1 | 15.67 | 20/09/2017 |
| Professor Joseph Hajnal | 21/04/2005 | 1,900 | 1 | 15.67 | 21/04/2015 |
| | 20/09/2007 | 400 | 1 | 15.67 | 20/09/2017 |
| | 30/09/2011 | 4,500 | 600 | 15.67 | 30/09/2021 |
| Professor Derek Hill | 21/04/2005 | 1,900 | 1 | 15.67 | 21/04/2015 |
| Colin Dollery | 20/09/2007 | 400 | 1 | 15.67 | 20/09/2017 |
| Michael Brady | 20/09/2007 | 400 | 1 | 15.67 | 20/09/2017 |
| Colin Wyatt | 20/09/2007 | 500 | 1 | 15.67 | 20/09/2017 |
| Peter Morgan | 20/09/2007 | 500 | 1 | 15.67 | 20/09/2017 |
| Dr. Andy Richards | 30/09/2011 | 3,330 | 600 | 15.67 | 30/09/2021 |
| | 28/03/2013 | 6,670 | 300 | 15.67 | 28/03/2023 |
| Mingxing Hu | 28/03/2013 | 1,000 | 300 | 15.67 | 28/03/2023 |

3.8 The Directors and Proposed Directors confirm that immediately prior to Admission, all unvested share options in Phytopharm will be cancelled, save 255 options which have vested. These options have an exercise price of 206.5 pence and are expected to lapse around the end of the year (if not exercised).

## 4. ARTICLES OF ASSOCIATION

Upon Admission, the Articles of Association will become the articles of association of IXICO plc.

### 4.1 Articles

The Articles of Association contain provisions to the following effect:

(a) ***Rights attaching to the Ordinary Shares***

The following is a summary of the rights under the Articles which attach to Ordinary Shares:

(i) *Voting rights*

Subject to any special rights or permissions as to voting which are given to any shares (as to which there are none at present), the Articles state that every qualifying person (being a member, authorised corporate representative or proxy) present at a general meeting has one vote on a show of hands, and on a poll every Shareholder present in person or by proxy has one vote for every share he holds. In the case of joint holders, the vote of the person whose name stands first in the register of members is accepted to the exclusion of any vote tendered by

any other joint holder. Unless the Directors decide otherwise, a Shareholder may not vote at any general or class meeting or exercise any other right in relation to meetings while any amount of money relating to his shares remains outstanding.

(ii) *Voting by proxy*

To appoint a proxy, the Shareholder must deliver a validly executed form of proxy to the office, or to any other place specified in the notice of meeting or in the form itself within the specified timeframe. The timeframe for delivery is 48 hours before a meeting or adjourned meeting or 24 hours before a poll is to be taken if the poll is taken not less than 48 hours after the meeting or adjourned meeting at which it was demanded. In the case of a poll not taken during the meeting to which it relates, but taken not more than 48 hours after it was demanded, the proxy notice must be delivered not less than 48 hours before the meeting at which the poll is to be taken, or at the meeting at which the poll was demanded. A proxy form will expire 12 months from the date the form stated that it is signed on or from the conclusion of the meeting to which it relates, whichever is the later. However, it will be valid if it is used at an adjourned meeting, or on a poll after a meeting or an adjourned meeting even after 12 months, it was valid for the original meeting. A proxy form can be in any form which the Directors may approve including the appointment of a proxy by means of an electronic communication in the form of an uncertificated proxy instruction in such form and subject to such terms and conditions as the Directors may from time to time prescribe.

(iii) *Dividends*

Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends in accordance with the respective rights of the Shareholders, but no dividend shall exceed the amount recommended by the Board. Subject to the Companies Act, the Directors may pay such interim dividends as appear to them to be justified by the financial position of the Company on shares of any class, of any amount, on any date and for any period. The Directors may also pay fixed dividends on any class of share carrying a fixed dividend on the dates prescribed for the payment of such dividends. Except as otherwise provided by the rights attached to the shares, all dividends shall be divided and paid proportionately to the amounts paid up on the shares on which the dividend is paid during any period in respect of which the dividend is paid.

Except as otherwise provided by the Articles or the rights attached to any shares, a dividend or any other money payable in respect of a share can be paid in whatever currency the Directors decide.

Directors may deduct any amount relating to shares which remains outstanding from any dividend or other money payable to the Shareholder on or in respect of any share held by him.

The Company may stop sending dividend payments through the post, or cease using any other method of payment (including payment through CREST), if, for two consecutive dividends, the payments have been returned undelivered or remain uncashed during the period for which they are valid, or the payments by any other method have failed; or, in the case of any one dividend, if the dividend payment has been returned undelivered, or remains uncashed during the period for which it is valid, or the payment by any other method has failed and reasonable enquiries have failed to establish any new address or account of the registered Shareholder.

Any dividend which remains unclaimed for 12 months from the date when it was declared or became due for payment, shall be forfeited and returned to the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer ordinary shareholders the right to receive ordinary shares instead of some or all of their cash dividend (a "scrip dividend").

Upon the recommendation of the Directors, the Company may by ordinary resolution direct that a dividend be satisfied either wholly or partly by the distribution of specific assets (in particular, paid up shares or debentures of any other company). Where any difficulty arises with regard to the distribution, the Directors may resolve as they think fit and, in particular (but without limitation), may authorise any person to sell and transfer any fraction (or ignore fractions) and fix the value for distribution of any assets, and may determine that cash shall be paid to any Shareholder upon the basis of that value in order to adjust the rights of shareholders, and may vest any assets in trustees.

If the Company is wound up the liquidator may, with the sanction of a special resolution, divide among the Shareholders in kind (the division among Shareholders to be decided upon by the liquidator) the whole or any part of the assets of the Company whether the assets consist of property of one or different kinds and at such property value as the liquidator deems fair. With the like sanction the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the shareholders as he may determine, but no Shareholder shall be compelled to accept any assets upon which there is a liability.

(b) ***Transfer***

The Existing Ordinary Shares and the New Ordinary Shares are in registered form.

Any shareholder may effect the transfer of some or all of his certificated shares by an instrument of transfer in writing in the usual form or in any other form approved by the Directors or, in the case of uncertificated shares, in accordance with the CREST Regulations.

The share transfer form must be signed by or on behalf of the transferor and, in the case of a partly paid share, also on behalf of the transferee. The transferor will continue to be treated as a Shareholder until the name of the transferee is entered in the register of members for the relevant share or shares.

The Directors may, without giving any reason, refuse to register any transfer of shares which are not fully paid provided that, if any of these shares have been admitted to the Official List, this does not stop dealings in the shares from taking place on an open and proper basis;

(i) for certificated shares made in respect of more than one class of share on the same transfer form;

(ii) for certificated and uncertificated shares, if to joint transferees, in favour of more than four such transferees; and

(iii) for certificated shares, not delivered to the registered office, or any other place decided on by the Directors for registration and accompanies by the relevant share certificate for the share to be transferred (except where the shares are registered in the name of a market nominee and no certificate has been issued for them) and such other evidence as to the transferors' right to transfer as the Directors may reasonably require.

The Board may also refuse to register a transfer of uncertificated shares in accordance with the CREST Regulations.

If the Directors decide not to register a share transfer they must, no later than two months after the transfer or the relevant operator-instruction was received, in each case, by the Company, send notice of the refusal to the transferee. The Directors shall provide the transferee with reasons for the refusal as the transferee may reasonably request.

(c) ***Restrictions on Shareholders***

If any Shareholder or any other person who the Company has reasonable cause to believe has an interest in the Company's shares and has been duly served with a statutory notice (pursuant to section 793 of the Companies Act) and has not, within 14 days, provided details of those who have an interest and the extent of their interest in that particular shareholding, the Company may send out a further notice to the shareholder (a "restriction notice") to direct that in respect of the shares in relation to which the default occurred (the "identified shares") (which expression shall include any further shares which are issued in respect of such shares) and the Shareholder shall not be entitled to attend or vote either personally or by proxy at a general meeting of the Company or a meeting of the holders of any class of shares or to exercise any other right in relation to general meetings of the Company or meeting of the holders of any class of shares.

Where the identified shares represent 0.25 per cent. or more (in nominal value or number) of the issued shares of a class then the restriction notice may additionally direct that any dividend (or part thereof) or other money which would otherwise be payable in respect of the identified shares may be withheld without any liability to pay interest thereon when such money is finally paid to the Shareholder and/or that a transfer of the identified shares in certificated form and, as far as permitted by the CREST Regulations, any of the identified shares in uncertificated form is prohibited, unless the Directors are satisfied that they have been sold outright to an independent third party. Any sale through the London Stock Exchange or other stock exchange or acceptance of a takeover offer will be treated as an outright sale to an independent third party.

(d) ***Variation of rights***

Subject to the Companies Act and to special rights previously given to holders of existing shares, the Company may issue shares with any rights or restrictions attached to them. Rights or restrictions can be decided upon by either an ordinary resolution or, as long as there is no conflict with any resolution, by the Directors.

Subject to the Companies Act, the rights attached to any class of shares may be changed or abrogated without the written approval of Shareholders holding at least three quarters in nominal value of the issue shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the relevant class of shares.

The provisions of the Articles relating to general meetings will apply to any such separate class meeting except that:

(i) the necessary quorum is two Shareholders present in person or by proxy who own at last one third in nominal value of the issued shares of the class;

(ii) at an adjourned meeting, where a quorum as defined above is not present, one person who holds shares of the class, or his proxy, will be a quorum; and

(iii) any Shareholder who is present in person or by proxy can demand a poll at which every Shareholder who is present in person or by proxy is entitled to one vote for every share he has of that class (but is subject to any special rights or restrictions which are attached to that class of shares).

(e) ***Directors***

(i) Number – subject to the passing of an ordinary resolution changing the provisions in the Articles, there must be at least two directors and not more than 12 (disregarding alternative directors).

(ii) Age – no person will be disqualified from being appointed a Director or be required to stop being a Director because he has reached a particular age.

(iii) Appointment – Directors may be appointed by ordinary resolution or by the Board and a Director need not be a Shareholder. A Director appointed by the Board holds office only until the next annual general meeting of the Company and is not taken into account in determining the Directors who are to retire by rotation at that meeting.

(iv) Removal – In addition to any power to remove Directors under the Companies Act, the Company may pass a special resolution to remove a Director from office even though his time in office has not ended and may (subject to the Articles) elect a person to replace a Director who has been removed in this way by passing an ordinary resolution.

(v) Retirement by rotation – At every annual general meeting, any Directors who have been appointed by the Directors since the last annual general meeting must retire from office and may offer themselves for reappointment by members. In addition, one-third of the Directors will retire from office by rotation and in any event all Directors shall offer themselves for reappointment on at least one occasion on every period of three years.

(f) Eligibility – Only the following may be elected as Directors at a general meeting:

(i) Directors retiring at that meeting;

(ii) anyone recommended by the Directors; and

(iii) anyone nominated by a Shareholder (not being the person nominated) entitled to vote at the meeting who has delivered to the office of the Company between seven and 42 days before the meeting a letter stating that he intends to nominate another person for election as a Director and written confirmation from the nominee that he is willing to be elected.

(g) ***Directors' interests***

If a situation (a "relevant situation") arises in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company the following provisions shall apply if the conflict of interest does not arise in relation to a transaction or arrangement with the Company:

(i) if the relevant situation arises from the appointment or proposed appointment of a person as a Director of the Company, the Directors may resolve to authorise the appointment of the Director and the relevant situation on such terms as they may determine; and

(ii) if the relevant situation arises in relation to other circumstances, the Directors may resolve to authorise the relevant situation and the continuing performance by the Director of his duties on such terms as they may determine.

Any terms determined by the Directors may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):

(i) whether the interested Directors may vote in relation to any resolution relating to the relevant situation;

(ii) the exclusion of the interested Directors from all information and discussion by the Company of the relevant situation; and

(iii) the application to the interested Directors of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the relevant situation. A Director must act in accordance with any terms determined by the Directors under the Articles.

Any authorisation of a relevant situation given by the Directors in accordance with the above may provide that, where the interested Director obtains (other than through his position as a Director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

If a Director has a direct or indirect interest that conflicts, or possible may conflict, with the interests of the Company and the conflict of interest does not arise in relation to a transaction or arrangement with the Company, the Director shall declare the nature and extent of his interest in a relevant situation to the other Directors.

If a Director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other Directors.

Where a Director is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company, he must declare the nature and extent of his interest to the other Directors, unless the interest has already been declared.

The declaration of interest must be made in accordance with the Articles and where provided under the Articles, may be made at a meeting of the board.

A Director need not declare an interest:

(i) if it cannot be reasonably regarded as likely to give rise to a conflict of interest;

(ii) if, or to the extent that, the other Directors are already aware of it; and

(iii) if, or to the extent that, it concerns terms of his service contract that have been or are to be considered by a meeting of the Directors or by a committee of the Directors appointed for those purposed under the Articles.

A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment, or the termination of his own appointment, as the holder of any office or place of profit with the Company.

A Director shall also not vote (or be counted in the quorum at a meeting) in relation to any resolution relating to any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply and a Director may vote (and be counted in the quorum at a meeting) in respect of any resolution concerning one or more of the following matters:

(i) any transaction or arrangement in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise through the Company;

(ii) the giving of any guarantee, security or indemnity in respect of:

(A) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of the Company; or

(B) a debt obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(iii) indemnification (including loans made in connection with it) by the Company in relation to the performance of his duties on behalf of the Company or of any of its subsidiary undertakings;

(iv) any issue or offer of shares, debentures or other securities if the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;

(v) any transaction or arrangement concerning any other company in which he does not hold, directly or indirectly as a shareholder, or through his direct or indirect holdings of financial instruments, voting rights representing 1 per cent. or more of any class of shares in the capital of that company;

(vi) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement related; and

(vii) the purchase or maintenance of insurance for the benefit of Directors or for the benefit of persons including the Directors.

(h) ***Borrowings***

The Directors may exercise all the Company's powers to borrow money, to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities, and to give security for any debt, liability or obligation of the Company.

The Directors will limit the total borrowings of the Company and, so far as they are able, its subsidiary undertakings, to ensure that the total amount of the Group's borrowing does not exceed a sum equal to two and a half times the Company's adjusted capital and reserves unless the Company by ordinary resolution allows borrowings to exceed such limit. Any borrowings owed by one member of the Group to another will not be taken into account for the purposes of the calculation of the Group's total borrowings. The Company's adjusted capital and reserves are determined (based on its latest audited balance sheet) by adding the amount paid up on the Company's issued share capital to the amount of its reserves and then deducting any debit balance on the profit and loss account (if such a deduction has not already been made on that account) and making any adjustments needed to reflect any changes since the date of the latest audited balance sheet to the amount of paid up share capital, share premium account or capital redemption reserve.

(i) ***Shareholders' meetings***

Subject to the provisions of the Companies Act, the annual general meeting is held at such time as the Board may determine. The Board may call general meetings other than the annual general meeting at any time. At general meetings of the Company the

quorum is two qualifying persons (being Shareholders, authorised corporate representatives or proxies) who are entitled to vote, except where each is a qualifying person only because they are authorised to act as a corporate representative and they are representatives of the same corporation or because each is an appointed proxy and they are proxies of the same member. In the case of adjourned meetings a quorum is one qualifying person. At least 21 clear days' written notice must be given for every annual general meeting and, subject to the legislation, for all other general meetings at least 14 clear days' written notice must be given. The majorities required for the passing of resolutions are those provided for under the Companies Act.

(j) ***Untraced shareholders***

The Company may sell any certificated shares by instructing a member of the London Stock Exchange to sell them at the best price reasonably obtainable at the time of sale, if:

(i) during the 12 years before the earliest of the notices referred to in (ii) below, at least three dividends have become payable on the shares and no dividend has been claimed during that period;

(ii) after the 12 year period, the Company has published a notice, stating that it intends to sell the shares in a national newspaper in the United Kingdom and in a local paper appearing in the area in the United Kingdom which includes the address held by the Company for serving notices relating to those shares;

(iii) during the 12 year period and for three months after the last of the notices referred to in (ii) above appear, the Company has not heard from the Shareholder or any person entitled to the shares by law; and

(iv) the Company has notified the London Stock Exchange that it intends to sell the shares.

To sell any shares this way, the Directors may appoint anyone to transfer the shares.

This transfer will be just as effective as if it had been signed by the holder, or by a person who is entitled to the shares by law. The person to whom the shares are transferred will not be bound to concern himself as to what is done with the purchase moneys nor will his ownership be affected even if the sale is irregular or invalid in any way.

The proceeds of the sale will belong to the Company, but it must pay an amount equal to the sale proceeds less the cost of the sale to the Shareholder who could not be traced, or to the person who is entitled to his shares by law, if that Shareholder, or person, asks for it.

After the sale, the Company must record the name of the Shareholder, or (if known) the person who would have been entitled to the shares by law, as a creditor for the money in its accounts. The Company will not be a trustee of the money and will not be liable to pay interest on it. The Company can use the money, and any money earned by using the money, for its business or in any other way that the Directors decide, but the money cannot be invested in the Company's shares or in the shares of any holding company of the Company.

## 5. CITY CODE AND COMPULSORY ACQUISITION RULES RELATING TO THE ENLARGED ISSUED SHARE CAPITAL (RULE 9)

5.1 **Mandatory offer**

The Company will be subject to the City Code. The City Code governs, *inter alia*, transactions which may result in a change of control of a public company to which the City Code applies.

Under Rule 9.1(a) of the City Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which (taken together with shares in which he is already interested or in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Rule 9.1(b) of the City Code provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person which increases its or their percentage holding of interests in shares.

An offer under Rule 9 must be in cash and must be at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company in question during the 12 months prior to the announcement of the offer.

5.2 **Squeeze-out**

Under the Companies Act, if an offeror were to acquire or contract to acquire 90 per cent. of the shares to which the offer relates, it could then compulsorily acquire the remaining 10 per cent. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

5.3 **Sell-out**

Under the Companies Act, if a takeover offer related to all the shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could require the offeror to acquire those shares.

If a Shareholder exercises his right, the offeree is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5.4 **Takeover offers**

There have been no public takeover offers by third parties in respect of the share capital of the Company in the last or current financial year.

5.5 **Relationship between IAML and Imperial**

Under the City Code a company and its associated companies are presumed to be acting in concert. For this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status. Since funds managed by IAML on a discretionary basis own 45.6 per cent. of Imperial Innovations' equity share capital, IAML and Imperial Innovations are, by operation of the presumption contained in the City Code, presumed to be acting in concert.

Neither IAML nor Imperial Innovations have, at this stage, sought to rebut the presumption of concertedness. However, each of them pursues its own independent investment objectives in a manner which it considers best suits its own, or, in the case of IAML, its managed clients', interests and objectives. Consequently, each of IAML and Imperial Innovations reserve the right to seek to rebut the presumption if it deems it appropriate to do so.

Until the presumption is rebutted however, since the Invesco Funds and Imperial Innovations will, following Completion, together own 37.1 per cent. of the Enlarged Issued Share Capital (including the New Ordinary Shares purchased by Imperial Innovations prior

to Admission, as described in paragraph 9.2 of this Part VI), purchases by them of Ordinary Shares which increase their aggregate percentage holding of Ordinary Shares would, subject to the provisions of, and dispensations available under, the City Code, normally trigger a mandatory offer under Rule 9.1(b) of the City Code as described in paragraph 5.3 of Part VI of this document.

5.6 **Relationship between the Founders**

Under the City Code, the Founders are presumed to be acting in concert. The Founders comprises Derek Hill and his Associates, Joseph Hajnal and his Associates, Professor David Hawkes, Professor Daniel Rueckert and Thomas Hartkens.

None of the Founders, at this stage, sought to rebut the presumption of concertedness. However, each of them pursues its own independent investment objectives in a manner which it considers best suits its own interests and objectives. Consequently, each of the Founders reserve the right to seek to rebut the presumption if it deems it appropriate to do so.

Until the presumption is rebutted however, the Founders will, following Completion, together own 14.8 per cent. of the Enlarged Issued Share Capital.

## 6. PREMISES

6.1 Phytopharm has the following premises:

| *Property address* | *Tenure* | *Principal Use* |
|---|---|---|
| Head office<br>Lakeview House<br>2 Lakeview Court<br>Ermine Business Park<br>Huntingdon<br>Cambridgeshire PE29 2WA | Leasehold | Office space |

On completion of the Acquisition the Enlarged Group will have the following premises:

| *Property address* | *Tenure* | *Principal Use* |
|---|---|---|
| Head office<br>The London Bioscience Innovation Centre<br>2 Royal College Street<br>London NW1 0NH | Leasehold | Office space |
| Lakeview House<br>2 Lakeview Court<br>Ermine Business Park<br>Huntingdon<br>Cambridgeshire PE29 2WA | Leasehold | Office space |

The Directors and the Proposed Directors intend to terminate the lease on the premises at Lakeview House as soon as practicable following completion of the Acquisition.

6.2 As far as the Directors are aware, there are no pending or likely remediation and compliance costs which may have a material adverse effect on the Company or its property.

6.3 The funds required to fulfil the Enlarged Group's commitments under its lease of the premises detailed above are provided from the Enlarged Group's cash resources.

## 7. DIRECTORS' AND PROPOSED DIRECTORS' OTHER INTERESTS

The interests of the Directors and Proposed Directors (including the interests of their spouses and infant children and the interests of any persons connected with them within the meaning of sections 252 to 255 and 820 to 825 of the 2006 Act), all of which are beneficial, in the issued

share capital of the Company, as at the date of publication of this document and as they are expected to be immediately following Admission are as follows:

7.1 The Directors of Phytopharm and their respective functions are as follows:

| *Director* | *Position* |
|---|---|
| Alistair Taylor | Non-Executive Chairman |
| Tim Sharpington | Chief Executive Officer |
| Roger Hickling | Research and Development Director |
| Dr. Peter Blower | Non-Executive Director and Senior Independent Director |
| Dr. Ian Tulloch | Non-Executive Director |

The Proposed Directors of the Enlarged Group after Admission and their respective functions are as follows:

| *Director* | *Position* |
|---|---|
| Dr. Andrew Richards | Non-Executive Chairman |
| Professor Derek Hill | Chief Executive Officer |
| Charles Spicer | Vice President of Corporate Development |
| Tim Sharpington | Non-Executive Director and Senior Independent Director |
| John Bradshaw | Non-Executive Director |
| Maina Bhaman | Non-independent non-Executive Director |

7.2 The business address of each of the Directors is Lakeview House, 2 Lakeview Court, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6UA.

Upon Admission, the business address of each of the Proposed Directors will be The London Bioscience Innovation Centre, 2 Royal College Street, London NW1 0NH.

The brief biographical details of the Proposed Directors are set out in Part I of this document.

The following table sets out the names of all companies and partnerships outside of the Enlarged Group of which any Director and the Proposed Directors is or has been a member of the administrative management or supervisory body or partner at any time in the previous five years (excluding subsidiaries of any company of which the Director in question is also a member of the administrative, management or supervisory body):

| *Name* | *Age* | *Position* | *Company/Partnership* | *Position held still (Y/N)* |
|---|---|---|---|---|
| Alistair Taylor | 72 | Director | Renephra Limited | Y |
| | | Director | Anaxsys Technology Limited | Y |
| | | Director | OR Productivity plc | Y |
| | | Director | Arterius Limited | Y |
| | | Director | Nightingale-Eos Limited | Y |
| | | Director | Intelligent Orthopaedics Limited | Y |
| | | Director | Cellnovo Ltd | N |
| | | Director | Giltech Limited | N |
| Tim Sharpington | 47 | Director | Clinical Force Limited | N |
| | | Director | Primonyx Limited | N |
| | | Director | Serentis Limited | N |
| | | Director | Surface Therapeutics Limited | N |
| Roger Hickling | 59 | Director | Jimmy's Cambridge | Y |
| | | Director | Alizyme plc | N |
| | | Director | Alizyme Therapeutics Limited | N |
| | | Director | Huntingdonshire Citizens Advice Bureau | Y |

| *Name* | *Age* | *Position* | *Company/Partnership* | *Position held still (Y/N)* |
|---|---|---|---|---|
| Dr. Peter Blower | 65 | Director | Biophar Consulting Limited | Y |
| | | Director | Yeldham Limited | N |
| | | Director | Minster Pharmaceuticals plc | N |
| | | Director | Minster Research Limited | N |
| Charles Spicer | 48 | Director | SIW Holdings Limited | Y |
| | | Director | Aircraft Medical Limited | Y |
| | | Director | Ark Therapeutics Group plc | Y |
| | | Director | Puricore plc | Y |
| | | Director | Gresham's School Limited | Y |
| | | Director | XCounter AB | Y |
| | | Director | MDY Healthcare | N |
| Dr. Andy Richards | 53 | Director | Babraham Bioscience Technologies Ltd | Y |
| | | Director | Cancer Research Technology Ltd | Y |
| | | Director | Croggan Ltd | Y |
| | | Director | Altacor Ltd | Y |
| | | Director | Arecor Ltd | Y |
| | | Director | Novacta Biosystems Ltd | Y |
| | | Director | Abcodia Ltd | Y |
| | | Director | PsychologyOnline.co.uk Ltd | Y |
| | | Director | Cambridge Temperature Concepts Ltd | Y |
| | | Director | Congenica Ltd | Y |
| | | Director | Pharmakodex Ltd | N |
| | | Director | Aitua Ltd | N |
| | | Director | Biowisdom Ltd | N |
| | | Director | Theradeas Ltd | N |
| | | Director | The Bioindustry Association | N |
| | | Director | Vectura plc | N |
| | | Director | Summit Corporation plc | N |
| John Bradshaw | 49 | Partner | Avillion LLP | Y |
| | | Director | Burrowmoor Consulting Limited | Y |
| | | Director | Pneumacare Limited | Y |
| | | Director | Eight19 Limited | Y |
| | | Director | Autifony SRL | Y |
| | | Director | Arivia Technology Limited | Y |
| | | Partner | Syncona Partners LLP | N |
| | | Partner | Syncona Management LLP | N |
| | | Director | Variforce Limited | N |
| | | Director | WOB Limited | N |
| Maina Bhaman | 41 | Partner | Imperial Innovations Businesses LLP | Y |
| | | Director | Cell Medica Ltd | Y |
| | | Director | Psioxus Therapeutics Ltd | Y |
| | | Director | Topivert Ltd | Y |
| | | Director | Topivert Pharma Ltd | Y |
| | | Director | Autifony Therapeutics Ltd | Y |
| | | Director | Molecular Vision Limited | N |
| | | Director | Toborca Limited | N |

Maina Bhaman was a director of Toborca Limited which was dissolved on 18 April 2012, having reached a settlement of reduced payment to its creditor.

7.3 Save as disclosed in paragraph 7.2 above, none of the Directors or the Proposed Directors:

(a) is or has been a member of the administrative, management or supervisory body of any company or partner of any partnerships outside the Group at any time in the previous five years; or

(b) has any convictions in relation to fraudulent offences at any time in the previous five years; or

(c) has been bankrupt, been the subject of or entered into any voluntary arrangement at any time in the previous five years; or

(d) has at any time in the previous five years been a member of any administrative, management or supervisory body of any company that has been subject to any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

(e) has at any time in the previous five years been a partner in a partnership at the time of any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

(f) has at any time in the previous five years had any of his or her assets the subject of receivership or has been a partner of a partnership at the time of any assets thereof being the subject of the receivership; or

(h) has at any time in the previous five years been subject to any official public criticism, incrimination and/or sanction by any statutory body or regulatory authority (including and designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conducting the affairs for any company.

7.4 As at 20 September 2013 (being the latest practicable date prior to the publication of this document): (i) the interests of the Directors and the Proposed Directors, and persons connected with the Directors or the Proposed Directors in the share capital of the Company, such interests being those which could with reasonable diligence be ascertained by the Directors, whether or not held through another party; and (ii) the number of shares held under option by the Directors under the Share Schemes were, and are expected to be, immediately following Admission as follows:

(a) **Shares**

| *Name of Director* | *Number of Existing Ordinary Shares at the date of this document* | *Per cent. of Existing Ordinary Shares held at the date of this document* | *Number of Ordinary Shares held immediately following Admission* | *Per cent. of Ordinary Shares held immediately following Admission* |
|---|---|---|---|---|
| Alistair Taylor | 6,600 | 0.095 | 6,600 | 0.044 |
| Tim Sharpington | 2,400 | 0.035 | 2,400 | 0.016 |
| Roger Hickling | 2,400 | 0.035 | 2,400 | 0.016 |
| Peter Blower | 3,873 | 0.056 | 3,873 | 0.026 |
| Dr. Ian Tulloch | — | — | — | — |
| Dr. Andy Richards | — | — | — | — |
| Professor Derek Hill | — | — | 463,169 | 3.004 |
| Charles Spicer | — | — | — | — |
| John Bradshaw | — | — | — | — |
| Maina Bhaman[(1)] | — | — | 1,722,273 | 11.518 |

(1) Interest in Enlarged Issued Share Capital due to her employment at Imperial Innovations Group plc.

(b) **Share options**

(i) *Share Options in Phytopharm*

The following Directors and Proposed Directors will have interests in the Ordinary Shares of the Enlarged Group under the Phytopharm Share Option Scheme 2007 conditional upon Admission:

| *Name of Director* | *Date of Grant* | *No. of Existing Ordinary Shares under option* | *Exercise price (pence)* | *Date from which exercisable* | *Expiry date* | *Share Scheme* |
|---|---|---|---|---|---|---|
| Tim Sharpington | 17/12/2010 | 15,015 | 367.5 | 17/12/2013 | 16/12/2020 | Share Option Plan |
| | 24/11/2011 | 17,739 | 326.25 | 24/11/2014 | 23/11/2021 | Share Option Plan |
| Roger Hickling | 17/12/2010 | 10,246 | 367.5 | 17/12/2013 | 16/12/2020 | Share Option Plan |
| | 24/11/2011 | 12,260 | 326.25 | 24/11/2014 | 23/11/2021 | Share Option Plan |

All unvested share options set out above will be cancelled on Admission.

(ii) *Share Options in IXICO*

The following Proposed Directors will have interests in the Ordinary Shares of the Enlarged Group under the retained IXICO unapproved share option scheme. Pursuant to a deed of variation to the original terms of the options, described under material contracts in Part VI below, they have a period of two years from Completion in which to exercise these options or the options will lapse. On exercise the Proposed Directors are entitled to shares in IXICO which may then be exchanged for shares in the Company at the same price per share as the Acquisition:

| *Name* | *Date of Grant* | *Number of existing IXICO shares under option* | *Exercise price (pence)* | *Number of Ordinary Shares to be issued for each IXICO share following exercise* | *Expiry date* |
|---|---|---|---|---|---|
| Professor Derek Hill | 21/4/2005 | 1,900 | 1 | 15.67 | 21/4/2015 |
| Dr. Andrew Richards | 30/9/2011 | 3,300 | 600 | 15.67 | 30/9/2021 |
| | 28/3/2013 | 6,670 | 300 | 15.67 | 28/3/2023 |

7.5 Save as disclosed in paragraph 7.4 of this Part VI, none of the Directors or the Proposed Directors, nor any person connected with them, has any interest in the share capital of Phytopharm or any of its subsidiaries or associated undertakings.

7.6 No Director or Proposed Director has any potential conflicts of interest between their duties to the Company and their private interests or their other duties.

**8. DIRECTORS' SERVICE CONTRACTS**

8.1 The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to each Director by the Group for all services in all capacities to

the Group in respect of the financial year ended 30 September 2012, together with total amounts set aside or accrued by the Group to provide pension, retirement or similar benefits to each Director, were as follows:

| *Name* | *Remuneration and Benefits in kind* £ | *Pension Benefits* £ |
|---|---|---|
| **Executive** | | |
| Tim Sharpington | 240,887 | 24,000 |
| Roger Hickling | 152,726 | 16,208 |
| **Non-Executive** | | |
| Alistair Taylor | 43,125 | — |
| Dr. Peter Blower | 31,990 | — |
| Alexander Morrison[(1)] | 15,810 | — |
| Dr. Ian Tulloch[(2)] | 21,167 | — |

(1) To 27 March 2012.

(2) From 2 February 2012.

8.2 The details of the Directors service contracts or letters of appointment, all of which are between each individual Director and Phytopharm are as follows. Save as disclosed below, none of the Directors' service contracts have been amended during the past six months:

(a) **Executive Directors**

Mr. Tim Sharpington is Chief Executive Officer and entered into a service agreement with Phytopharm on 18 June 2010 which took effect on 6 July 2010. Mr. Sharpington is currently receiving a salary of £228,540 per annum. His salary is exclusive of any bonus award, pension contribution or share option grant which may be made by the Board from time to time and inclusive of any fees payable to him as a director or other officer of Phytopharm or the Group. The service agreement provides that his salary shall be variable upwards by a decision of the Board, based on the recommendation of the Remuneration Committee, and a salary review takes place at least annually. The agreement has no fixed term and is terminable by mutual agreement between the parties at any time or by either party giving to each other not less than 12 calendar months' notice in writing. As Mr. Sharpington is not on a fixed term service agreement, if his employment terminates, he is entitled to be given notice as set out above and he will be entitled to receive any salary or benefits for the duration of the notice period. This notice period was increased from six to 12 months with effect from 1 January 2013.

Under his service agreement, Mr. Sharpington is currently paid a non-pensionable cash car allowance of £11,840 per annum and he is entitled to 25 days' paid holiday per year or such longer holidays as shall from time to time be agreed by the Board in addition to bank or public holidays. In the event that Mr. Sharpington is prevented by illness or other incapacity from performing his duties he is entitled to receive his full salary for the first two weeks of incapacity per year during his first two years of services rising to six weeks of incapacity after eight weeks per year after five years continuous service. The service agreement provides that Mr. Sharpington is entitled to receive a total contribution by Phytopharm into appropriate pension schemes at a rate of 12.5 per cent. of basic salary, variable upwards upon a decision of the Board, based on the recommendation of the Remuneration Committee. The agreement contains a confidentiality provision which has effect during employment and after the termination of employment. Phytopharm may in its absolute discretion award to Mr. Sharpington a non-pensionable cash bonus or bonus awarded in shares dependent upon the overall

satisfactory performance of the Group and the achievement of personal targets, as determined by the Remuneration Committee and approved by the Board.

Mr. Roger Hickling is the Research and Development Director of Phytopharm and entered into a service agreement with Phytopharm on 15 January 2010. His service agreement is identical in all material respects to that of Mr. Sharpington with the exception that Mr. Hickling receives a salary of £140,742 and a non-pensionable cash car allowance of £8,386 (for working four out of five Business Days per week under normal circumstances). Phytopharm may in its absolute discretion award to Mr. Hickling a non-pensionable cash bonus or bonus awarded in shares dependent upon the overall satisfactory performance of the Group and the achievement of personal targets, as determined by the Remuneration Committee and approved by the Board.

(b) **Proposed Directors**

Professor Derek Hill will be Chief Executive Officer and entered into a service agreement with Phytopharm on 20 September 2013 which takes effect on Admission. Professor Hill will receive a salary of £160,000 per annum. His salary is exclusive of any bonus award, pension contribution or share option grant which may be made by the Board from time to time and inclusive of any fees payable to him as a director or other officer of Phytopharm or the Group. The service agreement provides that his salary shall be variable upwards by a decision of the Board, based on the recommendation of the Remuneration Committee, and a salary review takes place at least annually. The agreement has no fixed term and is terminable by mutual agreement between the parties at any time or by either party giving to each other not less than 12 calendar months' notice in writing. As Professor Hill is not on a fixed term service agreement, if his employment terminates, he is entitled to be given notice as set out above and he will be entitled to receive any salary or benefits for the duration of the notice period.

Under his service agreement, Professor Hill will be entitled to 28 days' paid holiday per year or such longer holidays as shall from time to time be agreed by the Board in addition to bank or public holidays. In the event that Professor Hill is prevented by illness or other incapacity from performing his duties he is entitled to receive his full salary for 20 days and entitled to receive half his full salary for a further 20 days (whether consecutive or not) in any period of 12 months. The service agreement provides that Professor Hill is entitled to receive a total contribution by Phytopharm into appropriate pension schemes at a rate of 8 per cent. of basic salary, variable upwards upon a decision of the Board, based on the recommendation of the Remuneration Committee. The agreement contains a confidentiality provision which has effect during employment and after the termination of employment. Phytopharm may in its absolute discretion award to Professor Hill a non-pensionable cash bonus or bonus awarded in shares dependent upon the overall satisfactory performance of the Group and the achievement of personal targets, as determined by the Remuneration Committee and approved by the Board.

Charles Spicer will be Vice President of Corporate Development of Phytopharm and entered into a service agreement with Phytopharm on 20 September 2013 which takes effect on Admission. His service agreement is identical in all material respects to that of Professor Hill with the exception that he will receive a salary of £75,000 (for working two and a half out of five business days per week under normal circumstances) and is entitled to 14 days' paid holiday per year or such longer holiday, as shall from time to time be agreed by the Board in addition to bank holidays. Phytopharm may in its absolute discretion award to Mr. Spicer a non-pensionable cash bonus or bonus awarded in shares dependent upon the overall

satisfactory performance of the Group and the achievement of personal targets, as determined by the Remuneration Committee and approved by the Board.

(c) **Non-Executive Directors**

The Non-Executive Directors are appointed under the terms in their letters of appointment dated 21 May 2013 with a provision for termination subject to three months notice. In addition, the agreements provide for termination if the relevant Non-Executive Director is removed from office as a director by resolution of Shareholders or if, having retired from office as a Director of the Company at any annual general meeting, he is not re-elected to such office at that meeting. Mr. Alistair Taylor is entitled to a fee at the rate of £46,632 (exclusive of VAT) per annum and Dr. Peter Blower and Dr. Ian Tulloch are each entitled to a fee at the rate of £34,304 (exclusive of VAT) per annum. Each letter of appointment contains confidentiality provisions.

(d) **Proposed Non-Executive Directors**

The Proposed Non-Executive Directors are appointed under the terms in their letters of appointment dated 20 September 2013 which take effect from Admission with a provision for termination subject to three months' notice. In addition, the agreements provide for termination if the relevant Non-Executive Director is removed from office as a director by resolution of Shareholders or if, having retired from office as a Director of the Company at any annual general meeting, he is not re-elected to such office at that meeting. Dr. Andrew Richards is entitled to a fee at the rate of £42,500 (exclusive of VAT) per annum and Tim Sharpington and John Bradshaw are each entitled to a fee at the rate of £22,500 (exclusive of VAT) per annum. Each letter of appointment contains confidentiality provisions.

(e) **Indemnity arrangements**

The Group has entered into qualifying third party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act.

## 9. SUBSTANTIAL SHAREHOLDINGS

9.1 As at 20 September (being the latest practicable date prior to the publication of this document) in so far as is known to Phytopharm, the following person(s) were, directly or indirectly, interested in 3 per cent. or more of the existing issued Ordinary Share Capital of Phytopharm.

| *Shareholder* | *Number of Existing Ordinary Shares held* | *Percentage of Existing Ordinary Shares held* | *Number of Ordinary Shares held immediately following Admission* | *Percentage of Ordinary Shares held immediately following Admission* |
|---|---|---|---|---|
| Invesco Asset Management Limited | 3,910,542 | 56.36 | 3,910,542 | 26.15 |
| Miton Capital Limited | 449,195 | 6.47 | 449,195 | 3.00 |
| Klaus Hebben | 301,649 | 4.35 | 301,649 | 2.02 |
| Imperial Innovations Group plc | — | — | 1,722,273 | 11.52 |
| Capital Number 1 Fund | — | — | 873,785 | 5.84 |
| Hardsteel Limited | — | — | 847,148 | 5.49 |
| Marcus Sarner | — | — | 626,159 | 4.19 |
| Professor Derek Hill | — | — | 463,169 | 3.00 |

The Company's substantial shareholders do not have any different voting rights than the holders of Ordinary Shares. On 31 December 2009 the Company entered into a relationship agreement with IAML pursuant to which IAML has undertaken to the Company that, for so

long as it owns (directly or indirectly) or is interested in (directly or indirectly) 30 per cent. or more of the issued ordinary share capital of the Company, it shall (and shall procure that each of its associates shall) exercise its voting rights so as to procure, insofar as it is liable to do so by the exercise of those rights, that:

(a) the Company is capable at all times of carrying on its business independently of IAML and its associates, including by procuring that no variations are made to the Company's Articles that would be contrary to the Company's ability to carry on its business independently of IAML and its associates;

(b) all transactions, agreements and arrangements with any member of the Group and IAML and its associates are conducted on arm's length terms and on a normal commercial basis; and

(c) any dealing or dispute between IAML or its associates and any member of the Group is dealt with by a committee comprising only of independent Directors.

Under the terms of the agreement, the Company and IAML agree that transactions, arrangements and agreements between any member of the Group and IAML or its associates, including amendments, terminations, enforcements and releases thereto, are subject to the prior approval of a majority of independent directors.

9.2 As part of the Acquisition, Imperial Innovations has agreed to increase its shareholding in the Company prior to Admission through the acquisition of 231,118 New Ordinary Shares held by employees of IXICO following the exercise of EMI Options held by such employees. On Admission, Imperial Innovations will hold 11.52 per cent. of the Company's Enlarged Issued Share Capital.

9.3 Save as disclosed in paragraph 9.1 of this Part VI, the Directors are not aware of any person who as at 20 September 2013 (being the latest practicable date prior to the publication of his document), directly or indirectly, has an interest in Existing Ordinary Shares which represents 3 per cent. or more of Phytopharm's issued ordinary share capital

9.4 Phytopharm is not aware, as at 20 September 2013 (being the latest practicable date prior to the publication of his document): (i) of any persons who, directly or indirectly, jointly or severally, exercise, or could exercise, control over Phytopharm; or (ii) of any arrangements or measures, the operation of which may at a subsequent time result in a change of control of Phytopharm.

9.5 The voting rights of Phytopharm's major shareholders (as detailed at paragraph 9.1 of this Part VI) do not differ from the voting rights enjoyed by any other holder of Existing Ordinary Shares.

9.6 Apart from the relationship agreement with IAML which is summarised in paragraph 9.1 of this Part VI, as far as the Directors and the Proposed Directors are aware, there have been and are currently no agreements or other arrangements between the Company and individuals or entities that may be deemed to be related parties in the last three financial years preceding the date of this document and up to the date of this document.

## 10. ADVISER AGREEMENT

On 5 August 2013 the Company entered into an agreement with Peel Hunt in relation to the proposed cancellation of the Company's premium listing on the Official List and admission to AIM and proposed reverse takeover of the Target. Peel Hunt has agreed act as the Company's nominated adviser in accordance with the London Stock Exchange's AIM Rules for Companies and AIM Rules for Nominated Advisers and to assist the Company in the co-ordination of the acquisition of the Target. The Company has agreed to pay Peel Hunt a corporate finance fee not to exceed £150,000 in connection with the engagement which will be payable in stages upon the Company's admission to AIM and on the completion of the acquisition of the Target and an annual retainer fee.

## 11. INTRODUCTION AGREEMENT

Under the Introduction Agreement dated 20 September 2013, Peel Hunt has agreed (conditionally, *inter alia*, on the Acquisition and Admission taking place no later than 8.00 a.m. on 15 October 2013 or such later date as the Company and Peel Hunt may agree, being in any event not later than 8.00 a.m. on 24 October 2013) to act as Nominated Adviser and Broker to the Company in connection with Admission.

The Introduction Agreement contains representations, warranties and indemnities given by the Company and warranties given by the Proposed Directors as to the accuracy of the information contained in this Document and other matters relating to the Company, IXICO and their respective businesses. Peel Hunt are entitled to terminate the Introduction Agreement in certain specified circumstances prior to Admission.

## 12. MATERIAL CONTRACTS

12.1 The following contracts are: (i) the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this document by members of the Group; and (ii) the contracts (not being contracts entered into in the ordinary course of business) entered into at any time by members of the Group which contain provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document.

(a) The share purchase agreement ("Acquisition Agreement") dated 20 September 2013 between the Company and IXICO relating to the acquisition by the Company of the entire issued share capital of IXICO for to be satisfied by the proposed issue of 8,479,753 New Ordinary Shares.

The Acquisition Agreement is conditional, *inter alia*, upon the passing of the Resolutions at the General Meeting and Admission. Pursuant to the Acquisition Agreement, the Company has the right to rescind the Acquisition Agreement if a material adverse change occurs in relation to the business of IXICO prior to Admission. IXICO also has a similar right should there be a material adverse change in the Company prior to Admission.

The Acquisition Agreement also contains certain warranties from the Warrantors on the business of IXICO.

(b) The Introduction Agreement with Peel Hunt which is summarised in paragraph 11 of this Part VI.

(c) The deed of variation dated 20 September 2013 between IXICO and all the unapproved option holders pursuant to which the period in which such holders can exercise their options following the Acquisition was extended from six months to two years from Completion. At the same time, the Company issued a letter to each such option holder committing to exchange all the shares in IXICO arising from the exercise of such option(s) for Ordinary Shares at the Acquisition price and the holders granted the Company the right to acquire the shares in IXICO on the same terms.

12.2 The following contracts are: (i) the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this document by members of IXICO; and (ii) the contracts (not being contracts entered into in the ordinary course of business) entered into at any time by members of IXICO which contain provisions under which IXICO has an obligation or entitlement which is or may be material to IXICO as at the date of this document.

The supplementary deed of variation to the loan note instrument ("Deed of Variation") dated 13 June 2013 executed by IXICO relating to the variation of the loan note instrument ("Loan Note Instrument") dated 14 June 2010 executed by the IXICO.

Pursuant to the terms of the Loan Note Instrument, IXICO is permitted to amend the terms of the Loan Note Instrument provided that the noteholders consent to such amendments. The consent of the noteholders was obtained by way of extraordinary resolution of the noteholders at a noteholder meeting on 13 June 2013.

The Deed of Variation made the following amendments, *inter alia*, to the Loan Note Instrument:

(i) the right of any and all noteholders to demand redemption or conversion was suspended from 14 June 2013 until the earlier of: (a) 30 September 2013; and (b) the date, on or following 14 June 2013, that IXICO notified noteholders that the Acquisition was no longer contemplated; and

(ii) all outstanding loan notes shall automatically convert into ordinary shares of IXICO upon execution of an agreement to effect a sale under which a third party purchaser agrees to purchase all of the ordinary shares of IXICO on terms which have been approved by the directors of IXICO.

On 20 September 2013, IXICO settled the convertible loan note described in note pursuant to which the entire outstanding balance of the convertible loan was converted into 126,131 ordinary shares of IXICO.

12.3 **Irrevocable undertakings**

A letter of undertaking dated 20 September 2013 from IAML, which as at the date of this document directly or indirectly controls 3,910,452 Existing Ordinary Shares (which represents 56.4 per cent. of the issued share capital of the Company), pursuant to which IAML has undertaken to the Company that it will vote in favour of the Resolutions to the extent it is permitted by law to do so.

## 13. SHARE SCHEMES

The Group currently operates three employee share plans under which options and awards in respect of Existing Ordinary Shares may be granted; the Share Option Plan, the LTIP and the SIP Plan.

The Group also granted share options under the Directors Reward Plan to recognise the input of the Non-Executive Directors to the success of the Group in 2009. On 21 May 2013, the Board of Phytopharm plc agreed to cancel all outstanding share options granted under the Directors Reward Plan and this Scheme will be cancelled on Admission.

There are currently no options outstanding under the LTIP and this scheme will be cancelled on Admission.

The total number of unissued Existing Ordinary Shares in the capital of the Company which may be placed under option on any day under the Share Option Plan, the LTIP and the Directors Reward Plan 2010 may not exceed, when added to the aggregate number of shares that have been or may be issued pursuant to rights granted in the previous 10 years under the Share Option Plan, the LTIP, the SIP Plan and any other employees' share plan adopted by the Group since September 2003, 10 per cent. of the issued ordinary share capital of the Company immediately prior to that day.

13.1 **Share Option Plan**

As at 20 September 2013 (being the latest practicable date prior to the publication of this document) there were 81,020 Existing Ordinary Shares subject to options under the Share Option Plan and immediately prior to Admission, all unvested share options will be cancelled save 255 options which have vested.

(a) ***Eligibility***

Employees and executive directors of the Company and any subsidiary are eligible to participate in the Share Option Plan.

(b) ***Operation***

The Share Option Plan may be operated by the Board or by a duly authorised committee. In practice, it is operated by the independent Remuneration Committee, which is particularly responsible for setting grant levels and terms for directors.

(c) ***Grant of options***

The Board may select participants in the Share Option Plan from eligible employees and directors. The Board may grant Options that are unapproved for HMRC purposes ("Unapproved Options") or options that are intended to qualify for favourable tax treatment as enterprise management incentive options ("EMI Options"). Unapproved Options are granted by resolution of the Board and the Board will issue an option certificate to each optionholder with details of their options. EMI Options are granted by the execution of an agreement by both the Company and the optionholder following which the optionholder will be issued with an option certificate.

(d) ***Exercise price***

The exercise price of all options shall be the greater of:

(i) the mid-market price of a share on the business day immediately preceding the date of grant or, if the Board so decides, the average of the mid-market prices of a share on the three preceding business days; and

(ii) 50 pence.

(e) ***Individual limits***

A participant may not be granted an option where this would cause the value of the shares placed under option for him in any year to exceed a multiple of four times his salary.

(f) ***Vesting***

Options granted will be exercisable from the third anniversary of grant, subject to satisfaction of any applicable performance conditions.

(g) ***Performance conditions***

The Share Option Plan has a facility to impose performance conditions.

The performance conditions for Existing Share Options are imposed based on the Company's Total Shareholder Return ("TSR") i.e. the change in the Company's capital value over the performance period, plus dividends, expressed as a percentage of the Opening value), which is required to exceed the median return from the FTSE SmallCap Index (the "Index"). Performance conditions may be changed or waived if anything happens which causes the Board reasonably to consider that the existing conditions should be waived or that the changed conditions would be a fairer measure of performance and no more difficult to satisfy than the existing conditions.

The Board intends to continue to motivate Executive Directors and employees though the grant of share options under the existing schemes, as would be usual for a company of this nature. Vesting performance criteria will be set by the remuneration committee, based on absolute share price performance coupled with specific criteria for business growth and the achievement of strategic partnerships and transactions.

(h) ***Takeover***

The Board (as constituted prior to the change of control) has discretion as to whether to provide for forced rollover (i.e. the exchange of options for options over shares in the acquiring company, subject to the agreement of the acquiring company), cash cancellation, accelerated vesting or exercise of the vested options only.

(i) ***Variation in share capital***

In the event of a variation in the Company's share capital, the Board may, in its absolute discretion, determine that either: (i) optionholders may be treated for the purposes of the variation as ordinary shareholders in the Company; or that (ii) options will be adjusted in such manner as the Board may, in its absolute discretion, determine.

(j) ***Termination of employment – bad leaver***

A bad leaver is someone who ceases to be an employee or director because he has resigned or because his employer has terminated his employment for gross misconduct or other repudiatory breach of contract. Subject to the discretion referred to below, all options of bad leavers will lapse on the earlier of the employee resigning and cessation of employment/office.

(k) ***Termination of employment – good leaver***

A good leaver is someone who is not a bad leaver. Good leavers will be entitled to exercise a proportionate part of their options depending on the time elapsed since grant and relative satisfaction of any applicable performance condition within a period of 12 months after cessation of employment. Other options will lapse.

(l) ***Discretion***

The Board has discretion to allow exercise of a bad leaver's vested options and to decide to what extent they may be exercised and, in the case of a good leaver, to specify a higher proportion that may be exercised.

(m) ***Lapse***

Options which have not previously lapsed or been exercised will lapse automatically on the tenth anniversary of grant.

(n) ***EMI Sub-plan***

A sub-plan is annexed to the 2007 Option Plan under which the Board may grant EMI Options. This sub-plan contains the necessary amendments and additions, including the applicable limited and working time requirements to comply with legislation.

13.2 **Long Term Incentive Plan**

As at 20 September 2013 (being the latest practicable date prior to the publication of this document), there were no Existing Ordinary Shares subject to options under the LTIP and this plan is now closed.

13.3 **Share Incentive Plan**

This plan has been approved by HMRC. The SIP Plan offers two ways to provide Ordinary Shares to directors and employees – partnership shares and matching shares. The SIP Plan contains both elements and the Board may decide which, if either, should be implemented. The SIP Plan operates in conjunction with a trust which will hold the shares on behalf of participants.

(a) ***Eligibility***

All UK based employees and full-time executive directors of the Company and any designated subsidiaries may be eligible to join the SIP Plan. The Board may set a qualifying period of continuous employment which must not exceed 18 months.

(b) ***Partnership shares***

Employees and directors may be entitle to the opportunity to purchase shares out of monthly contributions taken from their pre-tax salary of up to the maximum set by the legislation (currently £1,500.00 in each tax year, or 10 per cent. of salary if less). Employees and directors can stop making contributions at any time. The employees

and directors contributions may be used to buy partnership shares immediately or, at the discretion of the Board, accumulated for up to 12 months before they are used to buy shares. Where they are accumulated, the price at which they are acquired is the lesser of the price at the beginning of the accumulation period and at the end of that accumulation period. Partnership shares can be withdrawn from the SIP Plan by the participant at any time, but there will be an income tax liability of the shares are withdrawn before five years.

(c) ***Matching shares***

The SIP Plan provides that where employees and directors buy partnership shares, the Board may award matching shares free of charge to the employee or director on a basis up to one matching share for each partnership share. Any matching shares must be offered on the same basis to each participant.

Matching shares must generally be held in trust for a minimum of three years and will be free from income tax if held for five years.

The Board may decide that if a participant withdraws his partnership shares from trust within three years from purchase, the linked matching shares will be forfeited. In addition, the Board may decide that if the participant ceases to be employed within three years (or within such shorter period as the Board may decide) other than for a specified reason such as retirement, redundancy or disability, the matching shares will be forfeited.

(d) ***Voting rights***

Participants may direct the trustees how to exercise the voting rights attributable to shares held in their behalf, the trustees will not exercise the voting rights unless they receive the participants instructions.

13.4 **Directors Reward Plan**

As at 20 September 2013 (being the latest practicable date prior to the publication of this document), there were no Existing Ordinary Shares subject to options under the Directors Reward Plan and this plan is now closed.

## 14. UK TAXATION

The following paragraphs are intended as a general guide only and are based on current United Kingdom tax law and published HMRC practice as at the date of this document both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of UK taxation treatment of the holders of Existing Ordinary Shares and apply only to Shareholders who own their Existing Ordinary Shares beneficially as an investment and who are resident of the UK for tax purposes. Certain categories of Shareholders, such as traders, broker-dealers, insurance companies and collective investment schemes, and Shareholders who have (or are deemed to have) acquired their Existing Ordinary Shares by virtue of an office or employment, may be subject to special rules and this summary does not apply to such Shareholders. Any person who is in any doubt about his own tax position, or is subject to taxation in a jurisdiction other than the UK, should consult an appropriate independent professional adviser.

(a) ***Disposal of Ordinary Shares***

A disposal of Ordinary Shares by a Shareholder may, depending on the Shareholder's particular circumstances, and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

(b) ***Taxation of dividends***

The Company is not required to withhold tax at source when paying a dividend.

A Shareholder who is an individual resident in the UK for tax purposes and who receives a dividend from the Company will generally be entitled to a tax credit which such Shareholder may set off against his total income tax liability on the dividend. The tax credit will be equivalent to 10 per cent. of the aggregate of the dividend and the tax credit (the gross dividend), which is also equal to one-ninth of the dividend paid. A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax in respect of the gross dividend. A UK resident individual Shareholder who is liable to income tax at the higher rate will be subject to income tax at the rate applicable to dividends for such Shareholders (currently 32.5 per cent.) on the gross dividend. After taking into account the 10 per cent. tax credit such Shareholders will have to account for additional income tax equal to 22.5 per cent. of the gross dividend (equivalent to 25 per cent. of the dividends paid). Generally, a UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to repayment of the tax credit.

Dividends received by an individual resident in the UK for tax purposes whose taxable income is over £150,000, will be taxed at an increased rate of 37.5 per cent. on the dividend plus the tax credit (equivalent to 30.5 per cent. of the dividends paid).

UK resident tax payers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by Phytopharm.

UK resident corporate Shareholders will generally not be subject to tax on dividends paid by Phytopharm. Those Shareholders will generally not be able to claim repayment of tax credits attaching to dividends.

## 15. LITIGATION

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have for have had during the 12 months preceding the date of this document a significant effect on the Group's financial position or profitability.

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which IXICO is aware) which may have for have had during the 12 months preceding the date of this document a significant effect on IXICO's financial position or profitability.

## 16. CONSENTS

Peel Hunt has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and in the context in which they appear. Chantrey Vellacott DFK LLP has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and in the context in which they appear.

## 17. ORDERLY MARKET ARRANGEMENTS

IXICO's existing shareholders are only entitled to sell, transfer or otherwise dispose of the New Ordinary Shares held by that shareholder during a period of 18 months following admission provided that the holder of the New Ordinary Shares notifies the Enlarged Group in advance and any such sale, transfer or disposal takes place through the Enlarged Group's broker.

## 18. GENERAL

18.1 There has been no significant change in the financial or trading position of Phytopharm since 31 March 2013, being the date of the Group's latest unaudited financial statements, incorporated by reference in Part IV of this document.

There has been no significant change in the financial or trading position of IXICO since 31 May 2013, being the date of the IXICO's latest audited financial information in Part V of this document.

18.2 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with the Company) has:

(a) received, directly or indirectly from the Company, within the 12 months preceding the Company's application for Admission; or

(b) entered into any contractual arrangement (not otherwise disclosed in this document), to receive, directly or indirectly, from the Company and IXICO on or after Admission, any of the following:

(i) fees totalling £10,000 or more;

(ii) securities in the Company with a value of £10,000 or more calculated by reference to the Company's share price immediately prior to the Existing Ordinary Shares being suspended from trading; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

18.3 Save as disclosed in this document or below, no person (other than a professional adviser referred to in this document or trade suppliers dealing with IXICO) has:

(a) received, directly or indirectly from IXICO, within the 12 months preceding IXICO's application for Admission; or

(b) entered into any contractual arrangement (not otherwise disclosed in this document), to receive, directly or indirectly, IXICO on or after Admission, any of the following:

(i) fees totalling £10,000 or more;

(ii) securities in the Company with a value of £10,000; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

The following have received, directly or indirectly fees totalling £10,000 or more:

(i) Charles Spicer Consulting (Charles Spicer) £22,092 (including VAT)

(ii) Croggan Limited (Andy Richards) £38,797 (including VAT)

(iii) Imperial Innovations (several years' board fees re. Maina Bhaman) £49,417 (including VAT)

(iv) Medical Imaging Consultation Services (Mingxing prior to his employment) £23,899 (no VAT)

(v) Owen O'Daly (consultant) £11,100 (no VAT)

(vi) SR Partners (Steve Parr – consultant) £64,616 (including VAT)

(vii) YFM (board fees re Helen Reynolds) £15,537 (including VAT)

18.4 Phytopharm's accounts for the three financial years ended 30 September 2010, 30 September 2011 and 30 September 2012, upon which unqualified reports have been given, were audited by PricewaterhouseCoopers LLP, chartered accountants. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.

IXICO's accounts for the three financial years ended 31 May 2011, 31 May 2012 and 31 May 2013, upon which unqualified reports have been given, were audited by Chantrey Vellacott

DFK LLP, chartered accountants. Chantrey Vellacott DFK LLP is a member of the Institute of Chartered Accountants in England and Wales.

18.5 The financial information contained in Part IV of this document does not constitute statutory accounts within the meaning of the Companies Act.

18.6 The estimated amount of the expenses of the Acquisition and Admission which are payable by the Enlarged Group are approximately £0.7 million (excluding VAT).

18.7 The Directors and the Proposed Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least twelve months from the date of Admission.

18.8 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company and IXICO is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

18.9 With effect from Admission the Enlarged Group will maintain a website containing all the information required by AIM Rule 26 at www.ixico.com

18.10 The International Security Identification Number (ISIN) of the Ordinary Shares is GB00BCLY7L40.

18.11 Other than the intended Application for Admission, the New Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, not, except as stated below, are there any intended to be any other arrangements for dealings in the New Ordinary Shares.

## 19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on weekday (Saturdays, Sundays and public holidays will be excepted) up to the date of Admission at the Company's registered office, Lakeview House, 2 Lakeview Court, Ermine Business Park Huntingdon PE29 6UA:

(a) the Articles of Association of Phytopharm plc;

(b) the consent letters referred to in paragraph 16 of this Part VI;

(c) the Phytopharm Audited Financial Information for the years ended 30 September 2010, 30 September 2011 and 30 September 2012;

(d) the Phytopharm Unaudited Interim Financial Statements for the six months ended 31 March 2013;

(e) the Material Contracts;

(f) the irrevocable undertakings from the Directors and IAML; and

(g) this document.

## 20. AVAILABILITY OF DOCUMENT

Copies of this document are available to the public, free of charge, at the offices of Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET, during normal business hours on any weekday (excluding weekends and public holidays) for a period of one month from the date of Admission.

## NOTICE OF GENERAL MEETING

# Phytopharm plc

*(Incorporated and registered in England and Wales with registered number 3131723)*

Notice is hereby given that a General Meeting of Phytopharm plc (the "**Company**") will be held at the offices of FTI Consulting LLP, Holborn Gate, 26 Southampton Buildings, London WC21 1PB at 11.00 a.m. on 14 October 2013 for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 3 will be proposed as ordinary resolutions and Resolutions 4 to 5 will be proposed as special resolutions.

**ORDINARY RESOLUTIONS**

1. That, subject to and conditional upon the passing of Resolution 2 below, the acquisition by the Company of IXICO Limited (the "**Acquisition**"), on the terms and subject to the conditions of the share sale and purchase agreement dated 20 September 2013 as summarises in Part VI paragraph 12 of the Admission Document between, amongst others, the Company and certain of the shareholders of IXICO Limited and being a reverse takeover (as defined in the AIM Rules for Companies), be and is hereby approved, including for the purposes of rule 14 of the AIM Rules for Companies.

2. That, subject to and conditional upon the passing of Resolution 1 above, the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "**2006 Act**") to exercise any power of the Company to allot and grant rights to subscribe for shares of the Company comprising equity securities (as defined in the 2006 Act) up to a nominal amount of £4,239,877 as the Directors consider necessary in connection with the Acquisition, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or other matter, such authority to apply until the earlier of the conclusion of the Company's next annual general meeting and the close of business on 14 January 2015, unless previously renewed, varied or revoked by the Company, but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for shares under any such offer or agreement as if the authority had not ended.

3. That, subject to and conditional upon the passing of Resolutions 1 and 2 above, the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the 2006 Act to exercise any power of the Company to allot and grant rights to subscribe for or to convert securities into shares of the Company:

   (a) up to a maximum nominal amount of £2,492,073; and

   (b) comprising equity securities (as defined in the 2006 Act) up to a nominal amount of £4,984,146 including within such limit any shares and rights to subscribe for or convert any security into shares allotted under paragraph (a) above) in connection with an offer by way of a rights issue:

      (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

      (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares,

fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or other matter,

such authority to apply until the earlier of the conclusion of the Company's next annual general meeting and the close of business on 14 January 2015, unless previously renewed, varied or revoked by the Company, but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

**SPECIAL RESOLUTIONS**

4. That the name of the Company be changed to "IXICO plc".

5. That, subject to and conditional upon the passing of Resolution 3 above, the Directors be given power pursuant to Section 570 of the 2006 Act to allot equity securities (within the meaning of Section 560 of the 2006 Act) for cash under the authority granted by such resolution, and/or where the allotment is treated as an allotment of equity securities under Section 560(2)(b) of the 2006 Act as if Section 561(1) of the 2006 Act did not apply to any such allotment, such power to be limited:

   (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 3, by way of a rights issue only):

      (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing shareholdings; and

      (ii) to the holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary,

   and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or other matter; and

   (b) in the case of the authority granted under paragraph (a) of Resolution 3 and/or in the case of a transfer of treasury shares which is treated as an allotment of equity securities under Section 560(2)(b) of the 2006 Act, to the allotment (otherwise than under paragraph (a) of this Resolution) of equity securities up to a nominal amount of £747,622,

   such authority to expire at the conclusion of the next AGM or, if earlier, the close of business on 14 January 2015, unless previously renewed, varied or revoked by the Company, save that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

By order of the Board

**Zoe McGowan**
*Company Secretary*

23 September 2013

*Registered Office:*
Lakeview House
2 Lakeview Court
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6UA

**Notes**

1. Members entitled to attend and vote at the General Meeting are also entitled to appoint one or more proxies to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder which must be identified on the form of proxy. A proxy need to be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy.

2. A Form of Proxy is enclosed for use by members. To be valid it should be completed, signed and delivered (together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority) to the Company's registrars Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or submitted electronically via www.sharevote.co.uk (see note 13), not later than 48 hours, excluding non-working days, before the time appointed for holding the General Meeting or in the case of a poll taken subsequently to the date of the General Meeting or any adjourned meeting, not less than 24 hours before he time appointed for the taking of the poll or for holding the adjourned meeting. Shareholders who intend to appoint more than one proxy can obtain additional Forms of Proxy from Equiniti. Alternatively, the form provided may be photocopied prior to completion. The Forms of Proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made.

3. An abstention ("vote withheld") option has been included on the Form of Proxy. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions will however be counted and recorded, but disregarded in calculating the number of votes for or against each Resolution.

4. Any person to whom this notice is sent who is a person under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to execute it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

7. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a "CREST proxy appointment instruction") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ("Euroclear"), and must contain all the relevant information required by the CREST Manual. To be valid the message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by Equiniti Limited (ID RA19), as the Company's "issuer's agent", by 10.00 a.m. on 10 October 2013 (as such a message cannot be transmitted on weekends or on other days when the CREST system is closed). After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider, to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances the Company may, in accordance with Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid. The CREST Manual can be reviewed at www.euroclear.com.

8. CREST members and, where applicable, the sponsors or voting service provider(s), should note that CREST does not make available a special procedure in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of Proxy Instructions. It is the responsibility of the CREST members concerned to take (or of the CREST member is a CREST personal member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such sections as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and where applicable their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. Completion and return or submission electronically, of a Form of Proxy will not affect the right of such member to attend and vote in person at the meeting or any adjournment thereof.

11. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the register of members of the Company at 6.00 p.m. on 10 October 2013 will be entitled to attend or vote (whether in person or by proxy) at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00 p.m. on 10 October 2013 will be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting (as the case may be).

12. As at 20 September 2013 (being the last business day prior to the publication of this notice of meeting) the Company's issued share capital consisted of 6,938,034 Existing Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 September 2013 are 6,938,034.

13. Shareholders who prefer to register the appointment of their proxy electronically using the internet can do so at Equiniti's website at www.sharevote.co.uk where full instructions on the procedure are given. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use the services. Alternatively Shareholders who have already registered with Equiniti's online portfolio service Sharevote can appoint their proxy electronically by logging on to their portfolio and clicking on the link to vote. For an electronic proxy appointment to be valid, voting instructions must be received by Equiniti no later than 11.00 a.m. on 10 October 2013. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purpose other than those expressly stated.

14. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which the Company must cause to be answered. Information relating to the meeting which the Company is required by the Companies Act to publish on a website in advance of the meeting may be viewed at www.phytopharm.com.

15. In accordance with section 311a of the Companies Act, the contents of this notice of meeting, details of the total number of shares of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members statements. Members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.phytopharm.com.

**Linkway Financial Printers**
Typeset & Printed in London (UK) 16236