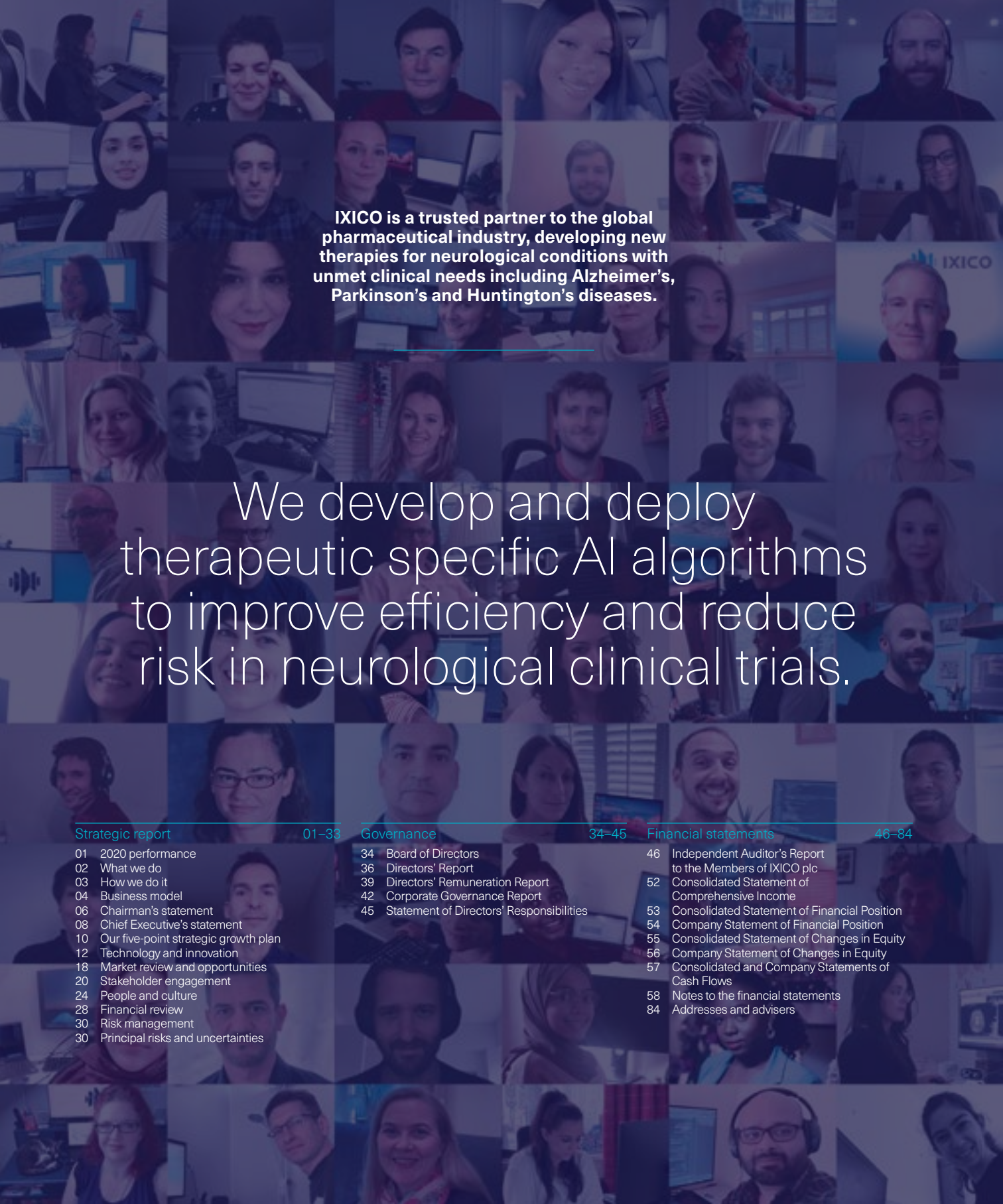
IXICO

Advanced analytics. Intelligent insights.

Advancing medicine and human health by turning data into clinically meaningful information

IXICO plc
Annual Report & Accounts 2020



IXICO is a trusted partner to the global pharmaceutical industry, developing new therapies for neurological conditions with unmet clinical needs including Alzheimer's, Parkinson's and Huntington's diseases.

We develop and deploy therapeutic specific AI algorithms to improve efficiency and reduce risk in neurological clinical trials.

Demonstrating resilience in a year of uncertainty

Revenue

£9.5m

+26% (2019: £7.6m)

Gross margin

66.6%

+120bps (2019: 65.4%)

EBITDA*

£1.3m

+£0.8m (2019: £0.5m)

Orderbook

£21.7m

+£5.8m (2019: £15.9m)

- Continued delivery of strategic objectives
- Increased FTE's from 61 to 78 in the year
- Secured largest multi-year contract to date, contributing an additional £10.5 million to the orderbook
- Net cash of £7.9 million at 30 September 2020, with operating cash inflows in the year of £1.5 million
- Strong closing balance sheet to support targeted investment programmes

Continued delivery of profitable growth

Despite the ongoing pandemic's impact on global clinical trial timelines, 2020 saw another year of significant growth for IXICO. With a record orderbook and clear investment programme the Group is well positioned for the year ahead.

Read more on pages 8 and 9

* Earnings before interest, tax, depreciation and amortisation

Advanced analytics.

Supporting our clients in their clinical decisions

Our specialist data analytics services and AI technologies are supporting some of the most important neurological clinical trials.

Intelligent insights.

Bringing safe and effective treatment to patients sooner

We are dedicated to enhancing insights in neuroscience. We measure specific imaging and digital biomarkers to enhance understanding of disease progression and the efficacy of drug candidates.

Find out more in our technology and innovation section on pages 12 to 17

How we do it

We help global biopharma clients to get more from their clinical development programmes through...

Early-phase clinical development

We have extensive experience in defining and delivering biomarker measurements in early-phase clinical development, in which rigorous patient safety screening runs hand-in-hand with flexibility around trial design and data analytics.

Late-phase clinical development

IXICO's global network of over 2,000 imaging sites and bespoke TrialTracker data management platform ensures that large-scale trials can be initiated quickly and efficiently to deliver data that is robust and regulatory compliant.

Our services

We provide essential services to biopharmaceutical companies engaged in drug development in neuroscience, providing analysis of medical image and wearable biosensor data generated in a clinical study. The outputs from our data analyses are used to improve patient selection, monitor safety and assess clinical efficacy of the drug being trialled, and to support post-marketing surveillance activities.

CLINICAL PROGRAMME DESIGN AND CONSULTATION
Drawing on our proven neuroscience expertise and experience, we enable our clients to optimise biomarker measurement.

SITE SETUP AND MANAGEMENT
We design and deploy harmonised image acquisition protocols across multiple international sites.

PROJECT MANAGEMENT
Our team ensures the efficient set-up and ongoing delivery of our services to clinical studies.

READING & ANALYSIS
We develop and deploy AI data analysis tools and neuroradiology reading workflows tailored to the study requirements.

DATA MANAGEMENT AND QUALITY CONTROL
Image and data quality are assessed through our proprietary digital platform, TrialTracker™.

REGULATORY PATHWAY
Our service supports deployment of imaging and digital biomarkers within a regulatory-compliant framework.

Business model

Our core assets

Our people

- We employ highly skilled people, the majority of whom are qualified to MSc or PhD level, combining core expertise in neuroscience, software engineering and image analysis.
- Our employees are equally able to work efficiently from their home offices or from our headquarters in London, UK.
- Our teams collaborate with a wide pool of expertise, including key opinion leaders, consultants, and academic partners.

Our technology

- Using our TrialTracker platform we gather and analyse data from medical images from clinical trial imaging centres to provide insights on neurological disease and symptom progression.
- We are investing in a next generation image upload and analysis platform to support scaling of the Group for the medium and long term. This will be the single biggest investment in IXICO's history and will establish the Group's ability to scale with anticipated demand over the years to come.
- Our imaging AI algorithms quantify changes to brain regions using medical scans and interpret both imaging and wearable biosensor data to measure disease-specific symptoms.

Our clients and collaborators

- Many of the world's leading biopharma companies choose IXICO as their imaging provider. Emerging biotechnology firms also engage IXICO to provide high-quality data analytics to support their early-phase clinical development programmes.
- We are members of several scientific consortia in imaging and wearable biosensors including major academic industry-funded studies such as AMYPAD, EPAD, ADNI, C-Path and FARA.

What we do

IXICO's purpose is to advance medicine and human health in neuroscience by converting raw clinical trial data into clinically meaningful information. We achieve this by providing advanced analytics to enable intelligent insights in neuroscience.

We innovate

Innovation plays a central role in our business model; our adaptive AI technology enables us to develop proprietary intelligent algorithms to support research in drug development. This enables our clients to benefit from new, deeper insights into a continually evolving suite of biomarkers.

We deploy

We support our clients by deploying our remote access technology-driven business model to provide objective measures of disease progression from clinical imaging and wearable biosensor data.

We deliver

Our suite of services spans the full life cycle of data management in clinical development, from initial imaging centre training and qualification for robust data capture through to final reporting and data archival. Our systems are compliant with FDA CFR 21 part 11 and our quality systems are certified to ISO13485, the industry standard for medical devices.

The value we create

For patients

- An objective and measurable component of assessing progress of drug development aimed at advancing medicine and human health across a broadening range of devastating neurological conditions.
- Access to new technologies such as our algorithms for wearable biosensors, which have the potential to reduce the burden of clinic visits for study participants and improve the reliability of the results obtained.

For clients and collaborators

- Faster, more efficient, drug development by applying proven imaging and digital biomarkers in their clinical programmes to improve the return on investment and reduce risk and uncertainty with clinical trials.
- Richer, deeper insights to determine the efficacy of new drugs in development.

For employees

- A meaningful purpose with the opportunity to work with impact on areas of acute, unmet clinical and societal need.
- A challenging and stimulating working environment that provides development opportunities via collaboration with key academic centres and supporting leading biopharmaceutical clients across the world.

For shareholders

- Societal benefit of supporting the efforts to bring new treatments to market for devastating neurological diseases.
- Access to the large and growing biopharmaceutical investment in R&D to address the unmet clinical needs of a global ageing population with a diversified risk profile.
- Continued value accretion opportunities from a profitable, well-capitalised technology company with a proven track record of delivery driven growth.

Continued growth and profitability

Charles Spicer
Non-Executive Chairman

I am delighted to report that IXICO has delivered 26% revenue growth and more than double the profitability compared to the prior year.

This strong achievement is on the back of three previous years of similar growth and underlines the effectiveness of the strategy being pursued by the Board and leadership team. This is particularly pleasing when considered in the context of the market challenges created by COVID-19.

Overview

IXICO is an Artificial Intelligence ('AI') data analytics company delivering intelligent insights in neuroscience.

Our purpose is to advance medicine and human health in neuroscience by converting raw clinical trial data into clinically meaningful information. Our data analytics services provide insights to improve the efficiency of biopharma clinical development. Through the deployment of novel AI algorithms, we analyse and interpret brain scans and wearable biosensor data to enable better trial design, patient selection and ultimately clinical outcomes across all phases of clinical evaluation.

In FY20, we have reported record revenue, sustained strong gross margins, and achieved over double the earnings before interest, tax, depreciation and amortisation ('EBITDA') as compared to the prior year.

Despite the challenging impact of COVID-19, the Group has a contracted order book at 30 September 2020 of £21.7 million, which is the highest year end order book in the Group's history. This comprises multi-year contracts which give visibility to future revenue and provide confidence that we enter the new financial year with a continued growth trajectory.

We close the year with a strong balance sheet which will underpin our continued investment in the business over the coming years. Our investment programme is designed to drive our ambitious growth plans for further international market penetration and achieve our full potential in the growing neuroscience market.

Governance and people

During the year, the Group rapidly leveraged its remote working business model to seamlessly adapt to the requirement for all employees to work from home. The success and speed of this transition reflected the alignment, accountability, and agility of the IXICO team. This rapid response to the COVID-19 lockdown measures, alongside close and continued communication with our clients, meant we were able to adapt our service offering to support the additional challenges faced by clinical trials and add additional value to our client programmes. On behalf of the Board, I would like to thank all of our employees who adapted so promptly and positively to remote working and pay particular tribute to our IT, HR and team leaders who helped make it all happen.

As in any successful, high-growth business, IXICO's future depends on its people. In the past 12 months we have invested significantly in our team, increasing our headcount by more than 20%, attracting new expertise into the Group whilst developing the talent already in position. We have worked hard to promote our values – Aspiration, Ability, Agility and Accountability – to augment our positive, motivated, and effective culture which aligns our team with our Group purpose.

The Board uses the ten principles outlined in the Quoted Companies Alliance ('QCA') Corporate Governance Code to ensure it maintains appropriate governance arrangements. The Board conducts itself in a manner which places IXICO's values and the QCA principles at the core of the Group's culture.

Board

During the year we have focused as a Board on the challenges of COVID-19. The impact on clinical trials has been significant with as much as a 40% reduction in new clinical trials starting in mid-2020 compared to 2019 (and of which 20% in 2020 are COVID-19 related).

The Board has worked closely with the leadership team to assess the impact of this as the pandemic continues and to ensure plans are in place to address both the short-term market slow down and expected medium and long-term rapid rebound in new clinical trials as delayed trials initiate.

At the 2021 Annual General Meeting ('AGM'), in accordance with the Company's Articles of Association, John Bradshaw and Mark Warne will stand for re-election, supported by the Board of Directors' recommendation.

Shareholders

The Group holds a stable and impressive list of leading institutions which have invested in the Company over the last three years and we would like to thank all our shareholders for their continued support and enthusiasm. As we reflect on 2020, it is also pleasing to note the continued recognition in the market of our commercially led growth strategy, and the effectiveness of this in delivering value to our clients.

Outlook

The impact of COVID-19 has been far-reaching, and the clinical trials market has not been immune, creating short-term delays to new clinical trial start ups. The Board therefore views the next financial year as an opportunity for the Group to focus on investing for a rapid initiation of clinical trials as the pandemic subsides, whilst continuing to grow. Effective investment at this time will position the Group well for continued high growth as more normal times resume.

—

Charles Spicer
Non-Executive Chairman
1 December 2020

The IXICO investment case

Trusted partner to the global pharmaceutical industry

Medical image technology company

- Pursuing a meaningful purpose with high societal impact and value
- A trusted partner to blue chip biopharma clients

Attractive neuroscience market

- Favourable macro trends, including ageing population and developments in scientific understanding of disease progression
- Large unmet medical need
- Growing biopharmaceutical R&D investments
- Increasing outsourcing requirements

Resilient business model

- 26% revenue growth despite COVID-19 uncertainties
- > doubling of EBITDA on prior year
- Strong balance sheet supports further scale-up investments

Healthy orderbook supporting growth

- Strong forward revenue visibility
- Supports sustained double-digit profitability

Strong team

- Leadership with a consistent record of delivering growth
- Highly skilled employee base to support further scientific research

1 RSM Lifesciences Industry outlook insight article, July 2020.

A year of growth that demonstrates the resilience of our business model

Giulio Cerroni
Chief Executive Officer

Despite the COVID-19 impacts upon global clinical trial timelines, 2020 has been another year of significant profitable growth.

Investments in data analytics service strategy delivering profitable growth
Our considerably strengthened contracted order book and the ability to deploy our technology across all clinical development phases means there are compelling incentives to continue investing in the scaling of our business to achieve our ambitious long-term growth goals.

Impactful purpose and highly differentiated proposition
IXICO's purpose is to provide new insights in neuroscience to improve medicine and human health by turning data into clinically meaningful information. With an ageing population and the number of people with dementia expected to increase significantly by 2050, the urgency to develop drugs that slow down or reverse the progression of these diseases is acute.

IXICO is built on a world-renowned bedrock of scientific expertise in interrogation of imaging data in neurological disease. This means that whenever a client speaks to someone at IXICO they are speaking to a neuroscience expert and this sets the Group apart from our commercial competitors.

Scientific expertise in neurological disease
IXICO is well positioned to address the increasing use of biomarkers in neurological clinical trials. This stems from our core capability to combine our deep neuroscience expertise with access to highly curated patient data from neurological disease-specific clinical trials and pipeline of algorithms designed to measure biomarkers in the brain.

Our market position benefits from participation in disease progression studies (natural history studies) and in private-public partnerships seeking to better understand neurological diseases. It is this in-house expertise and network of collaborations that has resulted in a unique and proprietary portfolio of proven software algorithms deployed to identify biomarkers associated with a diverse range of neurological diseases.

Proven underlying resilience of the technology business model

During 2020, we demonstrated the underlying resilience of our technology and ability to support our clients whilst operating remotely. We successfully transitioned to a remote working model in response to the pandemic, providing all employees with access to support and equipment to help them work effectively. Following a detailed review of the expected impact of COVID-19 on our business, focused on close co-operation with our clients, we had no requirement to furlough employees or seek any assistance from other financial support schemes implemented by the UK Government. We responded robustly to the challenges of COVID-19 such that the impact of the pandemic to client deliverables and to our 2020 financial performance was modest.

However, whilst our existing clinical trials have broadly continued as originally planned, several new trials anticipated to initiate during 2020 have not yet commenced, which is expected to create headwinds to revenue growth into 2021. Importantly these trials are not cancelled, rather they are simply delayed and we continue to work closely with our biopharmaceutical clients to ensure that, where trial start dates have been impacted, we are ready to initiate quickly when the pandemic abates.

Our forward-looking strategy of sustained and growing profitability

Recent focus on executing our commercially led growth strategy means that the business is benefiting from revenue-driven operational leverage, positive operating cashflows and a more than doubling of profitability to £1.3 million EBITDA in 2020 (2019: £0.5 million); further bolstering an already strong balance sheet.

The business has continued to build its order book, which at the 2020 year-end stood at a record £21.7 million (2019: £15.9 million). This provides strong forward revenue visibility and further underpins management's confidence to commit to a far-reaching investment programme to build long-term market leadership positions in our target markets.

Consequently, despite the challenging COVID-19 business environment, we look to the next year with cautious optimism and firm conviction for our medium and long-term prospects.

Whilst we anticipate COVID-19 will mean our growth across the next year will be more muted, our strong financial position and macro trends indicating a growing market opportunity mean we have the confidence to further accelerate our investment plans. This will include the investments outlined in the textbox below which are designed to further our penetration of existing and adjacent neurological disease indications, diversify and broaden our client base to address client concentration, build scale and improve efficiency to further strengthen our market position.

I sign off this year, as last year, in thanking all my colleagues at IXICO for another year of exceptional progress both operationally and financially. Our increasing market presence and sustained strong financial performance means we are more able to achieve our purpose of advancing medicine and human health in neurological disease. I look forward to 2021 being another year in which IXICO further develops its position as a globally trusted technology partner to the biopharmaceutical industry.

—

Giulio Cerroni
Chief Executive Officer
1 December 2020

FY21 – continued investment to achieve our strategic goals

Alliance management:

Investing to improve current and prospective client delivery

- Strategic leadership in rare neurological trials
- Further developing client relationships
- Initiating new scientific collaborations with Big Pharma
- Improving collaboration delivery and expanding business opportunities
- Focus on partnership and goal achievement across all alliances.

Next generation image capture and analysis platform:

Investing in the future, developing a platform aligned with the Group's growth potential

- Microsoft Azure cloud-based infrastructure using cutting-edge technology
- Extensible design framework to support future growth and expanded service offerings
- Improved imaging centre user interface and experience
- Further integrating the Group's data analytics algorithmic offering into the platform infrastructure
- Improving efficiency and scalability.

Growing our portfolio of intelligent AI algorithms:

Investing in our strategic programmes of AI capability development across neurological indications

- Developing our MRI analysis offering in AD; PSP and HD
- Developing our MRI analysis offering in adjacent indications: PD, MSA, FA and SCA
- Developing our PET analysis offering
- Developing our digital biomarker offering
- Developing our internal automation.

Process improvements led by a strengthened team:

Investing in continuous improvement

- A defined, carefully scoped programme of process and system improvements
- Training and people development to support a culture of continuous improvement
- Maintenance of validated systems and system developments
- Delivering increased efficiency, streamlined, simplified process flows and reductions in waste.

Our five-point strategic growth plan

Delivering on our strategic goals

Strategic goals

1 Delivering scale and operational excellence

As we win larger multi-year contracts, we continue to invest in our people and technology.

2 Continued penetration of the neuroscience clinical trials market

We have expanded our commercial footprint to drive demand. With investment in neuroscience development increasing, IXICO is well placed to capitalise on this growing market.

3 Target early-phase to grow into later clinical phases

We have demonstrated our ability to deliver value to our clients at all stages of clinical development.

2020 progress

- In response to the COVID-19 pandemic, the Group implemented remote working and invested in its technology infrastructure to ensure efficient communications with our clients and partners.
- We have hired employees to support both current demand and our future growth plans. During 2020, average full-time equivalents rose from 61 to 78.
- We invested in IT infrastructure to support faster turnaround times and further enhanced data and system security.
- We progressed our plans for our next generation image capture and analysis platform. This included building a team of development expertise to deliver this platform across 2021.

- In addition to significantly building our order book, we onboarded ten new studies, including our largest Phase III study to date, as announced in April 2020.
- We won new contracts in HD, cementing IXICO as the neuroimaging partner of choice for this rare neurological disease.
- We significantly enhanced the Group's commercial capabilities in hiring an experienced Chief Commercial Officer and enhanced our marketing capabilities.
- We appointed industry advisers at the end of 2020 with deep scientific neurological disease knowledge.

- Our remote-based model demonstrated our ability to support clients despite COVID-19. As a result, the impact on our 2020 financial performance has been modest.
- We received awards of several new studies across a range of therapeutic areas and encompassing a diverse client mix from top 10 pharma to emerging biotech.

2021 focus

- Continue to invest in our people and technology to further strengthen data analysis, site management and data management.
- Invest in an Alliance Management programme to align our focus even closer to that of our clients and partners.
- Establish a new long-term operating model incorporating the benefits experienced from remote working.
- Accelerate international expansion, with a particular focus on North America. Focus on expanding the portfolio of clients with whom we work.
- Single largest investment in the Group's history in delivering our next generation image capture and analysis platform by the end of the year.

- Accelerate conversion of our pipeline in target therapeutic indications such as AD, PD, HD and PSP.
- Invest in marketing and contract bid capabilities to increase our capacity and conversion rates within the sales lead to contract process.
- Further diversify and broaden our client base to reduce risk of reliance on key customer.

- Further scale up operational capabilities and be "restart" ready to support COVID-19 delayed trials.
- Enhance our scientific collaborations with both academic and industrial partners to ensure IXICO is at the forefront of scientific developments, increasing the numbers of early-phase CNS trials won.

Strategic goals

4

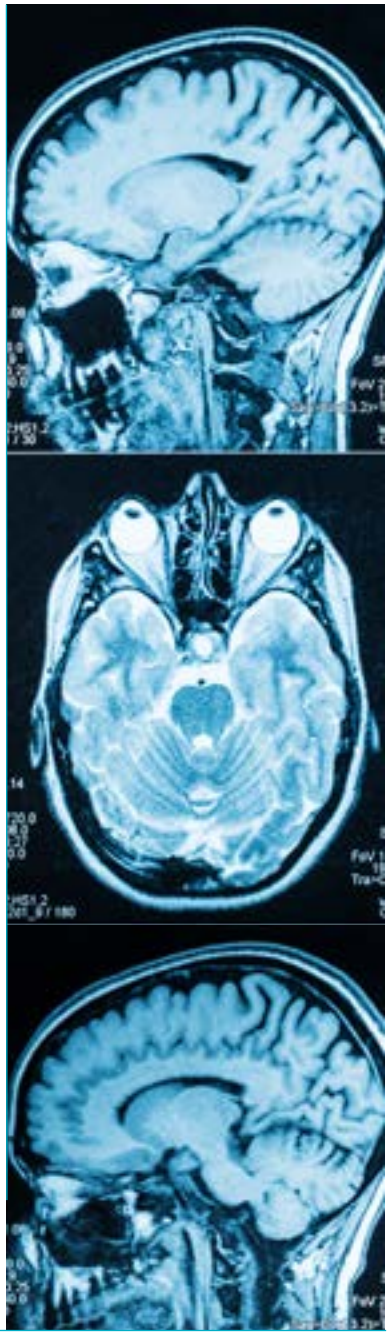
Innovate: Accelerated commercialisation of IXICO's proprietary AI automation and data analytics

Investment in science and innovation underpins our growth. We increase our societal impact and value to stakeholders through our development of data analytics capabilities, unlocking biomarker insights in clinical trials.

5

Enhance organic growth with selective Mergers & Acquisitions ('M&A')

Our strategic rationale for M&A:
- To be accretive to the Group's commitment to sustained long-term profitable growth.
- To enable synergistic cross-selling opportunities.
- To enhance IXICO's advanced data analysis solutions.
- To enhance geographical reach.



2020 progress

- We increased the proportion of revenues derived from new products. We introduced seven new analysis products, including an automated Tau PET pipeline in 2020.
- We initiated R&D collaborations with academic and industry partners to access highly contextualised patient data to support algorithm development and have shown our new AI segmentation engine to be state-of-the-art technology.

- We have continuously monitored the market for potential accretive partnerships.
- We have strengthened our leadership team and augmented our business support services, better equipping the Group to consider and execute potential partnerships.

2021 focus

- Continue to develop and commercialise new AI analysis tools to expand our portfolio of proprietary services.
- Leverage clinical trial imaging data and continue to invest in IXICO's AI-deployment framework to enable further diversification within neurological therapeutic disease areas.
- Seek ways to further reach into patient screening and safety solutions including further development of IXICO's Assessa platform.

- Continued momentum in profitable growth from our organic investment initiatives will support further improvements in the Group valuation to support inorganic growth strategies.
- Continue to explore potential partnerships aligned to our investment criteria.

For full risk information Read more on pages 30 to 32 **For key performance indicators** Read more on pages 28 and 29

Accurate, robust and flexible analysis powered by AI

Robin Wolz has over 10 years' experience in the development of innovative analytics solutions in healthcare with a focus on imaging technology.

Prior to IXICO, Robin held different roles at Philips in the Research and Diagnostic X-Ray divisions. Robin holds a PhD in medical imaging and computer science from Imperial College London, focused on early detection of Alzheimer's disease. He is the co-author of more than 100 publications and holds multiple patents in the field of medical imaging and AI data analytics.

Unlocking unprecedented detail in MRI brain segmentation through AI

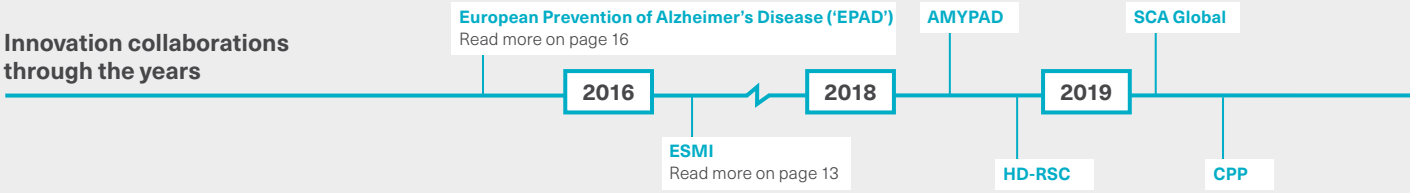
Novel AI approaches continue to be at the heart of IXICO's innovation programmes. As previously highlighted, we are in a period where deep learning, fuelled by increasing computer power and large datasets, is revolutionising every aspect of data analytics. Over the past year, IXICO has built on a history of translating cutting-edge technology into an application in CNS clinical trials and has started to test, at scale, a new segmentation engine powered by deep learning.

"At IXICO we have developed an adaptive segmentation platform that allows us to measure the volume of even the most complex brain structures with an accuracy previously unseen. Using deep learning, we have set up a platform that allows us to train a segmentation algorithm for a specific clinical question with a small number of highly curated datasets. Together with our increasing number of clinical trial datasets in neurological disorders and underpinned by our neuroscience expertise, this platform allows us to develop more accurate imaging biomarkers in our core therapeutic indications and also to develop measurements for new indications.

Over the past year, we have presented at several conferences how our segmentation platform approach dramatically outperforms existing solutions to segment highly important, yet highly challenging brain structures in HD (see our collaboration with the HD Study Group at UCL, presented opposite). Over the coming year, we are planning to make this tool available for clinical trials in HD and are already working on applications in AD and other therapeutic indications."

—
Dr Robin Wolz
Senior Vice President, Science & Innovation

Innovation collaborations through the years



Establishing clinical relevance

IXICO's technology is developed and validated in close collaboration with experts in the different therapeutic indications we operate in. This approach ensures that emerging clinical hypotheses and knowledge directly feed into our product development roadmap and that new analysis solutions are optimised and tested with a specific clinical question in mind.

"At the Huntington's Disease Centre, we've been working with IXICO for over 10 years since our collaboration on the TRACK-HD programme, a set of natural history studies that have shaped HD imaging research and are still impacting the field today. It is great to see some of our former PhD students and post-docs taking industry roles at IXICO, providing a highly collaborative environment fostered by our proximity within central London. Recently, a joint project team has shown how novel AI technology allows to automatically segment brain structures known to be affected by HD at an accuracy previously not seen from automated approaches. These results are highly encouraging and I'm looking forward to working together on further validating the technology and eventually making it accessible to HD research."

—

Dr Rachael Scahill
Principal Research Associate, Head of Imaging at the Huntington's Disease Research Group, University College London

"We have started our collaboration with IXICO as part of the European Spinocerebellar Ataxia Type 3/Machado-Joseph Disease (SCA3) Initiative (ESMI), which aims to develop a revised model of SCA3 disease evolution. In the absence of established MRI biomarkers for SCA3, our collaboration with IXICO evolved around the development of imaging technology to measure volume in brain structures known to be affected by the disease. It is exciting to see how the segmentation algorithm IXICO has developed with the wider project team is able to detect brain changes linked to the disease even before onset of clinical symptoms. I'm looking forward to further validating this technology so it can support our understanding of the disease as well as upcoming clinical trials in SCA."

—

Professor Thomas Klockgether
ESMI Principal Investigator, Professor and Chair of Neurology, University of Bonn

Advanced analytics

At IXICO, we are continuously advancing the measurements we provide from imaging and wearable biosensor data by combining our data science expertise with ever-advancing developments in data acquisition. Examples of the latest additions to IXICO's suite of advanced analytics in molecular imaging, MRI and actigraphy include:

Molecular imaging

Molecular imaging allows us to visualise and characterise biological processes and is used to develop biomarkers in different neurodegenerative diseases. In 2020 we extended our suite of molecular imaging solutions to DAT-SPECT and Tau PET.

DAT-SPECT: DAT-SPECT (single photon emission computed tomography) provides a measurement of dopamine levels in the brain and is widely used in Parkinson's disease clinical trials to exclude those subjects that show no evidence of dopamine deficiency, a hallmark of PD.

Tau PET: One key hypothesis in the Alzheimer's disease cascade involves neurofibrillary tangles caused by accumulation of a protein called tau. Recent imaging technology developments allow us to image tau through positron emission tomography ('PET'), offering a sought-after biomarker for disease staging and progression.

MRI

We are continuing to develop new imaging techniques in MRI. Recently, we have extended our diffusion imaging solution to allow measurement of a free water ('FW') index, providing increased accuracy for existing measurements of brain diffusion. The FW index also serves as an exploratory in-vivo measurement of neuro-inflammation, showing high promise for treatment strategies across CNS that involve inflammation.

Actigraphy

The measurement of rest and activity cycles from wearable sensors is considered to have the potential to revolutionise clinical outcomes assessments in CNS clinical trials.

We have continued to develop and validate measurements of sleep and activity from three-axis accelerometery and have developed first evidence for the feasibility to accurately measure gait characteristics from a wrist-worn actigraphy device. At the 2020 conference of the Schizophrenia International Research Society, we have co-published a study with Alkermes Inc., validating the exploratory use of actigraphy in a randomised clinical trial of patients with schizophrenia, demonstrating that actigraphy monitoring is feasible in the population studied and showing possible group differences based on treatment factors.

Our therapeutic focus areas

IXICO's scientists, operations team and regulatory specialists support an expanding portfolio of global multi-centre trials in an increasingly diverse range of therapeutic indications.

Alzheimer's Disease ('AD')

AD is a progressive neurodegenerative disease that produces dementia and is estimated to be affecting 50 million people globally, a number which is anticipated to grow to 150 million people by 2050. The healthcare costs of AD reflect this growth – rising from $1 trillion globally in 2018 to a projected $2 trillion in 2030[1]. Means of preventing, delaying the onset, slowing the progression, and improving the symptoms of AD are urgently needed. In 2020 there are approximately 120 unique therapies in clinical trials for AD as registered on clinicaltrials.gov. The largest number of drugs in the AD pipeline are putative disease-modifying agents targeting disease onset or progression and many drug trials for those agents require the services IXICO provides.

With a rich and diverse pipeline of AD investigational drugs, we believe that the rate of innovation in the Alzheimer's area will continue to increase in this significant market for IXICO's services. A further review of AD is shown on pages 16 and 17.

Parkinson's Disease ('PD')

PD is a neurodegenerative disorder that affects predominately dopamine-producing ('dopaminergic') neurons in a specific area of the brain called substantia nigra and affects more that 10 million people worldwide. Symptoms generally develop slowly over years. The progression of symptoms is often different from one person to another due to the diversity of the disease.

Like AD, PD currently has no disease modifying treatment ('DMT') and the current standard of care merely provides symptom relief for those that suffer. The clinical pipeline of treatment options for PD is very robust with more than 200 clinical trials in progress and several drugs about to be approved that are different from current standard of care. The leading pharmaceutical companies are working on development of new therapeutics for more effective and safer treatment of Parkinson's Disease.

Huntington's Disease ('HD')

HD is caused by a mutation in a single gene ('HTT'), which triggers the formation of toxic protein ('mHTT') and therefore, unlike diseases such as AD, we know exactly what causes HD.

HD is a rare progressive neurological indication and is a devastating disease that impacts the way people think, behave, and move. The disease impacts sufferers much earlier in their life with clinical symptoms typically being presented at the age of 30-50.

Like AD and PD there are no disease-modifying treatments available. According to the World Health Organization, in the Western world, 5-7 people per 100,000 are affected with Huntington's disease, with more at risk of developing the disease at some stage in their life due to genetic predisposition.

IXICO has an unrivalled track record of supporting HD trials and very early on we played a pivotal role in standardising and characterising imaging biomarkers in the landmark natural history studies such as Track-On HD and TRACK-HD. Consequently, we have been able to provide unique expertise to pharma sponsors and to date we have supported 14 clinical trials for this rare indication. IXICO is supporting the largest ongoing HD trial and therefore we are both very well known in the HD research community around the world and have deep expertise and experience with regards to the conduct of HD trials.

Other rare neurological diseases

Our AI technology has accurately measured over 150 unique brain regions, supporting its broad application in neurological disease. This adaptive technology base enables us to configure suites of algorithms to uniquely address rare diseases, expanding our addressable market. Our current rare disease pipeline includes Multisystem Atrophy ('MSA'), Progressive Supranuclear Palsy ('PSP'), Friedreich's Ataxia ('FA') and Spinocerebellar Ataxia ('SCA'). Expedited review and approval timelines, well characterised biology and the emergence of gene therapies have increased investment in rare disease clinical trials and continue to make this a significant market area for IXICO to address.

1. Alzheimer's Disease International. *World Alzheimer's report 2015: the global impact of dementia.* London, UK: Alzheimer's Disease International; 2015.
2. Cummings J, Lee G, Ritter A, Sabbagh M, Zhong K. *Alzheimer's disease drug development pipeline: 2020.* Alzheimers Dement (N Y). 2020.

Alzheimer's disease in focus

It has been almost 20 years since the last Alzheimer's drug approval in the Western world. Nonetheless, there is a developing sense within the scientific community that a breakthrough is nearing.

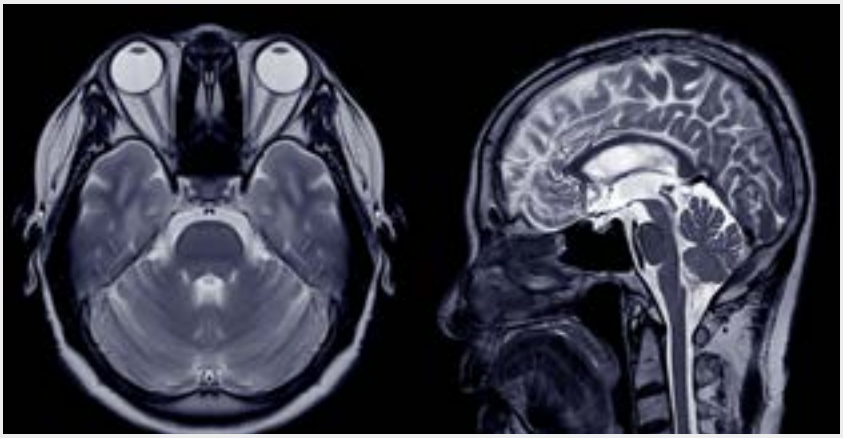
Aducanumab, a monoclonal antibody developed by Biogen to remove amyloid beta ('Aβ'), continues to be reviewed by the FDA and, whilst the outlook for approval is uncertain, the fact that it is under review by the FDA represents progress in the search for a disease modifying drug for AD. In addition to this, over the last few years a more diverse range of new approaches to addressing AD are in development, which reflect rapid developments in the understanding of the disease. These include drug candidates focused on tau, neuroprotection and inflammation alongside a range of supporting therapies in terms of lifestyle modification, all of which are thought to play prominent roles in the development and progression of the disease.

At IXICO we have been working in AD for more than a decade and continue to be at the forefront of developing novel imaging technology and data analytics in this area. In 2020 we have formally joined the public private partnership scientific board of the Alzheimer's Disease Neuroimaging Initiative (ADNI), leading the worldwide development of emerging imaging technologies for AD clinical trials. We have furthermore been selected to provide our neuroimaging and AI expertise to the Global Alzheimer's Platform's innovative Bio-Hermes trial, which is taking a novel approach to provide digital and blood biomarker results for comparison across cognitively normal and impaired individuals.

Over recent years, our involvement in the EPAD study and Critical Path for Alzheimer's Disease ('CPAD') consortium have helped pave the way for the operationalisation and regulatory approval of novel biomarkers for AD.

European Prevention of Alzheimer's Disease ('EPAD') programme:
EPAD has set out to develop a targeted approach for AD clinical trials by developing better understanding of disease processes and better tools to identify and track patients for targeted intervention. As part of the EPAD programme, we have shown with our partners how novel imaging technologies like arterial spin labelling can be operationalised for multi-centre clinical trials, how our LEAP algorithm can be used to increase trial efficiency through improved patient selection, and how AI can support streamlined quality control of magnetic resonance imaging ('MRI') data. EPAD has formed a strong partnership across Europe between participating sites and clinical investigators as well as with commercial entities and we are looking forward to working with this network as new AD drugs go into clinical development.

> "IXICO were a pivotal partner in the EPAD programme providing excellent service throughout the 6 years to our sites and central team. Not only did they provide valued operational support they also contributed in a crucial way to design aspects of EPAD in terms of data flows and imaging science. The data from EPAD will make a huge difference to our understanding of Alzheimer's disease in its early stages and IXICO has been pivotal in providing the best quality and relevant imaging data to that effort."
>
> —
>
> **Professor Craig Ritchie**
> EPAD Principal Investigator, Chair of the Psychiatry of Ageing and Director of the Centre for Dementia Prevention at the University of Edinburgh



Critical Path for Alzheimer's Disease ('CPAD') initiative:
Led by Critical Path Institute ('C-Path'), the Critical Path for Alzheimer's Disease Consortium is a public-private partnership aimed at generating novel tools and methods that can be applied to increase the efficiency of the medical product development process for AD. IXICO has worked with CPAD over the past years to generate the underlying evidence for the regulatory endorsement of hippocampal volume as an enrichment tool for AD clinical trials, and joined CPAD as a full partner in 2020, to provide imaging and AI expertise into the Consortium's development of novel quantitative model-based solutions for drug development and their submission for review and potential endorsement by regulatory agencies.

"I am pleased to welcome IXICO as a full member of CPAD as they bring tremendous expertise in neuroimaging for AD clinical trials and data analytics. We have worked with IXICO on several projects over the years and I look forward to strengthening this relationship in our effort to generate regulatory-grade novel quantitative tools, including a harmonized and standardized image analysis tool, that will enable optimization of clinical trial design, patient selection, evaluation of endpoints and outcome measures, and accelerate the drug development process in AD."

—
Dr Sudhir Sivakumaran
Executive Director, CPAD

Well-positioned in attractive growth markets

Lammert Albers joined IXICO in October 2019 with over 20 years of experience in the life sciences industry.

He spent his early career in research working as a Bioscientist with AstraZeneca before entering the Clinical Development side of the business. Lammert has a track record of delivering growth across North America, Europe and Asia. Prior to IXICO, Lammert worked in global leadership roles for Genaissance Pharmaceuticals, MDS Pharma Services and PRA Health Sciences and spent 5 years as Chief Commercial Officer at Cogstate. Lammert is based in the USA.

Market overview

Reflecting a significant unmet medical need, neuroscience is the second largest area of Research and Development ('R&D') spend for the biopharmaceutical industry. Much is still unknown about the mechanisms of brain disease and disorders, and there are many challenges in bringing a new neurological therapy to market. However, the rewards for bringing a treatment successfully through regulatory approval and commercialisation are significant. Biomarkers play an important role in evaluating the safety and efficacy of new drugs for the treatment of brain disease and disorders. A growing focus on these study measures are value drivers for IXICO's long-term growth prospects.

Clinical trials' market dynamics

The global clinical trials market size was valued at USD 46.8 billion in 2019 and is expected to grow at a compound annual growth rate ('CAGR') of 5.1% from 2020 to 2027 to reach USD 69.9 billion by 2027. Increasing prevalence of chronic diseases such as Alzheimer's Disease ('AD') and growing demand for clinical trials in developing countries is fuelling market growth. Rising interest in rare diseases (many of which are neurological), the need for personalised medicines, and demand for advanced technologies are projected to fuel growth. Factors such as globalisation of clinical trials, technological advances, and a bias towards contracting Contract Research Organisations ('CROs') for outsourcing work pertaining to the conduct of clinical trials (rather than in-house drug development) are further projected to drive growth.

Impact of COVID-19

The rapidly evolving threat due to the COVID-19 outbreak has impacted lives, communities, businesses, and industries around the world. The pandemic has also impacted the current ecosystem of clinical trials and affected many ongoing trials for various therapeutic areas. However, to overcome this, researchers are rapidly developing innovative therapeutics and vaccines against COVID-19.

At IXICO we have seen that most of our clinical trials have continued through COVID-19, but some interruption in current trials has been experienced and the start-up timelines for some new trials have been delayed. It is our expectation that our biopharmaceutical clients will continue to prioritise the development of new investigational drugs, however, there is continued uncertainty with respect to the start times of new trials and we expect that uncertainty to remain through the next financial year. Due to our strong contracted order book, and the forward visibility of revenues this provides, we are better positioned than many companies to manage this disruption and, as a consequence, expect continued growth across the next year, albeit at a more muted level to previously. Once the pandemic abates, we would expect to see a reinvigoration of new trial start-ups and IXICO will be ready to respond to this.

Market position

We provide specialist data analysis services to a wide range of biopharmaceutical clients working in neurological diseases. Our deep understanding of neurological disease and data science are key vendor selection criteria for our partners, and these will remain our focus. Increased focus on rare diseases, positive developments in research and the interrogation of novel gene therapies are key drivers of increased research activity.

We work with many of the world's largest biopharmaceutical companies as well as emerging biotechnology companies which are leading early-stage development of new therapies. IXICO is commercially active across this broadening market in all phases of clinical development.

In addition to working directly with biopharmaceutical sponsors, IXICO has secured Master Service Agreements ('MSAs') with several leading CROs. CROs are large commercial organisations and can therefore provide extended sales channels to reach a wider sponsor audience. IXICO is starting to see early signs of success following the execution of MSAs and we expect to go from strength to strength as we continue to establish more strategic relationships with CROs.

IXICO deliver 36% increase in contracted order book to £21.7m despite COVID-19

Oct 2019	IXICO	Contracted order book at close of FY19 confirmed at £15.9m. Lammert Albers, CCO, joined IXICO. First US based employee reflecting expansion of IXICO's ambitions in the largest market for CNS trials. New client wins in PSP, mental health and a contract extension announced.
Dec 2019	COVID-19	The World Health Organisation first picks up reports at its China offices of a 'pneumonia of unknown cause' originating in Wuhan state.
	IXICO	IXICO Commercial team is further enhanced, with appointment of a 2nd US based BD Director. Contract extensions signed in the areas of HD and PSP with a combined total of £2.4m.
Jan 2020	COVID-19	Chinese media report first death from 'novel coronavirus'. First cases of novel coronavirus reported in Asia outside of China, soon followed by cases in the US, Europe, the Middle East and around the globe.
Feb 2020	COVID-19	WHO formally names the novel coronavirus COVID-19.
	IXICO	IXICO announces funding and scientific support of the Alzheimer's Disease Neuroimaging Initiative ('ADNI').
Mar 2020	COVID-19	Europe becomes the epicentre of COVID-19. This leads to lockdowns across the region rapidly followed by lockdowns around the world.
	IXICO	IXICO wins an AD contract with Vaccinex, further deepening the relationship between the parties. IXICO operations move 100% working from home and all business travel cancelled. The commercial team adopt remote working practices, virtual conference attendance and implement a webinar series.
Apr 2020	COVID-19	Over half of the world's population under some form of lockdown measure.
	IXICO	IXICO wins the largest single contract in its history, signing a 4 year, £10.5m, contract with a major pharmaceutical company on its open label study in HD. IXICO updates the market that it has been able to rapidly and effectively move to remote working, ensuring the wellbeing of staff and mitigating the risk of the Company being a cause of disruption to clients and their programs as a result of COVID-19 lock down measures.
May 2020	IXICO	IXICO reports strong H1 numbers including 33% revenue growth and an EBITDA margin of just under 15%.
Jun 2020	COVID-19	Global COVID-19 infections surpass 10 million.
	IXICO	Proven resilience of IXICO's remote working model; Group reissues market guidance for FY20 & FY21.
Jul 2020	COVID-19	Clinical trial initiations reported to be reduced by as much as 40% compared to the prior year and, of the trials initiating, >25% are COVID-19 trials. Within CNS >70% reduction in patients enrolling in new CNS trials compared to a year earlier.
Aug 2020	COVID-19	Global COVID-19 infections surpass 20 million.
	IXICO	IXICO presents to investors outlining its response to COVID-19. Confirms anticipated slower growth into FY21 across the clinical trials market due to ongoing delays in new clinical trial timelines.
Sep 2020	COVID-19	Global COVID-19 infections surpass 30 million.
	IXICO	IXICO announces a PET imaging contract with the Global Alzheimer's Platform ('GAP'). IXICO announces 5-year collaboration with the Freidreich's Ataxia Research Alliance ('FARA'). IXICO announces a £2m extension to an existing phase III HD contract.
Oct 2020	COVID-19	Global COVID-19 infections surpass 40 million.
	IXICO	IXICO announces new collaboration with NYU Langone Health in Multiple System Atrophy ('MSA'). IXICO announces additional phase II and Natural History studies in HD. Contracted order book at close of FY20 confirmed at £21.7m.
Nov 2020	COVID-19	Global COVID-19 infections surpass 50 million and likely to surpass 60 million by the end of the month.
	IXICO	IXICO announces 3 additional studies in AD in each of phase I, phase II and phase III.

IXICO Event COVID-19 Event

Stakeholder engagement

The Board recognises that effective stakeholder engagement enables improved, impactful decision-making. As such, it is committed to building beneficial relationships with a broad range of stakeholder groups impacted by the Group's activities.

Our stakeholders

Employees

As a leading provider of AI data analytics to clinical trials in neuroscience, IXICO employs highly qualified staff in a range of scientific roles. Providing an environment that supports continued learning and development improves employee retention levels and is central to our success.

Clients

Our clients rely on our data analytics to support critical decisions in their clinical development programmes. Most client contracts represent multi-year projects, providing the opportunity to build effective, long-term relationships.

Shareholders

As a business listed on the AIM market, we recognise the important role that shareholders play via their investments in the Group and in providing feedback to the Board on strategy and governance.

Material topics

- Opportunities for development
- The working environment, culture and values
- Collaboration and idea sharing
- The Group's financial performance

- High levels of quality assurance
- Consistent and reliable service levels
- New product development and innovation

- Financial and operational performance
- Business model and strategy
- Capital allocation
- Commercial pipeline and future visibility of revenues

How we engage

Employees agree development plans as part of their annual performance and development review to support their personal growth as well as their wider contribution to the Group.

The senior leadership team hold regular video calls to update employees on material matters as well as sharing progress on initiatives being pursued by individual teams.

The Group has invested in communication tools to support effective remote working, idea sharing and collaboration.

Surveys conducted before and during the COVID-19 pandemic reflect a high level of employee engagement.

Our business development team has many years of experience in the industry and build long-term client relationships. Each client project is led by a dedicated project manager who is accountable for service delivery; weekly IXICO-client project team calls are the norm.

Our R&D team is closely involved in the client projects to ensure that clients are able to take advantage of the latest advances in the IXICO algorithm portfolio.

The Group operates under a well-defined Quality Management System, accredited to ISO 13485.

We use a range of tools to engage with shareholders including LSE RNS, our website, video interviews with senior leadership, and social media.

We host twice-yearly results briefings to communicate key Group developments to, and receive feedback from, shareholders and brokerage analysts. The briefing presentations are also available on our website.

In addition, our Non-Executive Chairman and other Non-Executive Directors meet with shareholders as appropriate.

S172 statement:
As required by Section 172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the director must have regards, amongst other matters, to the:

- Likely consequences of any decision in the long term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's actions on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly between members of the company.

Our stakeholders

Scientific Partners

IXICO is a member of several scientific consortia. We view our contribution to the scientific progress achieved by these partnerships as a critical part of our strategy and purpose.

Imaging Centres

Our clients work with expert imaging centres to undertake MRI, PET and other scans on patients involved in their clinical trials. The centres directly upload images to IXICO's TrialTracker data management platform for patient selection, safety review and drug efficacy analysis.

Patients

Our clients recruit patients to take part in the clinical trials of their drug candidates. By using IXICO's portfolio of algorithms these trials benefit from objective measures of biomarkers which are used to assess drug efficacy. The objective nature of these measures increases patient confidence that the monitoring of the drug development process is more robust.

Material topics

- Scientific and operational capabilities
- Investment in innovation

- Training and qualification of imaging centre personnel
- Technical support and issue resolution

- Objective measurement of the impact of drug candidates on the brain

How we engage

IXICO has engaged in several new scientific collaborations in the past 12 months and continues to be an active contributor at scientific conferences including virtual events such as the Huntington's Study Group, Alzheimer's Association International Conference, and Medical Imaging Understanding and Analysis.

Our online imaging centre support model enables centres to engage with training and qualification activities at a time that suits them, and requires no in-person visits.

We have recently introduced an enhanced support triage system to accelerate response times.

Whilst we do not have direct communication with patients on clinical trials we have engaged with patient representatives during the year to better understand the challenges of living with the disease and further focus our efforts on our Group purpose.

We have participated in panel discussions aimed at informing friends and families of Huntington's disease patients about clinical trials updates.

Stakeholder engagement continued

Principal Strategic Decision in 2020 – continued investment despite COVID-19:

In 2020, the Group rapidly evolved its business model in response to the COVID-19 pandemic. In anticipation of restrictions on local travel and to protect employee wellbeing, the Group piloted and then rolled out remote working for all employees, enabling them to work safely and effectively from their homes.

In the weeks following, the Board reviewed its planned investment programme and took the decision to continue with these plans, despite increased uncertainty in market conditions due to COVID-19.

Reason for the decision:

The clinical trials market has been significantly affected by the COVID-19 pandemic, with patient travel restrictions and the increased burden on healthcare facilities restricting local clinical trial activity. However, the high unmet clinical need in the disease areas which are the focus of the Group's service offering means that its active contracted trials have been largely unaffected.

Following detailed discussions with clients to understand the impact of COVID-19 on near-term trial activity and associated revenue streams, the Board felt confident that its current orderbook would continue to be delivered despite the pandemic's impact. It also recognised that many postponed trials would be reinitiated in the medium term and that investment in extending the Group's image capture and analysis platform and further development of its service offering would optimise the Group's ability to maximise market share. This would support its clients and deliver value over the medium to long-term once the pandemic's impact subsides

The Board's confidence in the Group's relative financial strength with its strong balance sheet, significant cash reserves, absence of debt and visibility of future revenues, ultimately underpinned this decision to continue investment.

Stakeholders affected and engagement:

- **Employees –** accelerated implementation of remote working tools to enable more flexible working and enhanced communication. This includes updates on progress of Group objectives and the neuroscience clinical trials market. In addition, wider informational programmes for all departments have been initiated outlining the investment programmes within R&D, image analysis and our technology innovations. The Group's investment plan will further provide employees with opportunities for learning and development as the Group grows and implements new technologies and service offerings.

- **Clients –** as the Group enters its new financial year it is investing in an enhanced client alliance programme to support communications and even closer working relationships with clients. Clients will benefit from enhanced service levels, improved turnaround times and greater transparency in delivery.

- **Shareholders –** regular communication of plans and financial performance through meetings, telephone calls, video broadcast channels, LSE RNS/Reach platforms and social media. Shareholders continue to benefit from high visibility of future revenues in an expanding market, sustained profitability and will benefit from medium- and long-term accelerated growth accruing from the programme of investments being pursued by the Group.

- **Scientific Partners –** continued engagement with the scientific community through virtual conferencing and engaging in new partnerships to support improved understanding of neurological disease. With accelerated research and development, scientific partners (whether commercial or academic) will benefit from access to new, state-of-the-art algorithms to identify and measure new biomarkers relevant to their specific neurological indications.

- **Imaging Centres –** access to enhanced imaging centre management tools to provide better remote training and monitoring. With planned investments in a new image capturing and analysis platform, the Group will further support the qualification of new imaging centres, thereby accelerating centre onboarding to a trial and reducing the burden on scarce healthcare resources (which have been further restricted due to local COVID-19 response). This is important for both clients and the imaging centres as this improves the potential for trials to access eligible patients efficiently from a wider geographical area.

- **Patients –** as the Group continues to invest in its portfolio of algorithms and technology it will be able to provide new biomarker insights to enhance patient selection, safety monitoring and drug efficacy within clinical development. This will reduce the risks and uncertainty associated with the drug development process and further support beneficial outcomes for patients.

Stakeholder testimonial

Progressive platforms

For centuries, families like mine, passing from one generation to the next the devastating and fatal Huntington's disease, have lived in a vacuum of hope for treatments.

Over the last two decades, however, a new dawn in gene therapy has emerged. At the centre of this revolution has been a pivotal study of those carrying the HD gene, whereby unprecedented imaging techniques have enabled pharmaceutical companies to enter the field, confident that any drug they develop will have the crucial prerequisite for authorisation – biomarkers. This ground breaking work has been led by London researchers (truly, a UK success story) at UCL and IXICO. It's hard to convey the magnitude of this critical point; where the future graph for HD gene carriers like me is no longer unremittingly downward; not just a percentage improvement, but an arithmetical absolute; the difference between nothing, and the possibility of something.

The difference between hope, and losing the will to go on. Everyone involved in IXICO – employees, contractors or investors – have reason to be very proud indeed of their crucial role in this new chapter.

—

Charles Sabine

Charles Sabine (left) with his brother John, a barrister who was five years older than Charles, and passed away from HD just before Christmas, 2019.

Photograph courtesy of Martin Solyst

Supporting our people

Responding to COVID-19

In January 2020, IXICO instigated its Business Continuity Plan in response to COVID-19 to determine the potential impact on employees, clients, and the overall business. From the outset, our priority has been to maintain effective operations and a reliable service to our sponsors, whilst supporting and providing a safe working environment for our employees. We have taken proactive steps to support our employees during the crisis with particular focus on effective remote working, health and safety at home, and wellbeing of our staff by maintaining a level of engagement. Due to our ongoing investments to build a strong and resilient company, IXICO entered the crisis in a strong position and was well equipped to rapidly respond and provide significant support and resources to our employees.

Working during COVID-19

Our agile working approach enabled us to switch to remote working overnight in March 2020 to maintain the safety of all our employees and productivity amid COVID-19. All employees were supported with the necessary health and safety guidance to undertake workstation assessments of their home environment, with IXICO providing all employees with any required workstation equipment to ensure safe and effective working practices. The implementation of technology tools and weekly all-staff meetings promoted effective collaboration and communication. Our efforts were notably recognised in a survey of all our employees with 96% saying they feel IXICO is adequately supporting remote working during COVID-19. Following extensive risk assessments, guidance from governmental and health authorities and reviewing the office configuration and protocols, we reopened the IXICO office in July 2020 to support those employees who are unable to work effectively at home.

Wellbeing during COVID-19

The physical and mental wellbeing of our employees remains a high priority to the Group amid COVID-19. Recognising the significant importance of wellbeing, we promoted a range of wellbeing resources including our Employee Assistance Programme, Health Assured Portal and counselling services. In addition, we have supported wellbeing initiatives such as Mental Health Awareness Week highlighting important advice and organising fundraising activities to promote physical exercise whilst raising money for an impactful cause: the Huntington's Disease Youth Organisation. With all employee's working remotely, we have promoted staff engagement through Group virtual social events, as well as engaging with employees through frequent communications including remote 'townhall' all-employee meetings and employee surveys to ensure everyone remains connected to the Group during these unprecedented times.

Successes during COVID-19

IXICO has been able to provide reassurance to our employees by ensuring no staff were furloughed, at risk of redundancy or subjected to pay cuts during the year. Furthermore, and to support our future growth ambitions, we have driven a significant increase in recruitment with 36 new starters joining the Group since the start of 2020 and 14 of those joining IXICO during the COVID-19 pandemic. This increased our employee headcount from 70 at the end of 2019, to 90 by the end of 2020. We are delighted to have experienced reduced employee sickness and turnover during this time, with our employee engagement survey highlighting that 86% of our staff still feel engaged with the Company whilst working remotely. We are confident that IXICO will emerge from the pandemic in an even stronger position having demonstrated our values and stood by our employees during this difficult time.

To our employees

Nothing would have been possible without the core of IXICO – all our employees – showing that pulling together in a crisis like this can still enable growth and success. A huge thank you to our incredible staff, going above and beyond and making all the difference for our clients and our business.

—

Hannah Esfahanian
HR Manager

Empowering people. Making a difference.

Our values define our purpose and are at the heart of our culture.

Aspiration

Aspiration drives us to set ambitious goals. It combines the desire to make things better with the commitment to make it happen. At IXICO, we are proud to be part of the effort to bring life-changing treatments to patients sooner and demonstrate this value in our commitment to our clients' success.

Ability

Ability reflects the value we derive from the diverse skills and experience of our colleagues. We challenge ourselves to continually develop our abilities, to deliver greater value to our stakeholders.

Agility

Agility is the ability to rapidly adapt to change. As a growing company, our people thrive on change and the opportunities that this presents to delight our clients in their clinical development programmes.

Accountability

Accountability is underpinned by reliability and personal responsibility. At IXICO, we take ownership of our work and understand its impact on our clients' clinical development programmes.

New starter

Marina Papoutsi
Biomarker Scientist

It has been a unique experience starting a new job during a pandemic. I expected there to be challenges, however, the transition has been surprisingly smooth. My first day at IXICO was like that of my previous job, however rather than being in an office I started at home, set up with a laptop remotely and introduced to my new colleagues virtually. I would like to thank everyone at IXICO for their hard work to help me settle in as I was up and running within hours and felt welcomed and included. This is by no means an easy achievement and credit is due to everyone involved.

Celebrating our people's successes

Studying

Birte Kuhnert
HR Coordinator

HR has faced many new challenges during COVID-19, however, our priority has been to support employees in these uncertain times, whilst adjusting to new ways of working. In addition to this, earlier in 2020 I was given the opportunity to pursue further HR studies supported by IXICO's professional qualification financial assistance. It has been, and still is, a very busy and exciting time for the HR function, but being able to work from home effectively has enabled me not only to fully support the business and employees, but also to get ahead in my studies and continue my professional development.

Supporting the Group

Mark Caszo
IT Senior Systems Engineer

It has been a particularly busy period for IT whilst we support both the Group and employees during COVID-19. The implementation of new and improved technologies like Microsoft 365, Teams and Horizon phone solution has enabled employees to stay connected and to collaborate well with each other and clients. Significant improvements were also made for data transfers and the imaging viewer environment used by our Image Analysis team. We achieved this and more in addition to day-to-day support queries and the onboarding of new starters. I am very proud of IT's resilience in overcoming the challenges faced by COVID-19.

Customer Interaction

Sammyat Shittu

Associate Image Analyst

The effect of COVID-19 initially raised concerns of how we would adapt to new ways of working. However, I can confidently say that working remotely has not hindered our customer interaction and, in many ways, has in fact improved it. It has increased flexibility with client calls across Asia and America easing communications across different time zones and increased the ability to meet urgent requests. The increased use of calls with our customers has promoted building positive relationships and reminded us that the signature we see at the bottom of an email is in fact an ally on the same mission to help find a cure to neurological diseases.

Promotion

Richard Parker

Imaging Scientist

Having studied a Masters in Neuroimaging and a PhD looking at combining AI and diffusion MRI for the automated diagnosis of Alzheimer's Disease at Kings College London, the opportunity to join IXICO in the role of Associate Imaging Scientist seemed like a great fit for academic achievements. Since joining in March 2018, I have worked with the Imaging Science team to focus on the development of imaging and wearables data analysis solutions, including recently featuring on the IXICO webinar series presenting work in free water imaging.
I am very thankful to IXICO for recognising my hard work and contribution by promoting me to an Imaging Scientist during this period.

Managing a Team

Rizwan Durrani

Development Director

Managing a team can be challenging at the best of times and with COVID-19 we have had to overcome further challenges. However, the Group investments made into remote working and implementing collaborative tools such as Microsoft Teams have effectively supported me to manage the Development team and the onboarding of new team members during this time. In addition to this, as a team we have adopted certain approaches such as sharing technical knowledge, supporting each other with regular feedback and enhancing communication channels. I am very lucky to manage such a professional team in the fulfilment of our motto, "Let's make life easier for everyone".

Consolidating growth, profitability, and cash in a year of uncertainty

Grant Nash
Chief Financial Officer

The Group has delivered another period of strong financial performance across the year to 30 September 2020.

This builds on three previous years of strengthening financial performance, resulting in a transition to double-digit EBITDA profitability margins and net cash inflows.

This review includes a comparison of the financial KPIs that we use to measure our progress over the prior year, a summary of which is shown opposite.

Revenue

Revenue for the year of £9.5 million (2019: £7.6 million) represents a year-on-year increase of 26%. This growth was driven by increasing traction within Phase III clinical trials as the Group's success in earlier phases has been carried through into this later, larger scale phase of the drug development process.

Gross profit

The Group reports gross profit of £6.3 million in the year. This is an increase of £1.4 million or 28% compared to 2019 and equates to a gross margin of 67% (2019: 65%). This strong gross profit performance reflects a combination of a favourable sales mix, linked to the growth in proportion of image analytics within its revenues driven by increased traction in Phase III clinical trials, and the leveraging of operational efficiencies as the Group grows.

Earnings before interest, tax, depreciation and amortisation ('EBITDA')

The Group more than doubled its EBITDA profit in the year, having become sustainably profitable for the first time in the prior year. This profit of £1.3 million (2019: £0.5 million) reflects the impact of strong revenue growth, improved operational leverage (and productivity), and control of administrative costs whilst enabling a level of investment in research and development and in sales and marketing. EBITDA was positively impacted by the introduction of IFRS 16, which requires companies to recognise depreciation and interest on leases rather than as rent directly to operating expense. This increased EBITDA by £0.2 million in the year (2019: £nil).

Operating profit

Operating expenditure in the year reflected investment in people and product development:

- research and development expenses of £1.3 million (2019: £1.0 million) included the development of new algorithms to support image analysis as well as enhancements of the Group's platforms to enable operational scalability. The Group, in addition, capitalised £0.2 million of internal development expenditure in the year (2019: £0.2 million);
- sales and marketing expenses were £1.6 million (2019: £1.2 million) reflecting increased investment to support continued future growth; and
- general and administrative expenses were controlled at £3.2 million (2019: £3.0 million).

The reported operating profit of £0.9 million reflected 26% revenue growth, strong gross profit performance and controlled operating expenditures. This equated to an operating profit margin of 9% (2019: 5%).

Order book

The Group continues to benefit from a healthy contracted order book. At 30 September 2020 this totalled £21.7 million (2019: £15.9 million), which takes account of £9.5 million of business executed during the year and net £15.3 million of (both new and expanded) multi-year contracts secured across all phases of clinical development. This means that the Group retains a strong position to deliver continued revenue growth.

Cash

The Group reported operating cash inflows of £1.5 million before tax receipts in the year (2019: £0.1 million cash outflow) reflecting the Group's strengthening profitability and the beneficial timing of payments on customer contracts.

The Group had a closing cash balance at 30 September 2020 of £7.9 million (2019: £7.3 million) with the increase reflecting the operating cash inflows partly offset by capital investment in the Group to support future scalability and improved IT infrastructure. The strengthened, and substantial, debt-free cash balance means the Group is well positioned to invest for continued growth. Further consideration of the Group as a going concern is discussed in the Director's report.

Net assets

The Group's net asset position increased by £1.2 million to £9.1 million (2019: £7.9 million). This is reflective of the Group's ability to turn profitability in to operating cash inflows, as well as the Group's commitment to invest in order to meet the future growth demands. This strong net asset position provides the foundation to support the Group's investment programme for the next year.

Profit per share

The Group reports a profit per share of 2.02p (2019: 0.92p) reflecting the significant uplift in financial performance achieved across the year.

The Group is delivering against its growth strategy, is profitable, and is well capitalised, providing a strong basis to further accelerate investment across 2021, despite the challenges created by COVID-19, and thereby continues to be fully focused on the execution of its commercially-led growth strategy.

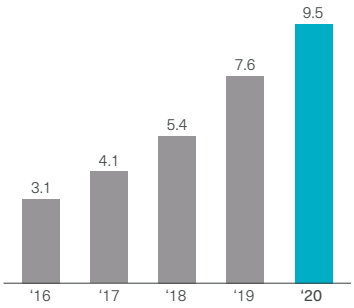
—

Grant Nash
Chief Financial Officer
1 December 2020

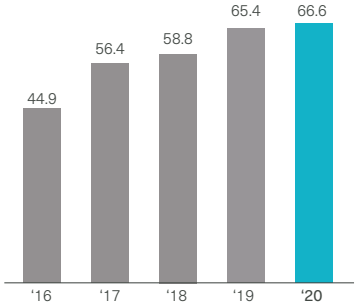
Key performance indicators

KPI	2020 result	2019 result	Movement
Revenue	**£9.5m**	£7.6m	£1.9m ↑
Gross profit	**£6.3m**	£4.9m	£1.4m ↑
Gross margin	**66.6%**	65.4%	120 bps ↑
EBITDA profit	**£1.3m**	£0.5m	£0.8m ↑
Operating profit	**£0.9m**	£0.4m	£0.5m ↑
Profit per share	**2.02p**	0.92p	1.10p ↑
Order book	**£21.7m**	£15.9m	£5.8m ↑
Cash	**£7.9m**	£7.3m	£0.6m ↑

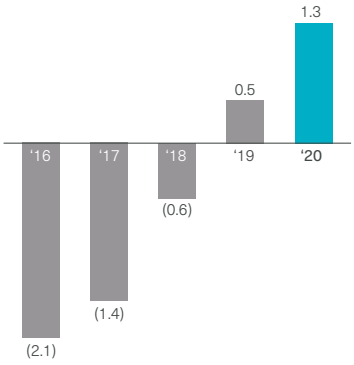
Revenue (£m)



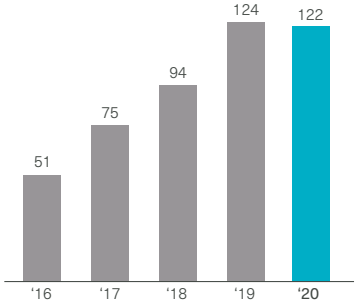
Gross margin (%)



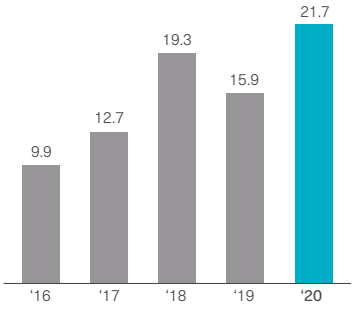
EBITDA (£m)



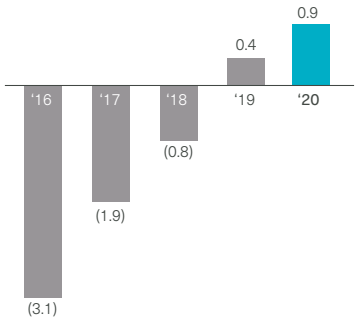
Revenue per FTE (£000)



Order book (£m)



Operating profit/(loss) (£m)



Risk management

The Board holds responsibility for monitoring risks to which the Group is exposed, and for reviewing and assessing the effectiveness of the internal control framework used by the Group to manage those risks.

The Group has designed its internal controls with the aim of providing a proportionate level of assurance for the organisation, taking account of its size, stage of development and risk exposure. Whilst the Board is confident that the control framework is fit for purpose, it continues to seek ways to further mitigate against the risk of material misstatement or loss.

In assessing the risks faced by the Group, a detailed risk identification and control framework is adopted. It is the responsibility of each department head to update the risk and control matrix for their area and these are then consolidated into a single matrix which is reviewed by the Senior Leadership Team on a quarterly basis. The Board receives a summary of the risk and control matrix which sets out the current status of controls in place to manage identified risks and ranks the risks by their potential impact and likelihood on the Group's operations. This matrix also details the additional actions which are being implemented to further manage such risks. The Board reviews and challenges the Executive Directors on this risk and control matrix as necessary.

Principal risks and uncertainties

The following table presents the principal risks and uncertainties that the Board considers could have a material impact on the Group's operational results, financial condition and prospects.

These risks and uncertainties reflect the business environment within which the Group operates, together with risks in the execution of its business strategy. The risks are separated into four specific risk areas being Strategic, Financial, Operational, and Legal/Compliance & Reputational.

Strategic risks

Change key: ↑ Increase ↓ Decrease – No change

Principal Risks	Risk Context	Mitigation	Change in the Year
The Group fails to exploit the commercial opportunities available to it and does not deliver the full potential for shareholder (and other stakeholder) returns	The Board anticipates that its strategic initiatives will lead to increased market penetration and development of new market opportunities for the Group. The nature of the neurological drug development market means that strategic initiatives will inevitably include a degree of judgement risk. The Group may not execute on its strategic plans as effectively or efficiently as possible, thereby failing to maximise the commercial opportunity available to it.	– Annual review by the Board of Group strategy and budget priorities with progress against strategy. – Monthly leadership review of delivery of specific strategic initiatives. – Board appraisal of significant investments before funds are committed and subsequent review of each investment's delivery and performance. – External expertise and advice sought to inform strategic initiatives. – Orientation and alignment of the Senior Leadership Team to focus on delivery and an increased pace of improvement implementation. – 5-year strategic plan currently being refreshed to reflect the Group has now achieved sustainable profitable growth.	↓ Likelihood reduced following further improved strategic review process.
Changes to international trading environment due to political events	New impediments to international trade resulting from political actions such as Brexit or US trade tariffs may disadvantage the Group's position in its marketplace.	– Board review of likely risks associated with Brexit and other potential changes to the trading environment. – Continued focus on non-EU markets helps reduce risk for the Group in the event of unexpected difficulties arising to trade between UK and EU. – Consultation with legal experts to assess specific areas of Brexit risk and develop mitigation plans accordingly.	– No significant impact is anticipated at the current time.
COVID-19 pandemic creates strategic, financial and/or operational uncertainty	COVID-19 has created a significant downturn in the initiation of new clinical trials (and interruption and delays to existing clinical trials). This is expected to create short-term growth headwinds and create a temporary reduction in demand for the Group's services. The uncertainty over the duration of the COVID-19 pandemic may disrupt the Group's strategic plans. COVID-19 has required employees to work remotely which may risk an impact on productivity.	– The Group has worked closely with clients to support adjustments required to their trials due to COVID-19. – The Group has been able to leverage its strong order book and balance sheet position to continue its investment plans. – The Group has successfully migrated and equipped all staff to working remotely effectively. – Detailed and regular forecasting and close management of expenditure have given the Group confidence in its ability to manage the COVID-19 impact.	↑ The Group's 2021 revenue growth levels are expected to be more muted than in the current year because of COVID-19. The actions of the Group mean it is confident to invest to support the expected rapid initiation in new trials once the pandemic abates.

Operational risks

Principal Risks	Risk Context	Mitigation	Change in the Year
Failure of IT infrastructure	A significant failure of IT infrastructure, or a physical disaster (such as fire or flood) at the Group's IT hosting centre, might disrupt the Group's operations.	– Investment in IT infrastructure, including use of cloud services, implementation of new and upgraded systems and equipment has mitigated the risk of prolonged down time as a result of hardware failure. – The implementation of a full disaster recovery infrastructure is underway and will be complete in early 2021.	Likelihood reduced due to improved infrastructure and controls implemented throughout 2020 and planned for 2021.
The Group is reliant on key individuals to support its operational and service delivery	As the Group scales, servicing an increased number of clients and their projects, so the Group risks overreliance on key individuals.	– The Group has increased its headcount by more than 30% during the year. This gives the Group access to both new skills and augmented existing skill sets. – The Group is investing in a new image capture and analysis platform which will reduce the reliance on key individuals and will launch during 2021.	The risk of overreliance on several key individuals has been reduced. This principal risk remains whilst the new image capture and analysis platform is being developed.
A cyber-attack results in a breach of the Group's IT systems	Any successful cyber-attack may create operational (and potentially financial) risks and may have a significant reputational impact for the Group.	– Strengthened levels of control exist over the Group's IT infrastructure, including ongoing investments in improved security, 'TrialTracker' platform enhancements, upgraded firewalls and training for all staff provided on data security and standard controls such as password protection and policies. – The Group is investing in a full upgrade to its image data capture and analysis platform. This will be completed in 2021 and will further enhance the security of the Group's systems. – The Group has submitted its IT infrastructure to independent penetration tests as part of prospective client audits and received strong security scores.	Likelihood reduced as improved controls and infrastructure implemented. Roll out of new a cloud based imaging capture and analysis platform in 2021 will further reduce this risk area.

Financial risks

Principal Risks	Risk Context	Mitigation	Change in the Year
Early termination of a client's clinical trial	The Group's client contracts bear a risk of early termination in the event of: – an interim data review demonstrating no material benefit; or – a serious adverse event.	– Commercial contracts can include up-front payment, close-out cost recovery and termination notice clauses. – Material contracts are late-phase or open label studies meaning they are less likely to have an early termination event than earlier phase studies.	No material change in risk compared to prior year.
Loss of a key commercial relationship with a client	The Group has material contracts with a single client. There is therefore a risk that, if that client terminated its relationship with the Group, there would be a significant impact on the Group's short and/or medium-term revenue expectations.	– Leadership monitors service levels across projects and has dedicated additional resources to supporting its largest client. The strengthening of the Group's relationship with this client will reduce the likelihood of relationship damage or loss. – Further development of the sales pipeline, via the appointment of additional business development resources, is targeted at new client acquisition; accelerating the broadening of the client portfolio and reducing the impact of losing a major client.	New client contracts were won during the year. In addition to this however, further contracts were also awarded by the Group's largest client. This has increased the Group's reliance on its largest client. During 2021, the Group will seek to further diversify its client portfolio by winning a greater number of contracts across a broader range of clients.

Principal risks and uncertainties continued

Financial risks continued

Change key: Increase | Decrease | No change

Principal Risks	Risk Context	Mitigation	Change in the Year
Financial risks are set out in further detail under note 24 to the financial statements and include: **Liquidity risks** **Credit risks** **Currency risks** **Tax planning risks**	The Group is exposed to financial risks typical of all commercial companies. These include the risks of a cash shortfall, experiencing a significant client payment delay, exposure to a foreign currency rate fluctuation which is against the interests of the Group and/or the Group fails to plan for tax and therefore is exposed to tax liabilities beyond the level necessary.	– Standard controls are applied around all of these risks. – The Group has a strong and strengthening cash position and a client portfolio which includes large, well-funded organisations. – Most contracts are denominated in GBP and currency levels are forecast and reviewed monthly. – Tax planning initiatives implemented with support of external tax advisers.	Reduced foreign exchange exposure due to a greater proportion of client contracts being denominated in GBP. Well controlled trade receivables position. Cash generative. Review of tax losses conducted during the year.

Legal/Compliance & Reputational risks

Principal Risks	Risk Context	Mitigation	Change in the Year
Reputational damage due to error or system failure in delivery of analysis services	If the Group provided incorrect results in the course of delivering its services to a clinical trial this may impact on the trial and/or patient outcomes and result in reputational damage for the Group.	– Operational checks are used to control data error, duplication or transfer issues and to highlight when an analysis fails. – Continued investment in training and automation to scale controls used to identify potential errors. – Significant upgrade to existing data platform is in progress which will further strengthen system controls in place.	Improved controls have reduced risk, with further system developments due to be implemented in 2021.
Breach of data protection regulations	The Group captures personal data from clinical trial subjects. As such, it must be appropriately managed according to GDPR or other equivalent data protection regulations.	– Data captured from client sites is pseudonymised on receipt into the Group's 'TrialTracker' software. – Controls over the protection of personal data have been implemented. Data outputs to clients and key stakeholders are issued following the application of controls designed to reduce, as far as possible, the likelihood of unintended release. – Data protection legislation requirements (such as GDPR) are integrated within the Group's processing activities and practices.	Likelihood reduced as the Group has implemented further IT infrastructure enhancements and augmented data management policies and training.
Failure to comply with the requirements of its VCT/EIS funding	It was a requirement of the VCT/EIS funding raised by the Group in May 2018 that it be employed within a period of 2 years. Failure to do so would result in the VCT/EIS investors losing some of the tax benefits associated with their investment.	– The Board and Senior Leadership Team regularly reviewed the deployment of funds. – Detailed plans, budgets and forecasts were used to guide the employment of funds. – The Group engaged external expertise to review investments made during the course of the 2-year investment period to ensure compliance with VCT/EIS funding obligations.	Risk mitigated with funds employed as at May 2020.

Pillars of strength for continued growth

01 A growing portfolio of innovative AI applications for clinical research

Our portfolio offers a broad suite of validated IXICO AI technology to objectively measure specific biomarkers in many therapeutic areas being targeted by biopharma R&D programmes in neuroscience.

02 An attractive market

An aging population, increasing global healthcare costs of treating and supporting those suffering neurological diseases and a regulatory environment supportive of drugs showing even relatively modest efficacy, provides a compelling investment thesis for the biopharmaceutical industry.

03 Scientific and technological advances within neuroscience

Scientific understanding of the causes and progression of neurological disease is improving. Developments in brain image analysis, genomics and other 'omic' evaluations, alongside longitudinal studies of disease progression combined with rapidly improving infrastructure to manage and interrogate 'big data' are identifying new approaches to neurological drug discovery and development not previously possible.

04 A Group orientated to invest and grow

We are a proven, trusted partner with robust and regulatory-compliant operations, delivering highly innovative data analyses across all phases of clinical trials, in an expanding range of therapeutic areas. 4 years of rapid growth, clear visibility of future revenues and a strong, debt free, balance sheet provide IXICO with a strong financial position from which to invest to grow.

The Strategic Report was approved by the Board on 1 December 2020 and signed by order of the Board by

—

Giulio Cerroni
Chief Executive Officer
1 December 2020

Board of Directors

Balancing the skills, experience and knowledge required to achieve our strategic goals.

Charles Spicer

Non-Executive Chairman

Charles is an experienced Director of, and adviser to, public and private companies primarily in the medtech and life sciences sectors. He is Non-Executive Chairman of Creo Medical Group plc and M J Hudson Group plc and chairs the UK Department of Health Invention for Innovation Funding Panel.

Appointment to Board
October 2013

Committee membership
—

Giulio Cerroni

Chief Executive Officer

Giulio has over 35 years of experience in the life sciences sector and a track record of growing business operations in Europe, the US and Asia. Prior to IXICO, Giulio held global leadership roles at Thermo Fisher Scientific, Inc. and LGC Limited, where he transformed the scale of LGC's Genomics division, completing 3 acquisitions in under 18 months. Giulio was a member of the executive leadership team responsible for the successful sale of LGC Limited to global investment firm, KKR & Co. Inc.

Appointment to Board
February 2017

Committee membership
—

Grant Nash

Chief Financial Officer and Company Secretary

Grant has worked in the life sciences sector for over 15 years. In his Executive Director role, Grant leads the Group's Finance, Legal, HR, IT and Quality functions. Grant joined IXICO from UK Biobank, an international health research data resource, where he had been Finance Director since 2014. Previous to this he was SVP Finance at Evotec, an early stage drug discovery CRO. Grant is a member of the Share Transaction Committee and also acts as Secretary to the Board and its subcommittees.

Appointment to Board
August 2019

Committee membership
S

Mark Warne

Non-Executive Director and Senior Independent Director

Mark is Chief Executive Officer of DeepMatter Group plc and is a Non-Executive Director of Open Orphan plc. He is widely recognised in the UK and international life sciences sector, having spent almost 10 years at IP Group Plc, a leading intellectual property commercialisation company, where he led the Healthcare team. Mark is Senior Independent Director and chairs the Remuneration Committee and Share Transaction Committee and is also a member of the Audit Committee.

Appointment to Board
September 2016

Committee membership
R A S

John Bradshaw

Non-Executive Director

John is a chartered accountant with more than 20 years' experience as a Chief Financial Officer with venture-capital-backed and listed companies. He is the Chief Financial Officer of Syncona Investment Management Limited, the Investment Manager of Syncona Limited. He is a Non-Executive Director and Audit Committee chair of Creo Medical Group plc. John chairs the Audit Committee and is a member of the Remuneration Committee.

Appointment to Board
October 2013

Committee membership
R A

Committee membership

- R Remuneration Committee
- A Audit Committee
- S Share Transaction Committee
- — None
- ● Denotes Committee Chair

Directors' Report

for the year ended 30 September 2020

The Board of Directors of IXICO plc (registered in England and Wales: 03131723) presents its report together with the audited consolidated Group and Company financial statements for the year ended 30 September 2020.

Principal activities

The Group provides specialist data analytics services to the global biopharmaceutical industry. The services include the collection, analysis, management and reporting on data generated in the course of a clinical study. The outputs from the data analysis are used to improve patient selection, monitor drug safety and assess clinical efficacy of the drug under development.

Results and dividends

The Group achieved a net profit after tax of £1.0 million for the year (2019: £0.4 million).

The Board of Directors does not recommend the payment of a dividend.

Financial risk management

The financial risk management and objectives of the Group are set out in note 24 of the consolidated financial statements. Specific financial risks are set out on pages 31 and 32 of the Strategic Report.

Political donations

The Group made no political donations during the period (2019: £nil).

Charitable donations

The Group made charitable donations of £5,000 during the period (2019: £5,000) as part of our corporate social responsibility activities.

Directors

The Directors of the Company, who served during the period and up to the date of this report, unless otherwise indicated, are as follows:

Director	Capacity	Appointed date
Giulio Cerroni	Chief Executive Officer	6 February 2017
Grant Nash	Chief Financial Officer	21 August 2019
	Company Secretary	31 May 2019
Charles Spicer	Non-Executive Chairman	14 October 2013
John Bradshaw	Non-Executive Director	14 October 2013
Mark Warne	Non-Executive and Senior Independent Director	16 September 2016

Biographical details of IXICO plc's Directors are shown on pages 34 and 35.

Directors' remuneration and share options

Details of the Directors' remuneration and share options are set out in the Directors' Remuneration Report on pages 39 to 41.

Re-election of Directors

At the 2020 AGM, in accordance with the Company's Articles of Association, Giulio Cerroni and Grant Nash were reappointed as Directors. At the 2021 AGM, in accordance with the Company's Articles of Association, John Bradshaw and Mark Warne will retire. Being eligible, and with the Board's recommendation, they will offer themselves for re-election.

In accordance with section 992 of the Companies Act 2006, the Directors disclose that the rules regarding the appointment and replacement of Directors are contained in the Company's Articles of Association, which may be amended with shareholder approval in accordance with relevant legislation. The powers of the Directors are contained in the Company's Articles of Association or in accordance with the provisions of the Companies Act 2006. The Companies Act 2006 provides that Directors may issue and buy back the Company's shares on behalf of the Company, subject to authority being given to the Directors by shareholders in a general meeting. No authority to buy back the Company's ordinary shares of 1 pence has been sought.

Directors' interests

At 25 November 2020, the table below sets out the interests in the Company's shares of Directors who served during the period and their connected persons:

Director	Ordinary shares of 1 pence 2020	Ordinary shares of 1 pence 2019
Giulio Cerroni	**109,600**	84,800
Grant Nash	**–**	–
Charles Spicer	**333,196**	333,196
John Bradshaw	**35,500**	35,500
Mark Warne	**5,400**	5,400

During the year ended 30 September 2020, the Directors' interests in the Company's shares changed as a result of the transacting of shares in the market as approved under the Group's share trading policies.

The Directors' interests are beneficially held by each Director unless otherwise stated. Apart from these interests and share options, no Director had any further interest in the period in the share capital of the Company or other Group companies. There have been no changes in the Directors' interests in the share capital of the Group since the year end.

Directors' indemnities

The Group has in place for the whole of the period, and at the date of signing the consolidated financial statements, qualifying third-party indemnity insurance for all Directors and officers.

Going concern

The ongoing COVID-19 pandemic is causing significant uncertainty across global markets for the short and medium term. During 2020, the Group reacted quickly to this by preparing a series of financial scenario forecasts based on discussions with clients over the likely impact of the pandemic on their clinical trials. In parallel the Group moved rapidly to a fully remote model, which included providing additional equipment to employees enabling all to work from home effectively and allowing the Group to trade uninterrupted throughout the year. Whilst there was a notable decrease in new trials starting, trials already ongoing saw only a modest reduction in patient visits, limiting the impact on the Group to date. With the delay in new trials starting, the impact of COVID-19 is expected to have more of an impact in the next financial year compared to 2020.

In assessing going concern, management has prepared detailed sensitised forecasts which consider different scenarios throughout the course of the next 12 months. These include the risk to current projects and expected future sales pipelines, the ability for patients to attend imaging centres (due to global COVID-19 lockdown restrictions) and potential delays in new trial start-up timelines. The Directors have considered these forecasts, alongside the Group's strong balance sheet and cash balance as well as the ability for the Group to mitigate costs if necessary. After due consideration of these forecasts, the Directors concluded with confidence that the Group has adequate financial resources to continue in operation for the foreseeable future.

Structure of the Company's capital

The Company's share capital comprises a single class of ordinary shares of 1 pence each, each carrying 1 voting right and all ranking equally with each other. At 30 September 2020, 47,091,292 (2019: 46,902,294) shares were allotted and fully paid. Note 22 of the consolidated financial statements provides full details of movements in the Company's share capital.

Holders of ordinary shares are entitled to receive all shareholder documents, to attend, speak and exercise voting rights, either in person or by proxy, on resolutions proposed at general meetings and participate in any distribution of income or capital. There are no restrictions on the transfer of shares in the Company or in respect of voting rights attached to the shares. None of the shares carries any special rights with regard to the control of the Company.

Participants in employee share option schemes have no voting or other rights in respect of the shares subject to their awards until the options are exercised, at which time the shares rank pari passu in all respects with shares already in issue. Details of employee share option schemes are set out in note 23 of the consolidated financial statements.

There are no restrictions on the transfer of securities in the Group.

Authority to issue shares

At the general meeting held on 17 January 2020, shareholders authorised the Directors to allot relevant securities up to an aggregate nominal value of £156,341 (representing 33.33% of the issued share capital) and to allot equity securities up to an aggregate nominal value of £312,682 in connection with a fully pre-emptive rights issue (representing 66.67% of the issued share capital) in accordance with industry guidance (Investment Association and PLSA), and to allot for cash equity securities having a nominal value not exceeding in aggregate £46,902 (representing 10.0% of the issued share capital).

These authorities expire at the close of business on 16 January 2021, or if earlier, the conclusion of the next AGM. At the 2021 AGM, similar authorities will be sought from shareholders, and the Company does not intend to seek authority for a fully pre-emptive rights issue.

Substantial shareholdings

At 25 November 2020, the Company had received notification from the following financial institutions of their and their clients' interest in the following disclosable holdings, which represent 3% or more of the voting rights of the issued share capital of the Company.

Shareholders having a major interest	Number of shares held	% of issued shares
BGF Investment Management	9,354,000	19.86
Octopus Investments	6,408,400	13.61
Gresham House Asset Management	5,357,100	11.38
Amati Global Investors	5,031,300	10.68
Canaccord Genuity Group Inc.	4,683,071	9.94

AGM

The notice convening and giving details of the 2021 AGM will be posted to shareholders on or before 18 December 2020. The 2021 AGM of the Company will be held at the offices of IXICO plc, 4th Floor, Griffin Court, 15 Long Lane, London, EC1A 9PN, along with an interactive live stream being made available to all shareholders on Thursday 21 January 2021.

Disclosure of information to auditors

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

On behalf of the Board of Directors

—

Charles Spicer
Non-Executive Chairman
1 December 2020

Remuneration policy for Executive Directors

The remuneration policy and practice are intended to align the remuneration of Executive Directors with the Group's business model and achievement of the Group's strategy. The policy seeks to strike an appropriate balance between a base salary and a discretionary, performance-related element.

Base salary

The Remuneration Committee approves the base salary of Executive Directors, having regard to the individual role and responsibilities.

Pension contribution

The Group operates a money purchase Group personal pension plan for all employees. The Group contributes to the scheme 8% of base salary in respect of the Chief Financial Officer. The Chief Executive Officer receives a payment of 8% of base salary in lieu of pension contributions.

Performance-related bonus

The Group operates a discretionary bonus scheme that takes account of the underlying financial performance of the Group, meeting KPIs and achieving strategic objectives. All performance targets are set by the Remuneration Committee. The award of bonus payments to employees, including Executive Directors, are subject to the Remuneration Committee's review and approval. For the year to 30 September 2020, the Remuneration Committee determined that bonus related KPIs and strategic objectives were largely met, resulting in the majority of bonus entitlements being achieved.

Bonus payments are not pensionable.

IXICO EMI Share Option Plan 2014

Share options granted to Executive Directors are in accordance with the rules of the IXICO EMI Share Option Plan 2014. The share options include performance-related vesting criteria related to the achievement of strategic goals or a significant corporate development transaction. The exercise of share options is subject to the Remuneration Committee's review, and approval, of whether such performance targets have been achieved.

Long-Term Incentive Plan

The Group operates a Long-Term Incentive Plan ('LTIP') which is subject to the rules of the IXICO EMI Share Option Plan 2014. The LTIP is distinguished from other awards under the EMI Share Option Plan 2014 only by the characteristic of issuing awards with an exercise price of £0.01.

Share dilution limits

The aggregate number of new ordinary shares which may be issued on the realisation of the EMI Share Option Plan 2014 (including the LTIP plan) in any 10-year period may not exceed 12.5% of the number of ordinary shares in issue.

At 30 September 2020 and assuming satisfaction of all performance conditions, the total number of the Company's shares issuable under awards made under the EMI Share Option Plan 2014 and (including the LTIP and any awards already exercised) was 4,438,512 or 9.4% of the number of ordinary shares in issue at that date.

Other benefits

The Executive Directors are part of a Group Life Assurance scheme that is maintained and paid by the Group for all employees.

Private medical insurance and income protection insurance are not provided.

Executive Directors' service contracts and termination provisions

The service contracts of Executive Directors are approved by the Remuneration Committee and then the Board. The service contracts may be terminated by either party giving notice to the other as set out below:

	Date of contract	Notice period
Giulio Cerroni	6 February 2017	12 months
Grant Nash	29 April 2019	6 months

Non-Executive Directors

The Non-Executive Directors have letters of appointment with the Company. Fees paid to the Non-Executive Directors are determined by the Board, giving due consideration to market rates and comparative businesses. The Non-Executive Directors do not receive pension contributions and do not participate in any discretionary bonus or Company share option schemes. Current contracts together with notice periods are as follows:

	Date of contract	Notice period
Charles Spicer (as Chairman)	16 September 2016	3 months
John Bradshaw	14 October 2013	3 months
Mark Warne	16 September 2016	3 months

Directors' remuneration

	Year ended 30 September 2020			Year ended 30 September 2019		
	Salary and fees £	**Bonus £**	**Pension contributions £**	Salary and fees £	Bonus £	Pension contributions £
Executive						
Giulio Cerroni	**279,239**	**258,421**	**–**	215,865	330,300	–
Grant Nash	**149,300**	**38,196**	**11,944**	59,410	47,142	4,753
Susan Lowther	**–**	**–**	**–**	108,510	–	2,774
	428,539	**296,617**	**11,944**	383,785	377,442	7,527
Non-Executive						
Charles Spicer	**44,100**	**–**	**–**	44,100	–	–
Tim Sharpington	**–**	**–**	**–**	27,563	–	–
John Bradshaw	**23,625**	**–**	**–**	23,625	–	–
Mark Warne	**23,400**	**–**	**–**	18,900	–	–
	91,125	**–**	**–**	114,188	–	–
Aggregate emoluments	**519,664**	**296,617**	**11,944**	497,973	377,442	7,527

Susan Lowther and Tim Sharpington ceased being directors of the Company on 11 December 2018 and 30 September 2019 respectively.

No Directors waived emoluments in the year ended 30 September 2020 (2019: £nil).

Directors' options

Details of options over shares in the Company held by Directors who served during the period, all of which have been granted at no cost to the Directors, are set out below:

	Number of options							
	At 30 September 2019	Granted during the year	Exercised during the year	Lapsed during the year	**At 30 September 2020**	Exercise price	Date of grant	Expiry date
Giulio Cerroni	676,582	–	–	–	**676,582**	£0.365	7-Feb-17	6-Feb-20
	584,525	–	–	–	**584,525**	£0.010	4-Jun-18	3-Jun-21
	584,525	–	–	–	**584,525**	£0.010	4-Jun-18	3-Jun-22
	–	245,000	–	–	**245,000**	£0.010	5-Dec-19	4-Dec-22
	–	245,000	–	–	**245,000**	£0.010	5-Dec-19	4-Dec-23
	1,845,632	490,000	–	–	**2,335,632**			
Grant Nash	–	300,000	–	–	**300,000**	£0.010	5-Dec-19	4-Dec-22
	–	300,000	–	–	**300,000**	£0.010	5-Dec-19	4-Dec-23
	–	600,000	–	–	**600,000**			
Susan Lowther	181,852	–	–	–	**181,852**	£0.010	4-Jun-18	3-Jun-21
Total	2,027,484	1,090,000	–	–	**3,117,484**			

The share options granted to Giulio Cerroni and Grant Nash in the year were granted in accordance with the Company's 2014 Option Scheme Plan.

During the year ended 30 September 2020, the Company's share price ranged from £0.42 to £0.98.

Further details of the share option schemes are set out in note 23 of the consolidated financial statements.

Corporate Governance Report

The Board has adopted, and complies with, the Quoted Companies Alliance ('QCA') Corporate Governance Code ('Code') and has published a statement on the Group website that sets out, in broad terms, how the Group complies with the Code at the date of this report. The Board provides annual updates about compliance with the Code. The Board is responsible for ensuring that IXICO is managed for the long-term benefit of all shareholders, through effective and efficient decision-making. Corporate governance is an important part of the Board's role by providing oversight and guidance to help manage risk and build long-term value.

The Code comprises 10 principles, with which companies undertake to comply as part of their corporate governance arrangements. The Board conducts itself in a manner which places IXICO's values and the principles of the Code at the core of the Group's culture.

A summary of how the Group complies with these principles is outlined below with further detail being available on the Group's website (https://ixico.com/investors/governance/oversight/).

Governance Principle	Group Approach	Further Reading
Deliver value in a manner aligned to shareholder and wider stakeholder aspirations		
1: Establish a strategy and business model which promotes long-term value for shareholders	The Group delivers insights to biopharmaceutical companies developing drugs to address neurological disease. To achieve our business goals, the Group is accelerating growth and has grown profitability in the financial year to 30 September 2020 by: – building scale and market presence for our technology solutions; and – developing and commercialising new products and services. These activities promote and are delivering long-term value for shareholders.	Our 5-point growth plan is detailed on pages 10 and 11. Our approach to innovation and recent product launches are described on pages 12 and 13.
2: Seek to understand and meet shareholder needs and expectations	The Board is committed to encouraging open communication between itself and shareholders. The Chief Executive Officer and Chief Financial Officer arrange to meet with major shareholders at least twice a year to update them on strategy, progress against this strategy and obtain feedback. The Chairman also makes himself available for discussions with major shareholders as and when appropriate. Further, should the Board consider any significant divergence from strategy it will seek feedback from major shareholders as part of its deliberations. The Board uses publications on its website and its Annual Report to keep all shareholders informed of its progress. It uses the AGM to invite feedback from any shareholder. The CEO and CFO are responsible for investor relations and any feedback received from shareholders is communicated to the wider Board.	
3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Group is highly conscious of the requirements of its wider stakeholders in supporting its long-term success. It views its wider stakeholders as its clients, suppliers, employees and the patients participating in the clinical trials it serves. The Board has implemented approaches to support the requirements of each group and, where it identifies, or is notified of, any risks or concerns in respect of any of these stakeholder groups, it puts in place actions to address these.	Our stakeholders are described in our business model on pages 4 and 5 and in our stakeholder engagement on pages 20 to 23.
4: Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board has ultimate responsibility for the Group's system of risk management and internal control and for reviewing its effectiveness. The Board instils control to the Group's operations by overseeing the following: – competent and prudent management; – sound planning; – adequate systems of control, including regular review of risk; – adequate and accurate accounting records; and – compliance with statutory and regulatory obligations.	The Risk Management Report is provided on page 30.

Governance Principle	Group Approach	Further Reading
Maintain a strong and dynamic management framework that places value on developing the Group in an ethical manner		
5: Maintain the Board as a well-functioning, balanced team led by the Chair	The Board comprises the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors, one of whom acts as Senior Independent Director. The Board has an appropriate balance between independence and knowledge of the Group and its target markets which allows it to discharge its duties and responsibilities effectively. The Directors use their independent judgement and challenge matters affecting the business whether strategic or operational. The Non-Executive Directors are in regular contact with the Executive Directors and the Chairman has regular one-to-one meetings with the Chief Executive Officer. The Board has access to independent external advisers to support it in its decisions, where additional skills or expertise is deemed necessary. The Board has procedures in place to deal with a situation in which a Director has, or may have, a conflict of interest. The Board is aware of other commitments and interests as they are disclosed by each Board member. The Board meets formally (either face-to-face or via video conference) not fewer than four times per year in addition to the annual strategy day. The Board is also supported by three subcommittees: the Audit Committee, the Remuneration Committee and the Share Transaction Committee. The Board and its subcommittees all operate against terms of reference which are summarised on the Company website (https://ixico.com/investors/governance/).	More information on Board membership is provided on pages 34 and 35.
6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Board has an effective and appropriate balance of skills and experience and is mindful of the need to continuously review the needs of the business to ensure that this remains true, so that the Group can drive performance as well as comply with regulations. The Group's Articles of Association require that all Directors must stand for re-election every three years and that any new Directors appointed during the year must stand for election at the AGM following their appointment.	Further details of the Board's skills and experience can be found on pages 34 and 35.
7: Evaluate all elements of Board performance based on clear and relevant objectives, seeking continuous improvement	The Board undertakes self-reviews from time to time in order to assess its performance. The Chairman provides leadership to the Board and assesses the individual Directors to ensure that their contribution is relevant and effective and that they are committed members of the Board.	
8: Promote a corporate culture that is based on ethical values and behaviours	The Group operates in a highly regulated environment in accordance with an integrated Management System (including ISO 13485:2016) which is subject to third-party audit. The Group is focused on a therapeutic area which has a high unmet medical need and our employees are motivated to support our clients in their quest to develop and provide safe, effective treatments for people living with neurological diseases. The Group employs a diverse workforce and embraces a culture where employees are treated equitably within an environment of mutual respect and understanding. The eradication of fraud and bribery in the way in which the Group operates is also of great importance to securing the trust and confidence of its clients and partners. Therefore, the Group adopts a zero-tolerance position to fraud and bribery and is committed to pursuing this approach throughout its operational practices.	The Group's values are described on page 25.
9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The Board is collectively responsible for the long-term success of the Group. Its principal function is to provide the Group with a framework of prudent and effective controls, which enables risk to be assessed and managed and its strategy executed. Further details as to how the governance processes are structured to achieve this are outlined within this Governance Report.	The Group's risk management approach is described on page 30.
Build trust based on open communication with stakeholders		
10: Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group communicates with shareholders (and other stakeholders) via its website, its Annual Report and the AGM as well as via issuing RNS announcements and presenting to major shareholders and analysts. This Governance Report, alongside the wider Strategic and Directors' Reports are designed to provide full and relevant updates on how the Group is governed and how it is performing. These are drafted with both shareholders and the wider stakeholder community in mind.	Strategic Report pages 1 to 33. Stakeholder engagement on pages 20 to 23. Directors' Report pages 36 to 38. Financial Review pages 28 and 29.

The Board and its subcommittees

The Board meets at least 4 times per year in accordance with a pre-determined meeting calendar. The Board is supported by 3 subcommittees: the Audit Committee, the Remuneration Committee and the Share Transaction Committee. The subcommittees discharge responsibilities on behalf of the Board and are entitled to such internal or external advice as is required to allow them to fulfil their duties.

The table below shows the membership of the Board and each subcommittee as at the end of 30 September 2020:

	Board	Audit Committee	Remuneration Committee	Share Transaction Committee
Charles Spicer (Non-Executive Chairman)	Chairman	–	–	–
Giulio Cerroni (Chief Executive Officer)	Member	–	–	–
Grant Nash (Chief Financial Officer & Company Secretary)	Member & Secretary	Secretary	Secretary	Member & Secretary
Mark Warne (Senior Independent Non-Executive Director)	Member	Member	Chairman	Chairman
John Bradshaw (Independent Non-Executive Director)	Member	Chairman	Member	–

The Board and its subcommittees receive appropriate and timely information prior to each meeting including a formal agenda. Any Director may challenge Group proposals. Decisions are taken democratically after appropriate discussion. Specific actions arising from Board meetings are agreed by the Board or relevant subcommittee and are then followed up by the Executive Directors.

The Board and subcommittees all operate against terms of reference which are summarised on the Group website (https://ixico.com/investors/governance/).

Audit Committee

The Audit Committee is chaired by John Bradshaw. Mark Warne is a member of the Committee. The terms of reference of the Audit Committee include the following responsibilities:

- monitor the integrity of the Group's financial statements and application of accounting policies;
- review the effectiveness of the Group's internal control and risk management systems; and
- oversight of the Group's external auditors, including assessment of their independence from the Group.

Audit Committee meetings are usually held twice per financial year.

During the year, the Audit Committee reviewed other services provided by the Group's auditor and took the decision to move tax advisory and compliance services to another firm. This means the Group auditor now only provides audit services to the Group.

Remuneration Committee

The Remuneration Committee is chaired by Mark Warne. John Bradshaw is a member of the Committee. The terms of reference of the Remuneration Committee include the following responsibilities:

- determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors and other such members of the executive management as it is designated to consider;
- approve the design of, and determine targets for, any performance-related pay schemes and approve the total annual payments made under such schemes;
- approve all long-term incentive scheme structures and option schemes;
- approve all option grants for ratification by the Board; and
- within the terms of the agreed policy, determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses, incentive payments and share options.

Remuneration Committee meetings are usually held twice per financial year.

Share Transaction Committee

The Share Transaction Committee is chaired by Mark Warne. Grant Nash is a member of the Committee. The terms of reference of the Share Transaction Committee include the following responsibilities:

- review, consider and, where deemed appropriate, approve the exercise of share options by option holders of the Group and the issuance of shares in connection with such exercises; and
- review, consider and approve the request to transact shares by employees or other individuals closely related to the Group (and all ancillary matters) in accordance with the relevant policies of the Group, applicable law and any directions of the Group's nominated adviser.

The Share Transaction Committee meetings are held on an ad hoc basis as required.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

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

By order of the Board of Directors

—

Charles Spicer
Non-Executive Chairman
1 December 2020

Independent Auditor's Report to the Members of IXICO plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of IXICO plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and the parent company's future prospects and performance.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and the parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or a parent company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's and the parent company's business, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit, and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the parent company will continue in operation.

Overview of our audit approach

- Overall materiality: £191,000 which represents 2% of the group's revenue;
- Key audit matters were identified as revenue recognition and going concern; and
- We performed full scope audit procedures on the financial statements of IXICO plc and on the financial information of IXICO Technologies Limited, and specified audit procedures on the financial information of IXICO Technologies Inc. All other group companies are not significant.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters – Group	How the matter was addressed in the audit – Group

Revenue Recognition
Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumption that there are risks of fraud in revenue recognition. There are judgements within IFRS 15 'Revenue from Contracts with Customers' that give rise to the risk.
 	
The group has one revenue stream: service revenue. Service revenue from many of the group's contracts comprises multiple performance obligations, which the group denotes as 'tasks', including, but not limited to, project and site set-up, project and site management, site training and materials, TrialTracker configuration and access, data reading and analysis, scientific reports, licence revenue, and change orders.
 	
Revenue recognition is therefore dependent upon identifying the relevant distinct performance obligation, ensuring the revenue allocated to the performance obligation is based on standalone pricing and ensuring that revenue is appropriately recognised in accordance with the delivery of the performance obligation. During the year, change orders have also been agreed which amount to contract modifications and this also impacts on revenue recognition.
 	
We therefore identified revenue recognition as a significant risk, which was the most significant assessed risk of material misstatement.
	Our audit work included, but was not restricted to:
	– Completing an evaluation of revenue recognition policies for consistency and compliance with IFRS 15;
	– Gaining an understanding of the performance and progress of material contracts through discussions with the operational project managers to corroborate that revenue has been recognised as performance obligations have been satisfied;
	– For a sample of tasks:
	  – Agreeing the planning sheets to contracts, which have been reconciled through to the trial balance;
	  – Corroborating the tasks' unit price to signed contracts;
	  – Agreeing the number of units to the group's internal project tracker system; and
	  – Assessing whether the performance obligations of each task are being recognised in accordance with IFRS 15.
	– Inspecting new contracts awarded in the year and agreeing key details through to the group's internal project tracker system;
	– Inspecting contracts signed near the year end to assess whether the revenue has been recognised in the correct period;
	– Corroborating a sample of accrued and deferred income balances to supporting project planning sheets and considering the revenue recognised on at risk work completed at the year-end;
	– Reconciling pass-through revenue, which are costs that are passed on directly to the customer, to costs incurred; and
	– Reperforming calculations of the foreign exchange variances on contracts priced in currencies other than sterling.
	
	The group's accounting policy on revenue, including its recognition, is shown in note 4.1 to the financial statements and related disclosures are included in notes 6 and 7.
	
	Key observations
	Our audit work did not identify any material misstatements in the revenue recognised in the year or any material instances of revenue not being recognised in accordance with stated accounting policies.

Key Audit Matters – Group	How the matter was addressed in the audit – Group
Going concern As stated in the 'The impact of macro-economic uncertainties on our audit' section of our report, COVID-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the group and the parent company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – Obtaining management's base case cash flow forecasts covering the period from 1 October 2020 to 31 December 2021, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions; – Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast; – Obtaining management's worst-case scenario prepared to assess the potential impact of COVID-19 on the business. We evaluated management's assumptions regarding the impact of early termination of clinical trials, failure to convert expected bookings to contracted bookings and the impact of COVID-19 on patient enrolment and ongoing image acquisition. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken; – Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and – Assessing the adequacy of related disclosures within the annual report & accounts. The group's accounting policy and related disclosures on going concern are shown in note 1(d) to the financial statements. **Key observations** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

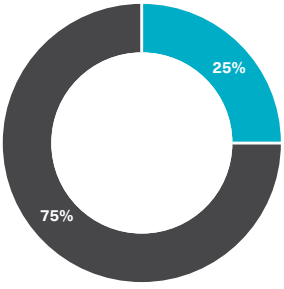
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£191,000, which is 2% of the group's revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator used by management and shareholders in assessing the performance of the business. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2019, using the same basis. This reflects the increase in revenue in the current year.	£186,000, which is 2% of the parent company's total assets restricted to its component materiality, which is a percentage of group materiality. This benchmark is considered the most appropriate because the parent company is a holding company for the trading group. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2019 to reflect the increase in the measurement percentage used from 1% last year to 2% this year, and the restriction to a percentage of group materiality, which was higher this year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£9,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

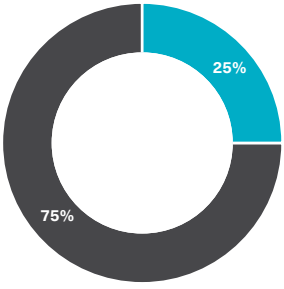
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Tolerance for potential uncorrected mis-statements

Overall materiality – Parent company



Performance materiality

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- IXICO plc has centralised processes and controls over the key areas of audit focus. Group management are responsible for all judgemental processes and significant risk areas. All accounting is centralised and we have tailored our audit response accordingly. In assessing the risk of material misstatement to the group financial we considered the transactions undertaken by each entity and therefore where the focus of our audit work was required;
- An evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality;
- For significant components requiring a full-scope approach, we evaluated the design and implementation of controls over the financial reporting systems identified as part of our risk assessment. We then undertook substantive testing on significant transactions and material account balances;
- Full-scope audit procedures were performed on the financial statements of the parent company IXICO plc and the financial information of the trading entity IXICO Technologies Limited, which is the only component which is individually financially significant to the group;
- Specified audit procedures were performed on the financial information of IXICO Technologies Inc.;
- The total percentage coverage using full-scope audit procedures over the group's revenue was 100%;
- The total percentage coverage using full-scope audit procedures over the group's total assets was 99.8%; and
- Our audit approach in the current year is consistent with the audit approach adopted for the year ended 30 September 2019 being substantive in nature.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report & accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

—

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
1 December 2020

Consolidated Statement of Comprehensive Income

for the years ended 30 September 2020 and 30 September 2019

	Note	2020 £000	2019 £000
Revenue	6	**9,532**	7,561
Cost of sales		**(3,186)**	(2,619)
Gross profit		**6,346**	4,942
Other income	8	**606**	588
Operating expenses			
Research and development expenses		**(1,309)**	(986)
Sales and marketing expenses		**(1,579)**	(1,154)
General and administrative expenses		**(3,208)**	(3,026)
Total operating expenses	11	**(6,096)**	(5,166)
Operating profit		**856**	364
Finance income		**20**	2
Finance expense		**(18)**	–
Profit on ordinary activities before taxation		**858**	366
Taxation credit	12	**94**	66
Profit attributable to equity holders for the period		**952**	432
Other comprehensive expense:			
Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation differences		**(1)**	(1)
Total other comprehensive expense		**(1)**	(1)
Total comprehensive income attributable to equity holders for the period		**951**	431

	Note	2020	2019
Profit per share (pence)	13		
Basic profit per share		**2.02**	0.92
Diluted profit per share		**2.00**	0.92

Consolidated Statement of Financial Position

as at 30 September 2020, 30 September 2019 and 30 September 2018

	Note	2020 £000	2019 Restated £000	2018 Restated £000
ASSETS				
Non-current assets				
Property, plant and equipment	14	**1,014**	316	77
Intangible assets	15	**796**	292	32
Total non-current assets		**1,810**	608	109
Current assets				
Trade and other receivables	17	**2,082**	2,379	2,140
Current tax receivables	12	**259**	450	229
Cash and cash equivalents		**7,945**	7,264	7,861
Total current assets		**10,286**	10,093	10,230
Total assets		**12,096**	10,701	10,339
LIABILITIES AND EQUITY				
Non-current liabilities				
Trade and other payables	18	**167**	–	–
Provisions	19	**90**	–	–
Lease liabilities	20	**45**	–	–
Total non-current liabilities		**302**	–	–
Current liabilities				
Trade and other payables	18	**2,407**	2,782	3,013
Provisions	19	**100**	–	–
Lease liabilities	20	**168**	–	–
Total current liabilities		**2,675**	2,782	3,013
Total liabilities		**2,977**	2,782	3,013
Equity				
Ordinary shares	22	**471**	469	467
Share premium	22	**84,499**	84,436	84,389
Merger relief reserve	22	**1,480**	1,480	1,480
Reverse acquisition reserve	22	**(75,308)**	(75,308)	(75,308)
Foreign exchange translation reserve	22	**(97)**	(81)	(80)
Capital redemption reserve	22	**7,456**	7,456	7,456
Accumulated losses		**(9,382)**	(10,533)	(11,078)
Total equity		**9,119**	7,919	7,326
Total liabilities and equity		**12,096**	10,701	10,339

The financial statements on pages 52 to 83 were approved by the Board of Directors and authorised for issue on 1 December 2020 and were signed on its behalf by:

—

Grant Nash
Chief Financial Officer
1 December 2020

IXICO plc, Registered number: 03131723

Company Statement of Financial Position

as at 30 September 2020, 30 September 2019 and 30 September 2018

	Note	2020 £000	2019 Restated £000	2018 Restated £000
ASSETS				
Non-current assets				
Investments in Group undertakings	16	**5,623**	5,516	5,434
Total non-current assets		**5,623**	5,516	5,434
Current assets				
Trade and other receivables	17	**4,255**	4,710	685
Cash and cash equivalents		**1,705**	2,187	7,229
Total current assets		**5,960**	6,897	7,914
Total assets		**11,583**	12,413	13,348
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	18	**73**	112	140
Total current liabilities		**73**	112	140
Equity				
Ordinary shares	22	**471**	469	467
Share premium	22	**84,499**	84,436	84,389
Merger relief reserve	22	**1,480**	1,480	1,480
Capital redemption reserve	22	**7,456**	7,456	7,456
Accumulated losses		**(82,396)**	(81,540)	(80,584)
Total equity		**11,510**	12,301	13,208
Total liabilities and equity		**11,583**	12,413	13,348

Parent Company Income Statement

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The Company's loss for the financial year was £1,040,000 (2019: £1,069,000).

The financial statements on pages 52 to 83 were approved by the Board of Directors and authorised for issue on 1 December 2020 and were signed on its behalf by:

—

Grant Nash
Chief Financial Officer
1 December 2020

IXICO plc, Registered number: 03131723

Consolidated Statement of Changes in Equity

for the years ended 30 September 2020 and 30 September 2019

	Ordinary shares Restated £000	Share premium £000	Merger relief reserve £000	Reverse acquisition reserve £000	Foreign exchange translation reserve £000	Capital redemption reserve Restated £000	Accumulated losses £000	Total £000
Balance at 1 October 2018	7,923	84,389	1,480	(75,308)	(80)	–	(11,078)	7,326
Prior period adjustment (note 3)	(7,456)	–	–	–	–	7,456	–	–
Restated balance at 1 October 2018	467	84,389	1,480	(75,308)	(80)	7,456	(11,078)	7,326
Total comprehensive income/(expense)								
Profit for the period	–	–	–	–	–	–	432	432
Other comprehensive expense:								
Foreign exchange translation	–	–	–	–	(1)	–	–	(1)
Total comprehensive income/(expense)	–	–	–	–	(1)	–	432	431
Transactions with owners								
Charge in respect of share options	–	–	–	–	–	–	113	113
Exercise of share options	2	47	–	–	–	–	–	49
Total transactions with owners	2	47	–	–	–	–	113	162
Balance at 30 September 2019	**469**	**84,436**	**1,480**	**(75,308)**	**(81)**	**7,456**	**(10,533)**	**7,919**
Total comprehensive income/(expense)								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**952**	**952**
Other comprehensive expense:								
Realised losses on foreign exchange	**–**	**–**	**–**	**–**	**(15)**	**–**	**15**	**–**
Foreign exchange translation	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Total comprehensive income/(expense)	**–**	**–**	**–**	**–**	**(16)**	**–**	**967**	**951**
Transactions with owners								
Charge in respect of share options	**–**	**–**	**–**	**–**	**–**	**–**	**184**	**184**
Exercise of share options	**2**	**63**	**–**	**–**	**–**	**–**	**–**	**65**
Total transactions with owners	**2**	**63**	**–**	**–**	**–**	**–**	**184**	**249**
Balance at 30 September 2020	**471**	**84,499**	**1,480**	**(75,308)**	**(97)**	**7,456**	**(9,382)**	**9,119**

Company Statement of Changes in Equity

for the years ended 30 September 2020 and 30 September 2019

	Ordinary shares Restated £000	Share premium £000	Merger relief reserve £000	Capital redemption reserve Restated £000	Accumulated losses £000	Total £000
Balance at 1 October 2018	7,923	84,389	1,480	–	(80,584)	13,208
Prior period adjustment (note 3)	(7,456)	–	–	7,456	–	–
Restated balance at 1 October 2018	467	84,389	1,480	7,456	(80,584)	13,208
Total comprehensive expense for the period	–	–	–	–	(1,069)	(1,069)
Transactions with owners						
Charge in respect of share options	–	–	–	–	113	113
Exercise of share options	2	47	–	–	–	49
Total transactions with owners	2	47	–	–	113	162
Balance at 30 September 2019	**469**	**84,436**	**1,480**	**7,456**	**(81,540)**	**12,301**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(1,040)**	**(1,040)**
Transactions with owners						
Charge in respect of share options	**–**	**–**	**–**	**–**	**184**	**184**
Exercise of share options	**2**	**63**	**–**	**–**	**–**	**65**
Total transactions with owners	**2**	**63**	**–**	**–**	**184**	**249**
Balance at 30 September 2020	**471**	**84,499**	**1,480**	**7,456**	**(82,396)**	**11,510**

Consolidated and Company Statements of Cash Flows

for the years ended 30 September 2020 and 30 September 2019

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Cash flows from operating activities				
Profit/(loss) for the period	**952**	432	**(1,040)**	(1,069)
Finance income	**(20)**	(2)	**(4)**	(40)
Finance expense	**18**	–	**1**	–
Taxation	**(94)**	(66)	**–**	–
Depreciation	**356**	72	**–**	–
Amortisation of intangibles	**82**	40	**–**	–
Disposal of fixed assets	**1**	–	**–**	–
Impairment of intangible assets	**2**	–	**–**	–
Research and development expenditure credit	**(162)**	(155)	**–**	–
Share option charge	**184**	113	**76**	31
	1,319	434	**(967)**	(1,078)
Changes in working capital				
Decrease/(increase) in trade and other receivables	**297**	(239)	**455**	(3,983)
(Decrease)/increase in trade and other payables	**(128)**	(325)	**(39)**	(29)
Cash generated from/(used in) operations	**1,488**	(130)	**(551)**	(5,090)
Taxation received	**447**	–	**–**	–
Net cash generated from/(used in) operating activities	**1,935**	(130)	**(551)**	(5,090)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(686)**	(217)	**–**	–
Purchase of intangible assets including staff costs capitalised	**(456)**	(300)	**–**	–
Finance income	**20**	4	**4**	–
Net cash (used in)/generated from investing activities	**(1,122)**	(513)	**4**	–
Cash flows from financing activities				
Issue of shares	**65**	48	**65**	48
Repayment of lease liability	**(177)**	–	**–**	–
Interest paid	**(18)**	–	**–**	–
Net cash (used in)/generated from financing activities	**(130)**	48	**65**	48
Movements in cash and cash equivalents in the period	**683**	(595)	**(482)**	(5,042)
Cash and cash equivalents at start of period	**7,264**	7,861	**2,187**	7,229
Effect of exchange rate fluctuations on cash held	**(2)**	(2)	**–**	–
Cash and cash equivalents at end of period	**7,945**	7,264	**1,705**	2,187

Notes to the financial statements

for the years ended 30 September 2020 and 30 September 2019

1. Presentation of the financial statements

a. General information

IXICO plc (the 'Company') is a public limited company incorporated in England and Wales and is admitted to trading on the AIM market of the London Stock Exchange under the symbol IXI. The address of its registered office is 4th Floor, Griffin Court, 15 Long Lane, London EC1A 9PN.

The Company is a parent of a number of subsidiaries detailed in note 16, together referred to throughout as 'the Group'. The Group is an established provider of technology-enabled services to the global biopharmaceutical industry. The Group's services are used to select patients for clinical trials and assess the safety and efficacy of new drugs in development within the field of neurological disease.

b. Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and in accordance with IFRS as adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies operating under IFRS.

The consolidated financial statements comprise a Statement of Comprehensive Income, a Statement of Financial Position, a Statement of Changes in Equity, a Statement of Cash Flows, and accompanying notes. These financial statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The consolidated financial statements are presented in Great British Pounds ('£' or 'GBP') and are rounded to the nearest thousand unless otherwise stated. This is the predominant functional currency of the Group, and is the currency of the primary economic environment in which it operates. Foreign currency transactions are accounted in accordance with the policies set out below.

c. Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and its subsidiary companies adjusted to eliminate intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions. The Company's subsidiaries are detailed in note 16. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

The Group controls a subsidiary when the Group is exposed to, or has rights to, variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over a subsidiary. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The results of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases. The assets and liabilities of foreign operations are translated into GBP at exchange rates prevailing at the end of the reporting period. Income statements and cash flows of foreign operations are translated into GBP at average monthly exchange rates which approximate foreign exchange rates at the date of the transaction. Foreign exchange differences arising on retranslation are recognised directly in a separate translation reserve.

d. Going concern

At the time of approving the consolidated financial statements, the Directors have considered the expected future performance together with the Group's estimated future cash inflows from existing long-term contracts and sales pipeline.

The ongoing COVID-19 pandemic is causing significant uncertainty across global markets for the short and medium term. During 2020, the Group reacted quickly to this by preparing a series of financial scenario forecasts based on discussions with clients over the likely impact of the pandemic on their clinical trials. In parallel the Group moved rapidly to a fully remote model, which included providing additional equipment to employees enabling all to work from home effectively and allowing the Group to trade uninterrupted throughout the year.

In assessing going concern, management has prepared detailed sensitised forecasts which consider different scenarios throughout the course of the next 12 months. These include the risk to current projects and expected future sales pipelines, the ability for patients to attend imaging centres (due to global COVID-19 lockdown restrictions) and potential delays in new trial start-up timelines. The Directors have considered these forecasts, alongside the Group's strong balance sheet and cash balance as well as the ability for the Group to mitigate costs if necessary.

After due consideration of these forecasts, the Directors concluded with confidence that the Group has adequate financial resources to continue in operation for the foreseeable future.

2. New and amended accounting standards and interpretations

a. Adoption of new accounting standards for the year ended 30 September 2020

The Group has adopted all new and amended accounting standards and interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. Analysis of the impacts of these standards are set out below.

IFRS 16 – Leases

The Group adopted IFRS 16 from 1 October 2019. IFRS 16 requires a lessee to recognise lease assets and liabilities, previously accounted for as operating leases, on the Statement of Financial Position. Subsequently, depreciation of the lease assets and interest on the lease liabilities is recognised within the Statement of Comprehensive Income over the remaining term of the lease. The Group has applied the modified retrospective approach requiring the Group to calculate lease assets and liabilities at the beginning of the current period and therefore the comparative information has not been restated and continues to be reported under IAS 17.

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all operating leases except for those identified as low-value or having a remaining lease term of less than 12 months which continue to be recognised on a straight-line basis as a lease expense over the remaining lease term. The incremental borrowing rate used for discounting purposes and applied to the lease liabilities recognised under the new Standard is 6%, being the expected rate at which the Group could reasonably borrow at from banking institutions.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 30 September 2019 to the carrying amount at 1 October 2019:

	Carrying amount at 30 September 2019 £000	Remeasurement £000	Carrying amount at 1 October 2019 £000
Property, plant and equipment	316	462	778
Provisions	–	90	90
Lease liabilities	–	372	372

The following is a reconciliation of total operating lease commitments at 30 September 2019 (as disclosed in the financial statements to 30 September 2019) to the lease liabilities recognised at 1 October 2019:

	£000
Total operating lease commitments disclosed at 30 September 2019	**441**
Recognition exemptions: Leases of low-value	(1)
Operating lease liabilities before discounting	440
Discounted using incremental borrowing rate	(68)
Total lease liabilities recognised under IFRS 16 at 1 October 2019	**372**

b. Accounting developments affecting financial statements in subsequent periods

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the IASB. The standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Directors anticipate, based on current business processes, that the introduction of the above standards and amendments will not have a material impact on the Group and Company financial statements and therefore the impact of these changes on the financial statements have not been made.

3. Prior period adjustment

During the year to 30 September 2016, a subdivision of shares occurred, dividing the existing share capital of 15,215,664 ordinary shares of nominal value £0.50 into 15,215,664 ordinary shares of nominal value £0.01 and 15,215,664 deferred shares of nominal value £0.49. The deferred shares were rendered effectively worthless by virtue of the rights attached to them. On 22 December 2016, the deferred shares were repurchased for £1 and subsequently cancelled, however no accounting entries were made in respect of this transaction.

As a result of the deferred share cancellation, the share capital for the years ended 30 September 2017, 30 September 2018 and 30 September 2019 is overstated by £7,455,675, whilst the capital redemption reserve is understated in the same periods by £7,455,675.

	Share capital £000	Capital redemption reserve £000
Balance as at 30 September 2017	7,727	–
Repurchase and cancellation of deferred shares	(7,456)	7,456
Restated balance as at 30 September 2017	271	7,456
Balance as at 30 September 2018	7,923	–
Repurchase and cancellation of deferred shares	(7,456)	7,456
Restated balance as at 30 September 2018	467	7,456
Balance as at 30 September 2019	7,925	–
Repurchase and cancellation of deferred shares	(7,456)	7,456
Restated balance as at 30 September 2019	469	7,456

There is no impact on total profit or loss in any year and subsequently no impact on taxation. The number of shares in issue in each of the periods was correct and therefore there is no impact on the earnings per share or diluted earnings per share in each of the periods.

4. Significant accounting policies

4.1 Revenue

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

In determining whether to recognise revenue, the Group follows a 5-step process:
1. Identifying the contract with a client;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

Each type of revenue has separate recognition criteria depending on the type of service provided. These services are agreed at the inception of a project through contracts with clients. A critical part of the contract is a detailed schedule of work that provides the list of services to be provided by the Group. Performance obligations are attached to each service, with revenue being recognised once these are satisfied. The transaction price associated to each performance obligation is allocated based on their relative stand-alone selling price.

Revenue types

The Group's contracts comprise a variety of performance obligations. These obligations are all considered streams of a single revenue type, being service revenue. The Group's most significant streams of service revenue are outlined below and have the respective recognition criteria:

Project and site set-up

At the point a client approaches the Group to complete work, a project manager is assigned. The project manager co-ordinates the project set-up and ongoing delivery of the service. At inception, the project manager will also prepare the clinical study protocol and other essential study documents.

Once the project and/or the site is set up, all performance obligations are satisfied. These services are therefore recognised at a point in time, being when the Group has delivered the relevant material to the client.

Project and site management

Each contract requires various project management activities, provided by the project manager. These services are provided throughout the duration of a contract. Site management services are provided throughout the duration of a site being operational, typically being shorter than the project management cycle.

The services provided for project and site management represents a provision of on going services. Therefore, revenue for these items is recognised on a straight-line basis.

Site training and materials

A contract will typically include training of each individual site. Various materials are prepared in advance and provided to clients as tools for site training. Site training is provided either through live online training or through a self-paced training module. These activities are combined in one revenue transaction per site.

Revenue from site training is recognised when each site has completed the training activity.

TrialTracker configuration and access

The TrialTracker platform delivers a robust and comprehensive set of centralised imaging services designed to efficiently manage the complex imaging workflow from: image upload, quality control, reading and analysis. The platform also allows for reporting and data transfer.

The Group has identified 2 separate performance obligations in the TrialTracker platform:

1. A set-up fee is recognised at a point in time once TrialTracker access is provided to the client;
2. An ongoing access fee is recognised over the duration of the project, with revenue being recognised on a straight-line basis.

Data reading and analysis

The Group provides data analysis services across a range of biomarkers, providing high-quality, clinically meaningful data. Fees are charged to clients on a 'per data read'.

As these services have no ongoing obligations from the Group, revenue is recognised once the data read and analysis has taken place.

Data management and quality control

Ensuring data are managed appropriately and that the data are of a high quality is critical in the delivery of the Group's service. The data management and imaging teams work in collaboration to ensure ongoing integrity of data.

The performance of data management represents the provision of an on going service and so the straight-line method of recognition is used.

Revenue recorded from data quality control is recognised at a point in time when the Group has delivered the service to the client.

4. Significant accounting policies continued

4.1 Revenue continued

Revenue types continued

Scientific reports

Scientific reports are provided at interim points and at the end of a study. Such reports contain data analysis and statistical interpretation.

These reports represent an individual performance obligation with no further work required by the Group. Revenue from these services is recognised at a point in time when the Group provides the report to the client.

Licence revenue

Revenue relating to licensing is entirely attributable to TrialTracker. Each agreement will grant the user rights to use the software and receive associated technical support during the licence period.

The licence is a distinct performance obligation and revenue is recognised over the contract term.

Change orders

Throughout the duration of a contract, the client may request additional services or service changes to be made. For revenue recognition purposes, the Group treats a change order or contract modification to a client agreement as a separate contract, if both:

- the scope changes due to the addition of 'distinct' services; and
- the price change reflects the services stand-alone selling prices ('SSP') under the circumstances of the modified contract.

The revenue recognition for the change order is applied in the same way as the original contract, as detailed above, with the original client agreement remaining unchanged.

4.2 Other income

Government grants

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received. The grants are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. The Group recognises grant income as an item of other income.

Research and Development Expenditure Credit ('RDEC')

The Group has elected to take advantage of the RDEC introduced in the Finance Act 2013. A company may surrender corporation tax losses on research and development expenditure incurred on or after 1 April 2013 for a corporation tax refund. Relief is given as a taxable credit on 13% (which increased from 12% from 1 April 2020) of qualifying research and development expenditure. The Group recognises research and development expenditure credit as an item of other income, taking advantage of the 'above the line' presentation, and is recognised in the year for which the research and development relates.

4.3 Research and development expenditure

In all instances across the Group, research expenditure is expensed through the income statement. For development expenditure, items will be expensed where the recognition criteria for internally generated intangible assets is not met.

The main criteria used to assess this, as required under IAS 38 – Intangible Assets, are:

- Demonstrating technical feasibility of completing the intangible asset;
- Intention to complete the asset;
- Ability to use or sell the asset in order to generate future economic benefit;
- Availability of adequate technical or other resources to complete development; and
- Ability to measure reliably the expenditure attributable to the asset.

It was determined that the Group continued to meet the above criteria in respect of specific developments to its TrialTracker platform and data analytics service offering. As a result, associated development costs are capitalised in the year in relation to TrialTracker and an intangible asset is recognised as set out in note 15.

4.4 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 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 Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions.

Any changes that impact the original estimates, for example the effect of employees who have left the Group in the year and have forfeited their options, is recognised in the Consolidated Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23 of the consolidated financial statements.

4.5 Employee benefits

All employee benefit costs are recognised in the Consolidated Statement of Comprehensive Income as they are incurred. These principally relate to holiday pay and contributions to the Group defined contribution plan.

The assets of the Group scheme are held separately from those of the Group in independently administered funds. The Group does not offer any other post-retirement benefits.

4.6 Leased assets

A lease is defined as a contract that gives the Group the right to use an asset for a period of time in exchange for consideration. The Group identifies from the contract the total length and cost of the lease contract, and determines whether it meets the definition of a right-of-use asset. Recognition of a right-of-use asset is met if it is longer than 12 months and of a high value. For those leases that do not meet these criteria, the rental charge payable under these leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

The initial recognition and subsequent measurement of right-of-use asset leases are:

Initial recognition

At the commencement date, the Group measures the lease liability at the present value of future lease payments, discounted using the Group's incremental borrowing rate. The Group also recognises a right-of-use asset which is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs and an estimate of any costs to reinstate the asset to its original condition.

Subsequent measurement

The lease liability is reduced for payments made and increased for interest, and is remeasured for any modifications made to the lease. The right-of-use asset is depreciated on a straight-line basis over the expected lease term. The asset is also assessed for impairment when such indicators exist.

On the statement of financial position, right-of-use assets are included in property, plant and equipment and lease liabilities within trade and other payables.

4. Significant accounting policies continued

4.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and, where appropriate, less provisions for impairment. The initial recognition and subsequent measurement of property, plant and equipment are:

Initial recognition

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating. In most circumstances, the cost will be its purchase cost, together with the cost of delivery.

Subsequent measurement

An asset will only be depreciated once it is ready for use. Depreciation is charged so as to write off the cost of property, plant and equipment, less its estimated residual value, over the expected useful economic lives of the assets.

Depreciation is charged on a straight-line basis as follows:

Office buildings	over expected lease term
Leasehold improvements	shorter of 5 years or the lease term
Fixtures and fittings	3 years
Equipment	3 years

The disposal or retirement of an asset is determined by comparing the sales proceeds with the carrying amount. Any gains or losses are recognised within the Consolidated Statement of Comprehensive Income.

4.8 Intangible assets

Acquired intangibles

Intangible assets that are acquired through business combinations are recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights. These assets will only be recognised if they are also expected to generate future economic benefits and its fair value can be reliably measured.

Initial recognition

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Subsequent measurement

Following capitalisation, the intangible assets are carried at cost less any accumulated amortisation, and where appropriate, less provisions for impairment.

Intangible assets are amortised using the straight-line method over their estimated useful economic life as follows:

Intangibles acquired through business combinations	5 years
Other acquired intangible assets	
– Computer software	3 years
– Data acquisition	5 years

Amortisation is charged to the Consolidated Statement of Comprehensive Income and is included within cost of sales for those items directly related to project activities, or otherwise within general and administrative expenses.

Internally generated intangible assets

Intangible assets that are capitalised internally are deemed to have met the recognition criteria set out in IAS 38. These items relate to research and development costs and are considered in note 4.3.

Initial recognition

Internally generated intangible assets are initially recognised at cost once the recognition criteria of IAS 38 are met.

Subsequent measurement

Any assets that are not yet ready for use will be capitalised as assets under construction and will not be amortised. Once the asset is ready for use, amortisation will begin. The amortisation rates adopted are based on the expected useful economic life of the projects to which they relate. The assets useful economic life is as follows:

Internally generated technology	3 - 5 years

4.9 Impairment of non-current assets

Each category of non-current assets is reviewed for impairment both annually and when there is an indication that an asset may be impaired, being when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the Consolidated 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.

4.10 Investments in Group undertakings

Investments in Group undertakings are initially recognised at cost and subsequently measured at cost less any impairment provision. Investments are subject to an annual impairment review, with any impairment charge being recognised through the Consolidated Statement of Comprehensive Income. Additions to investments are amounts relating to share options for the services performed by employees of the subsidiaries of the Company and are classified as capital contributions within note 16.

4.11 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments (exceeding credit terms) are considered indicators that the trade receivable should be 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 Consolidated Statement of Comprehensive Income within general and 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 general and administrative expenses in the Consolidated Statement of Comprehensive Income.

4.12 Taxation

Current tax

Current tax represents amounts recoverable within the United Kingdom and is provided at amounts expected to be recovered using the tax rates and laws that have been enacted at the Statement of Financial Position date.

Research and development credits

The benefit associated with UK-based research and development is recognised under the UK's Research and Development Expenditure Credit scheme. Details of the recognition are set out in note 4.3.

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 liabilities are recognised for all taxable temporary differences. 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. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority and the Group intends to settle these on a net basis.

4.13 Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand with original maturities at inception of 3 months or less.

4.14 Foreign currency translation
Transactions denominated in foreign currencies are translated into Great British Pounds at actual rates of exchange prevailing at the date of transaction. Monetary assets and liabilities expressed in foreign currencies are translated into Great British Pounds at rates of exchange prevailing at the end of the financial year. All foreign currency exchange differences are taken to the Consolidated Statement of Comprehensive Income in the year in which they arise.

Non-monetary items are not retranslated at year end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.15 Trade and other payables
Trade and other payables are non-interest-bearing and are initially recognised at fair value and subsequently stated at amortised cost.

4.16 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing of such outflows may still be uncertain. Such provisions are measured at the estimated expenditure required to settle the present obligation based on the most reliable estimate available at the reporting date, discounted to the present value where material.

Any reimbursement that the Group is virtually certain to collect from a third party in relation to the related provision will be recognised as a separate asset.

Liabilities are not recognised where the outflow of economic resources is not probable, but are instead disclosed as contingent liabilities.

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

4.18 Financial instruments
Financial assets and financial liabilities are recognised on the Consolidated Statement of Financial Position when the Group or the Company becomes a party to the contractual provisions of the instrument. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Further information relating to financial instruments and the policies adopted by the Group to manage risk is found in note 24.

5. Significant management judgement in applying accounting policies and estimation uncertainty
When preparing the consolidated financial statements, the Directors make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements
The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

Revenue recognition
The Group recognises revenue in accordance with amounts charged to clients under service contracts. All contracts include an agreed, detailed work order which defines the deliverables. The service contracts are typically multi-year and may be amended through a change order process, which may include changes to data volumes (increased or decreased), different methods of data analysis or changes to the timing of providing the deliverables.

Revenue is recognised upon achievement of deliverables set out in the service contract. The recognition is expected to approximate to the timing of the physical performance of the contracts. The Group records the performance of the contractual obligations to determine that the deliverables and actual work performed is in accordance with the contract and agreed change orders. The scope of the project and contract terms are reviewed to determine whether the Group is acting as principal or agent in respect of the project, which depends on facts and circumstances and requires judgement.

Client contracts include an agreed work order so the transaction price for a contract is allocated against distinct performance obligations based on their relative stand-alone selling prices. Management determines the fair value of individual components based on actual amounts charged by the Group on a stand-alone basis. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new software product and determining whether the requirements for the capitalisation of development costs are met requires judgement. Management will assess whether a project meets the recognition criteria as set out in IAS 38 based on an individual project basis. Where the criteria are not met, the research and development expenditure will be expensed in the Consolidated Statement of Comprehensive Income. Where the recognition criteria are met, the items will be capitalised as an intangible asset.

During the year ended 30 September 2020, total research and development expenses totalled £1,553,000 (2019: £1,147,000). Of this amount, £244,000 (2019: £161,000) was capitalised as an intangible asset. The balance of expenditure being £1,309,000 (2019: £986,000) is recognised in the Consolidated Statement of Comprehensive Income as an expense.

Recovery of deferred tax assets

Deferred tax assets have not been recognised for deductible temporary differences and tax losses. The Directors consider that there is not sufficient certainty that future taxable profits will be available to utilise those temporary differences and tax losses. Further information on the Group's deferred tax asset can be found in note 21 of the consolidated financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Changes to these estimations may result in substantially different results for the year.

Share-based payments

The Group 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 of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. Details of the estimations used in determining the fair value of the options in issue are detailed in note 23.

Useful lives of depreciable assets

The useful lives of depreciable assets are determined by management at the date of purchase based on the expected useful lives of the assets. These are subsequently monitored and reviewed annually and where there is objective evidence of changes in the useful economic lives, these estimates are adjusted. Any changes to these estimates may result in significantly different results for the period.

Provisions

The amounts included in both long- and short-term provisions are based on estimates provided by professionals relevant to the field the provision relates. These were reviewed by management and are considered to be a reasonable estimate of the expected cost of fulfilling these provisions.

6. Revenue

An analysis of the Group's revenue by type is as follows:

	2020 £000	2019 £000
Service revenue	**9,532**	7,561

For the year ended 30 September 2020, revenue includes £227,000 (2019: £1,271,000) held in contract liabilities within trade and other payables at the beginning of the period.

7. Segmental information

The Board considers there to be only one core operating segment for the Group's activities. This is based on the Group's development, commercial and operational delivery teams operating across the entirety of the Group, which is wholly based in the United Kingdom. The projects undertaken by the Group are managed by project managers, who receive inputs for each project by other team members. Performance information is reported as a single business unit to the leadership team, who review the Group's management information.

The information gathered for each project is subsequently reported to the Group's Chief Executive Officer, who is considered to be the chief operating decision-maker. This information is used for resource allocation and assessment of performance. Therefore, the entirety of the Group's revenue and assets can be attributed wholly to this operating segment with reference to the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

During the year ended 30 September 2020, the Group had 1 client (2019: 2 clients) that exceeded 10% of total revenue. In 2020 the individual percentage revenue associated with this client was 65% (£6,232,000). In 2019 the individual percentage revenue associated with this client was 39% (£2,976,000) and 14% (£1,086,000) related to the other client which exceeded 10% of total revenue.

Geographical information

The Group's revenue can be categorised by type of revenue and by country, based on the contracting client location of the contracting client entity.

	2020 £000	2019 £000
United States	**1,990**	3,388
United Kingdom	**6,374**	2,764
Europe	**1,168**	1,404
Rest of World	**–**	5
Revenue	**9,532**	7,561

As the Group is domiciled in the United Kingdom, the entirety of the revenue originates from this location.

8. Other income

Items of other income principally relate to government grants received, originating solely in the United Kingdom. Grants are recognised as income over the period required to match them with the related costs, for which they are intended to compensate, on a systematic basis.

The Group also recognises Research and Development Expenditure Credit ('RDEC') as other income.

	2020 £000	2019 £000
Grant income	**444**	433
RDEC	**162**	155
Other income	**606**	588

9. Auditor's remuneration

	2020 £000	2019 £000
Audit services		
– Group and Parent Company	**33**	31
– Subsidiary companies	**22**	20
Total audit fees	**55**	51
Audit-related assurance services	**6**	6
Tax compliance services	**–**	9
Tax advisory services	**–**	1
Total auditor's remuneration	**61**	67

10. Employees and Directors

The average monthly number of persons (including Executive and Non-Executive Directors) employed by the Group was:

	2020 Number	2019 Number
Administration	**15**	17
Operations, research and development	**67**	51
Average total persons employed	**82**	68

The aggregate remuneration of employees in the Group was:

	2020 £000	2019 £000
Wages and salaries	**5,480**	4,630
Social security costs	**845**	535
Other pension costs	**203**	177
Share-based payments charge	**184**	113
Total remuneration for staff	**6,712**	5,455
Staff costs capitalised	**(244)**	(161)
Net staff costs	**6,468**	5,294

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The amounts outstanding at 30 September 2020 in respect of pension costs were £31,000 (2019: £27,000).

The remuneration of the Group's Directors is set out in the Directors' Remuneration Report on pages 39 to 41, as well as in note 25 under related party transactions.

The Company did not directly employ any staff and therefore there is no cost recognised in respect of staff costs.

11. Operating profit

An analysis of the Group's operating profit has been arrived at after charging:

	2020 £000	2019 £000
Research and development expenses	**1,309**	986
Sales and marketing expenses	**1,579**	1,154
Operating lease charges: land, buildings and printers	**21**	144
Depreciation of tangible assets	**356**	72
Loss on disposal of tangible and intangible assets	**3**	–
Amortisation of intangible assets	**26**	40
Foreign exchange (gain)/loss	**(17)**	27
Administrative expenses	**2,819**	2,743
Total operating expenses	**6,096**	5,166

There is a further amortisation charge of £56,000 (2019: £nil) recognised in cost of sales for those items directly related to project activities. The total amortisation charge for the year is £82,000 (2019: £40,000).

12. Taxation

The tax charge for each period can be reconciled to the result per the Consolidated Statement of Comprehensive Income as follows:

	2020 £000	2019 £000
Profit on ordinary activities before taxation	**858**	366
Profit before tax at the effective rate of corporation tax in the United Kingdom of 19% (2019: 19%)	**163**	70
Effects of:		
Expenses not deductible for tax purposes	**16**	(2)
Temporary differences	**(131)**	(85)
Research and development uplifts net of losses surrendered for tax credits	**(145)**	(28)
Prior period adjustment	**3**	(21)
Tax credit for the period	**(94)**	(66)

The tax credit for each period can be reconciled as follows:

	2020 £000	2019 £000
Small or medium enterprise research and development credit	**(127)**	(74)
Deduction for corporation tax on RDEC	**30**	29
Prior period adjustment	**3**	(21)
Tax credit for the period	**(94)**	(66)

The Group has elected to take advantage of the RDEC, introduced in the Finance Act 2013 whereby a company may surrender corporation tax losses on research and development expenditure incurred on or after 1 April 2013 for a corporation tax refund.

The following is a reconciliation between the tax charge and the tax receivable within the Consolidated Statement of Financial Position:

	2020 £000	2019 £000
Current tax receivable at start of period	**450**	229
Current period credit	**256**	221
Corporation tax repayment	**(447)**	–
Current tax receivable at end of period	**259**	450

The tax credit for each period can be reconciled to the current period credit recognised in tax receivable within the Consolidated Statement of Financial Position in each period as follows:

	2020 £000	2019 £000
Tax credit for the year	**94**	66
Deferred tax movement on amortisation	**–**	–
RDEC gross of corporation tax deduction	**162**	155
Current period credit	**256**	221

13. Earnings per share

The calculation of basic and diluted earnings per share ('EPS') of the Group is based on the following data:

	2020	2019
Earnings		
Earnings for the purposes of basic and diluted EPS, being net profit attributable to the owners of the Company (£000)	**952**	432
Number of shares		
Weighted average number of shares for the purposes of basic EPS	**47,036,398**	46,786,375
Effect of potentially dilutive ordinary shares:		
- Weighted average number of share options	**513,521**	9,182
Weighted average number of shares for the purposes of diluted EPS	**47,549,919**	46,795,557

Basic earnings per share is calculated by dividing earnings attributable to the owners of the Company by the weighted average number of shares in issue during the year. The diluted EPS is calculated by dividing earnings attributable to the owners of the Company by the weighted average number of shares in issue taking into account the share options outstanding during the year.

The basic and diluted earnings per share for the Group and Company is:

	2020	2019
Basic earnings per share	**2.02p**	0.92p
Diluted earnings per share	**2.00p**	0.92p

14. Property, plant and equipment

Group

	Office building £000	Leasehold improvement £000	Fixtures and fittings £000	Equipment £000	Total £000
Cost					
At 1 October 2018	–	62	7	140	209
Additions	–	102	5	204	311
Disposals	–	(62)	(7)	(61)	(130)
At 30 September 2019	–	102	5	283	390
Adjustment on transition to IFRS 16	462	–	–	–	462
Additions	–	44	–	549	593
Disposals	–	–	–	(1)	(1)
At 30 September 2020	**462**	**146**	**5**	**831**	**1,444**
Accumulated depreciation					
At 1 October 2018	–	53	7	72	132
Charge for the period	–	11	2	59	72
Disposals	–	(62)	(7)	(61)	(130)
At 30 September 2019	–	2	2	70	74
Charge for the period	191	45	2	118	356
Disposals	–	–	–	–	–
At 30 September 2020	**191**	**47**	**4**	**188**	**430**
Net book value					
At 30 September 2019	–	100	3	213	316
At 30 September 2020	**271**	**99**	**1**	**643**	**1,014**

The only right-of-use asset is held within the office building category. At 30 September 2020, the carrying amount of the right-of-use asset was £271,000 (2019: £nil).

Company

At 30 September 2020 and 30 September 2019, the Company had no property, plant and equipment.

15. Intangible assets

Group

	Intangibles acquired through business combinations £000	Other acquired intangibles £000	Internally developed technology £000	Total £000
Cost				
At 1 October 2018	1,804	46	–	1,850
Additions	–	139	161	300
Disposals	(1,804)	(3)	–	(1,807)
At 30 September 2019	–	182	161	343
Additions	–	75	513	588
Impairment	–	–	(4)	(4)
At 30 September 2020	**–**	**257**	**670**	**927**
Accumulated amortisation				
At 1 October 2018	1,804	14	–	1,818
Amortisation	–	23	17	40
Disposals	(1,804)	(3)	–	(1,807)
At 30 September 2019	–	34	17	51
Amortisation	–	31	51	82
Impairment	–	–	(2)	(2)
At 30 September 2020	**–**	**65**	**66**	**131**
Net book value				
At 30 September 2019	–	148	144	292
At 30 September 2020	**–**	**192**	**604**	**796**

Amortisation is charged to the Consolidated Statement of Comprehensive Income and is included within cost of sales for those items directly related to project activities, or otherwise within general and administrative expenses.

Internally developed technology

The Group has capitalised research and development costs during the year in relation to the development of its proprietary TrialTracker software. Development includes TrialTracker platform upgrades as well as additional algorithm development. The costs capitalised include time and expenses in relation to staff costs. In recognising these assets, the Group has applied the recognition criteria of IAS 38 relating to internally generated intangible assets, where costs in relation to the development phase must be capitalised under certain circumstances. More information in relation to this is included in the accounting policies of the Group in notes 4 and 5.

Company

At 30 September 2020 and 30 September 2019, the Company had no intangible assets.

16. Investments

The consolidated financial statements of the Group as at 30 September 2020 and at 30 September 2019 include:

Name of subsidiary	Class of share	Country of incorporation	Principal activities
Directly held:			
IXICO Technologies Limited	Ordinary	United Kingdom	Data collection and analysis of neurological diseases
IXITech Limited	Ordinary	United Kingdom	Dormant – dissolved on 26 November 2019
Indirectly held:			
IXICO US LLC	Members' interest	United States	Dormant
Optimal Medicine Limited	Ordinary	United Kingdom	Dormant – dissolved on 26 November 2019
IXICO Technologies Inc.	Ordinary	United States	Sales and marketing

The Company and Group has no investments other than the holdings in the above subsidiaries that are all 100% owned. The carrying amounts of the investments in subsidiaries for the Company are:

	Company	
	2020 £000	2019 £000
Investments in subsidiary undertakings		
At beginning of the period	**5,516**	5,434
Capital contribution	**107**	82
Total investments at end of the period	**5,623**	5,516

The capital contribution represents the charge in the year for share-based awards issued by the Company to employees of IXICO Technologies Limited and IXICO Technologies Inc.

All investments in subsidiaries, other than IXICO Technologies Limited and IXICO Technologies Inc., are not expected to be recoverable, have been impaired in previous periods and have carrying values of £nil (2019: £nil).

17. Trade and other receivables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Trade receivables	**1,395**	1,933	**–**	–
Less provision for bad and doubtful debts	**–**	–	**–**	–
Net carrying amount of trade receivables	**1,395**	1,933	**–**	–
Other taxation and social security	**137**	27	**19**	5
Prepayments and accrued income	**550**	419	**30**	34
Amounts due from subsidiary undertakings	**–**	–	**4,206**	4,671
Trade and other receivables	**2,082**	2,379	**4,255**	4,710

All amounts are classified as short-term and are expected to be received within one year. The average credit period granted to clients ranges from 30 to 90 days (2019: 30 to 90 days).

A provision for bad and doubtful debts is made when there is uncertainty over the ability to collect the amounts outstanding from clients. This is determined based on specific circumstances relating to each individual client. The Directors consider that there are no expected credit losses (2019: no expected credit losses) due to the calibre of customers the Group has and so the carrying amount of trade and other receivables approximates their fair value.

Within the Company, there are no expected credit losses (2019: no expected credit losses) from subsidiary companies due to the level of cash available in the subsidiaries which would allow the repayment of these receivables immediately.

As at the year-end, the ageing of trade receivables which are past due but not impaired is as follows:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Amounts not past due	**1,372**	1,812	**–**	–
Past due:				
Less than 30 days	**23**	91	**–**	–
31–60 days	**–**	30	**–**	–
61–90 days	**–**	–	**–**	–
More than 90 days	**–**	–	**–**	–
Total trade receivables	**1,395**	1,933	**–**	–

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 24.

18. Trade and other payables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Current liabilities				
Trade payables	**176**	597	**13**	59
Other taxation and social security	**171**	196	**–**	–
Contract liabilities	**761**	414	**–**	–
Accrued expenses	**1,294**	1,569	**60**	53
Other payables	**5**	6	**–**	–
	2,407	2,782	**73**	112
Non-current liabilities				
Accrued expenses	**167**	–	**–**	–
Trade and other payables	**2,574**	2,782	**73**	112

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. No interest is charged on the trade payables. The Group'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.

19. Provisions

The provision balance consists of dilapidations and other provisions. The movements and carrying amounts in the provision account are as follows:

	Total £000
Carrying amount 1 October 2019	–
Additional provisions	190
Carrying amount 30 September 2020	**190**
Current	100
Non-current	90

19. Provisions continued

The dilapidations provision relates to the office building and is the estimated cost of returning the property in its original condition at the end of the lease.

The remaining provision relates to an ongoing legal matter and reflects the expected costs associated with bringing this to a conclusion.

20. Leases

All lease liabilities are presented in the statement of financial position as follows:

	Group	
	2020 £000	2019 £000
Current	**168**	–
Non-current	**45**	–
	213	–

The Group uses leases throughout the business for office space and IT equipment. With the exception of short-term leases and leases of low value, each lease is reflected on the balance sheet as a right-of-use asset in property, plant and equipment and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. For leases over office buildings, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. The cost of this is capitalised.

The Group has identified one lease relating to the office building that meets the definition of a right-of-use asset. There is no option to purchase and payments are not linked to an index. The remaining lease term is 17 months, has the ability to be extended at the end of this term and can be terminated with six months' notice.

Right-of-use asset and lease liability

Additional information on the right-of-use asset is as follows:

	Asset £000	Dilapidations £000	Depreciation £000	Carrying amount £000
Office building	372	90	(191)	271

The undiscounted maturity analysis of lease liabilities at 30 September 2020 is as follows:

	Within 1 year	1–2 years	Total
Office building	168	45	213

Lease payments not recognised as a liability

The Group has elected to not recognise a lease liability for short-term leases, being 12 months or less, or for leases of low value. Payments for these are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability is as follows:

	Group	
	2020 £000	2019 £000
Leases of low value	**1**	1
	1	1

At 30 September 2020, the Group's commitment to short term and low-value leases was £nil (2019: £1,000).

21. Deferred tax

Deferred tax asset (unrecognised)

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Tax effect of temporary differences:				
Depreciation in excess of tax allowances	**292**	102	**(1)**	(1)
Accumulated losses	**(12,657)**	(11,268)	**(1,966)**	(1,699)
Deductible temporary differences	**(140)**	(49)	**(14)**	(5)
Deferred tax asset (unrecognised)	**(12,505)**	(11,215)	**(1,981)**	(1,705)

The unrecognised deferred tax asset is based on material temporary differences that have originated but not reversed at the Consolidated Statement of Financial Position 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.

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 temporary differences will reverse. Based on tax rates and laws enacted or substantively enacted at the latest balance sheet date, the rate when the above temporary differences are expected to reverse is currently 19% (2019: 17%).

22. Issued capital and reserves

Ordinary shares and share premium

The Company has 1 class of ordinary shares. The share capital issued has a nominal value of £0.01 and each share carries the right to one vote at shareholders' meetings and all shares are eligible to receive dividends. Share premium is recognised when the amount paid for a share is in excess of the nominal value.

The Group and Company's opening and closing share capital and share premium reserves are:

	Group and Company		
	Ordinary shares Number	Share capital £000	Share premium £000
Authorised, issued and fully paid			
At 30 September 2019	46,902,294	469	84,436
Share options exercised	188,998	2	63
At 30 September 2020	**47,091,292**	**471**	**84,499**

Exercise of share options

During the period, the following share options were exercised:

Date of exercise	Key management personnel Shares	Other employees Shares	Total Shares	Exercise price Pence	Value £000
15 January 2020	45,176	15,058	60,234	30.5	19
15 January 2020	113,706	–	113,706	34.0	39
15 January 2020	–	7,529	7,529	36.5	3
15 January 2020	–	7,529	7,529	49.0	4
Total	**158,882**	**30,116**	**188,998**	**–**	**65**

This resulted in an increase in share capital of £1,890 and an increase in share premium of £61,579.

22. Issued capital and reserves continued

Other reserves

Accumulated losses

This reserve relates to the cumulative results made by the Group and Company in the current and prior periods.

Merger relief reserve

In accordance with Section 612 of the Companies Act 2006 'Merger Relief', the Company issuing shares as consideration for a business combination, accounted at fair value, is obliged, once the necessary conditions are satisfied, to record the share premium to the merger relief reserve.

Reverse acquisition reserve

Reverse accounting under IFRS 3 'Business Combinations' requires that the difference between the equity of the legal parent and the issued equity instruments of the legal subsidiary, pre-combination is recognised as a separate component of equity.

Capital redemption reserve

This reserve holds shares that were repurchased and cancelled by the Company.

Foreign exchange translation reserve

This reserve represents the impact of retranslation of overseas subsidiaries on consolidation.

23. Share-based payments

Certain Directors and employees of the Group hold options to subscribe for shares in the Company under share option schemes. There are 2 distinct structures to the share options in operation in the Group (2019: 2). Both structures relate to a single scheme outlined in the EMI Share Option Plan 2014.

The scheme is open, by invitation, to both Executive Directors and employees. Participants are granted share options in the Company which contain vesting conditions. These are subject to the achievement of individual employee and Group performance criteria as determined by the Board. The vesting period varies by award and the conditions approved by the Board. Options are usually forfeited if the employee leaves the Group before the options vest.

Total share options outstanding have a range of exercise prices from £0.01 to £0.70 per option and the weighted average contractual life is 3.6 years (2019: 4.6 years). The total charge for each period relating to employee share-based payment plans for continuing operations is disclosed in note 10 of the consolidated financial statements.

Details of the share options under the scheme outstanding during the period are as follows:

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of the period	**3,690,572**	**£0.18**	5,279,745	£0.18
Granted	**1,990,000**	**£0.17**	–	–
Exercised	**(188,998)**	**£0.34**	(125,294)	£0.38
Lapsed	**(1,053,062)**	**£0.17**	(1,463,879)	£0.17
Outstanding at end of the period	**4,438,512**	**£0.17**	3,690,572	£0.18
Exercisable at end of the period	**1,118,581**	**£0.36**	1,068,110	£0.36

During the year to 30 September 2020, there were two issues of share options awarded (2019: no options were awarded). Details of these awards are provided below.

5 December 2019

On 5 December 2019, the Company issued a total of 1,540,000 options to the two executive directors and two senior management personnel with an exercise price of £0.01. These options are subject to both revenue and share price performance over a 3-year period, with the share price performance measured against the volume-weighted average price of the Company's ordinary shares in the 20 days immediately prior to the third anniversary of the date of the grant. The options eligible to vest are then split, with 50% eligible to vest on the third anniversary of the date of the grant and 50% eligible to vest on the fourth anniversary of the date of the grant. These options must also achieve a compound annual growth rate of 10% on annual revenues over the three financial years to 30 September 2022. The performance conditions of this option award are measured against a share price of £0.32 and are as follows:

- 0% of the LTIP will vest if the share price increases by less than a compound annual growth rate of 12.5%;
- 25% of the LTIP will vest if the share price increases on a compound annual growth rate of 12.5%;
- 25% - 100% of the LTIP will vest on a straight-line basis if the share price increases up by up to a compound annual growth rate of 25.0%.

6 July 2020

Share options were granted on 6 July 2020 to employees of the Group. In this grant there were two tranches issued.

The first tranche totalling 300,000 options was issued to three senior management personnel with an exercise price of £0.70. These options are subject to both revenue and share price performance over a 3-year period, with the share price performance measured against the volume-weighted average price of the Company's ordinary shares in the 20 days immediately prior to the third anniversary of the date of the grant. The options eligible to vest are then split, with 50% eligible to vest on the third anniversary of the date of the grant and 50% eligible to vest on the fourth anniversary of the date of the grant. These options must also achieve a compound annual growth rate of 10% on annual revenues over the three financial years to 30 September 2023. The performance conditions of this option award are measured against a share price of £0.70 and are as follows:

- 0% of the LTIP will vest if the share price increases by less than a compound annual growth rate of 12.5%;
- 25% of the LTIP will vest if the share price increases on a compound annual growth rate of 12.5%;
- 25% - 100% of the LTIP will vest on a straight-line basis if the share price increases up by up to a compound annual growth rate of 25.0%.

The second tranche totalling 150,000 options was issued to 6 management personnel in the Group with an exercise price of £0.70 and was linked to profitability and service, with a performance period of 3 years and vesting on achievement of the performance criteria by the end of this period.

The model used to value the grants was the Monte Carlo method followed by 'Hull White' trinomial lattice and the inputs used were as follows:

	5 December 2019	6 July 2020
Weighted average share price	£0.70	£0.70
Weighted average exercise price	£0.01	£0.70
Expected volatility	66.7%	64.4%
Expected life	5 years	10 years
Expected dividend yield	0%	0%
Risk-free interest rate	0.55%	-0.05%

4 June 2018 - modification

On 4 June 2018, the Company issued options with an exercise price of £0.01. The original share options granted are subject to share price performance, measured against the 3-month volume-weighted average price of the Company's ordinary shares. The measurement date will be made in the 3 months prior to the third anniversary from the date of the grant. The performance conditions of this award are as follows:

- 0% of the LTIP will vest if the share price increases by less than 50%;
- 25% of the LTIP will vest if the share price increases by 50% from the date of issue of the grant;
- 25% - 100% of the LTIP will vest on a straight-line basis if the share price increases by up to 100% from the date of issue of the grant.

23. Share-based payments continued

4 June 2018 - modification continued

On 5 December 2019, the share options granted to those still employed at the Group were modified. This modification removed a minimum floor price of £0.50 and aligned the vesting and holding periods to that of the 5 December 2019 award. A revised valuation model was used to determine the incremental fair value of the modified share options. The model used to value the grants was the Monte Carlo method followed by 'Hull White' trinomial lattice and the inputs used were as follows:

	Original	Modified
Weighted average share price	£0.35	£0.70
Weighted average exercise price	£0.01	£0.01
Expected volatility	46.7%	66.9%
Expected life	6 years	4.5 years
Expected dividend yield	0%	0%
Risk-free interest rate	1.05%	0.62%

24. Financial risk management

In common with all other areas of the business, the Group is exposed to risks that arise from the use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

The main risks arising from the Group's financial instruments are liquidity, interest rate, foreign currency and credit risk. The Group's financial instruments comprise cash and various items such as trade receivables and trade payables, which arise directly from its operations.

Categories of financial instruments

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Financial assets held at amortised cost				
Trade and other receivables excluding prepayments	**1,960**	2,082	**4,225**	4,671
Cash and cash equivalents	**7,945**	7,264	**1,705**	2,187
	9,905	9,346	**5,930**	6,858
Financial liabilities held at amortised cost				
Trade and other payables excluding statutory liabilities	**2,216**	2,197	**73**	112
	2,216	2,197	**73**	112

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.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due through having insufficient resources. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate framework for the management of the Group's short-, medium- and long-term funding and liquidity requirements.

The principal current asset of the business is cash and cash equivalents and is therefore the principal financial instrument employed by the Group to meet its liquidity requirements. The Board ensures that the business maintains surplus cash reserves to minimise any liquidity risk.

The financial liabilities of the Group and Company are all mostly due within 3 months (2019: 3 months) of the Consolidated Statement of Financial Position date. The Group does not have any borrowings or payables on demand which would increase the risk of the Group not holding sufficient reserves for repayment. Those liabilities older than 3 months are all denominated in Great British Pounds and are not expected to materially affect the business' liquidity.

Market risk

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group operates an interest rate policy designed to minimise interest costs and reduce volatility in reported earnings.

The Group holds all cash and cash equivalents with institutions with a recognised high credit rating. Interest rates on current accounts are floating. Changes in interest rates may increase or decrease the Group's finance income.

The Group does not have any committed interest-bearing borrowing facilities and consequently there is no material exposure to interest rate risk in respect of financial liabilities.

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a foreign currency exposure will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's overseas operating activities, primarily denominated in US Dollars, Euros and Swiss Francs. There is also an investment by the Company in a foreign subsidiary. The Group's exposure to foreign currency changes for all other currencies is not material.

During the year, the Group has not made use of financial instruments to minimise any foreign exchange gains or losses, and fluctuations in foreign exchange movements are reflected in the results from operating activities. The Group seeks to minimise the exposure to foreign currency risk by matching local currency income with local currency costs where possible. The Group will use financial instruments to minimise foreign exchange fluctuations where it is appropriate to do so.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 30 September are as follows:

	Group		Company	
US Dollar exposure	**2020 USD000**	2019 USD000	**2020 USD000**	2019 USD000
Balance at end of period				
Monetary assets	**469**	944	**–**	–
Monetary liabilities	**(170)**	(89)	**–**	–
Total exposure	**299**	855	**–**	–

	Group		Company	
Euro exposure	**2020 EUR000**	2019 EUR000	**2020 EUR000**	2019 EUR000
Balance at end of period				
Monetary assets	**304**	284	**–**	–
Monetary liabilities	**(32)**	(112)	**–**	–
Total exposure	**272**	172	**–**	–

	Group		Company	
Swiss Franc exposure	**2020 CHF000**	2019 CHF000	**2020 CHF000**	2019 CHF000
Balance at end of period				
Monetary assets	**10**	99	**–**	–
Monetary liabilities	**(10)**	(123)	**–**	–
Total exposure	**–**	(24)	**–**	–

24. Financial risk management continued

Foreign currency sensitivity analysis

As at 30 September 2020, the sensitivity analysis assumes a +/-10% change of the USD/GBP, EUR/GBP and CHF/GBP exchange rates, which represents management's assessment of a reasonably possible change in foreign exchange rates (2019: 10%). The sensitivity analysis was applied on the fair value of financial assets and liabilities.

	2020		2019	
	10% weaker[1] £000	10% stronger £000	10% weaker £000	10% stronger £000
US Dollar	(23)	23	(70)	70
Euro	(25)	25	(15)	15
Swiss Franc	–	–	2	(2)
	(48)	48	(83)	83

1. 10% weaker relates to the Great British Pound strengthening against the currency and therefore the Group would be in a weaker monetary position.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets are cash and cash equivalents and trade and other receivables. The carrying value of these assets represents the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Statement of Financial Position are net of allowances for any expected credit losses, estimated by the Group's management based on prior experience and their assessment of the current economic environment, and any specific criteria identified in respect of individual trade receivables. An allowance for expected credit losses is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of future cash flows. There are no outstanding expected credit losses identified at 30 September 2020 (2019: nil).

Prior to entering into an agreement to provide services, the Group makes appropriate enquiries of the counterparty and independent third parties to determine creditworthiness. The Group has not identified any significant credit risk exposure to any single counterparty or Group of counterparties as at the period end.

The Group and Company continually reviews client credit limits based on market conditions and historical experience. Any provision for impairment, as well as the ageing analysis of overdue trade receivables, is set out in note 17.

The Group and Company's policy is to minimise the risks associated with cash and cash equivalents by placing these deposits with institutions with a recognised high credit rating.

Capital risk management

The Group considers capital to be shareholders' equity as shown in the Consolidated Statement of Financial Position, as the Group is primarily funded by equity finance and is not yet in a position to pay a dividend. The Group had no borrowings at 30 September 2020 (2019: £nil).

The objectives when managing capital are to safeguard the Group'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 Group may return capital to shareholders or issue new shares.

25. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration and transactions of Directors and key management personnel

Key management remuneration:

	2020 £000	2019 £000
Short-term employee benefits	**1,905**	1,604
Post-employment benefits	**27**	29
Other long-term benefits	**104**	–
Termination benefits	**74**	70
Share-based payments	**170**	76
Total remuneration	**2,280**	1,779

Key management includes Executive Directors, Non-Executive Directors and senior management who have the responsibility for managing, directly or indirectly, the activities of the Group.

The aggregate Directors' remuneration, including employers' National Insurance and share-based payments' expense, was £1,256,000 (2019: £1,043,000) and aggregate pension of £12,000 (2019: £8,000). Further detail of Directors' remuneration is disclosed in the Directors' Remuneration Report on page 39 to 41.

Addresses and advisers

IXICO plc
Registered office:
4th Floor, Griffin Court
15 Long Lane
London, EC1A 9PN
Tel: +44 (0)20 3763 7499
Website: www.IXICO.com

Registered number: 03131723
Domiciled in the United Kingdom
Registered in England and Wales

Chartered accountants and statutory auditors
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
101 Cambridge Science Park
Milton Road
Cambridge, CB4 0FY
Tel: +44 (0)122 322 5600
Website: www.grantthornton.co.uk

Nominated adviser and broker
Cenkos Securities Plc
6 – 8 Tokenhouse Yard
London, EC2R 7AS
Tel: +44 (0)20 7397 8900
Website: www.cenkos.com

Registrar
Equiniti Registrars Limited
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA
Tel: +44 (0)871 384 2030
Website: www.equiniti.com

Legal advisers
Bristows LLP
100 Victoria Embankment
London, EC4Y 0DH
Tel: + 44 (0)20 7400 8000
Website: www.bristows.com

Financial public relations
Walbrook PR Limited
4 Lombard Street
London, EC3V 9HD
Tel: +44 (0)20 7933 8780
Website: www.walbrookpr.co.uk

Designed and produced by emperor
Visit us at **emperor.works**

IXICO plc
4th Floor
Griffin Court
15 Long Lane
London
EC1A 9PN

www.ixico.com