24 May 2022

IXICO plc

("IXICO", the "Company" or the "Group")

Half yearly report to 31 March 2022 and trading update

IXICO plc (AIM: IXI), the precision analytics company delivering intelligent insights in neuroscience, announces its unaudited interim results for the six months ended 31 March 2022.

Financial highlights

- Revenues of £3.9 million for the six months to 31 March 2022 (H1 2021: £4.9m);
- Gross margin at 59.8% (H1 2021: 67.6%);
- Earnings before interest, taxation, depreciation and amortisation ('EBITDA') of £0.5m (H1 2021: £0.9m);
- EBITDA margin at 13.8% (H1 2021: 18.0%);
- £5.8 million cash as at 31 March 2022 (H1 2021: £7.0m);
- £0.2m operational cash inflow (H1 2021: £0.3m outflow);
- Net assets of £11.5m (H1 2021: £10.4m); and
- Profit per share of 0.45p (H1 2021: 1.78p).

Commercial and operational highlights

- £3.8m of contracts signed during the period across several clients and neurological therapeutic indications;
- Order book[1] of £12.6 million at 31 March 2022 (H1 2021: £19.0m) which incorporates the negative impact of client trial cessations announced over the past twelve months;
- £1.0m of capital investment in science and technology capabilities during the period;
- Launch of IXIQ.Ai, the Company's new AI platform for brain segmentation; and
- Consortium agreement signed after the period end to utilise IXIQ.Ai to develop new standards for image analysis in Huntington's disease ('HD');

[1]Order book is contracted but unrecognised revenue adjusted down to provide the Company's best expectations of delivery.

Trading update

Following a review of the Company's expected financial performance across the second half of the year, the Board anticipates that the Company will materially exceed existing market profit expectations for the full year. Consequently, and despite the impact of recently announced client trial cessations, it provides updated guidance that EBITDA profits will be more than £1.2m, resulting in a further strengthened cash position.

However, while it is too early to know the full effect on FY23 with certainty, the most significant impact of the recent client trial cessations is expected to be felt across that period. This will mean that, whilst the Company expects weaker revenues in the next year, it is able to leverage the continued strengthening of its balance sheet and strong, debt free, cash position to continue the delivery of its strategic investment plans alongside a continued careful management of expenditure. The Company consequently expects a short-term return to EBITDA losses, reflecting a temporary discontinuity in the growth path that the Company has achieved over the last six years. The Company continues to be excited about the medium and long-term market opportunity open to it, as existing and prospective clients seek ways to increase the precision of patient selection and biomarker measurement within their neurological trials.

The Company's continued focus on progressing well defined investment activities, reflects and seeks to augment further its successful recent strategy of building and diversifying its client base. Investments that have been made over the last two years have positioned the Company to win and execute on more client trials, accepting that, given the long contracting cycles, it will take a period of time, for this to translate back to additional revenue growth and profitability.

Giulio Cerroni, CEO of IXICO, commented:

"The financial results for the half year are in line with expectations and we anticipate stronger second half trading. I am also encouraged in our progress in commercialising cutting edge analytics tools to provide clinically valuable insights to our global biopharmaceutical clients. Specifically, the release and deployment of our next generation AI platform, IXIQ.Ai onto new client projects during the period.

Over the last twelve months we have been materially impacted by the challenges our clients face in developing urgently needed effective and safe drugs. However, this also highlights the critical importance and value of IXICO's Advanced AI driven analytics services in providing improved insights in clinical development programmes. Whilst our clients' recent trial cessations create an interruption to our record of consistent growth, and will continue to do so across FY23, we are positioned to support our clients in the design and analysis of their trials to maximise their likelihood of success. The neuroscience field is poised to leverage data to refine disease categories such as Alzheimer's disease and Huntington's disease and identify the biological drivers in different *subpopulations. IXICO's data driven AI analytical techniques will enable the design of more precise therapeutic indications in targeted populations to support further scientific advances in precision medicine in neuroscience.*

Our investment priorities are being delivered and our capabilities strengthened in a growing market which further strengthens my conviction for the Company's long-term prospects as we move forward."

A recording of the results presentation will be made available on the Group's website here: https://ixico.com/investors/company-information/investor-videos/

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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About IXICO

IXICO is dedicated to delivering insights in neuroscience to help transform the advancement of investigational therapies for neurological diseases, such as Huntington's disease, Parkinson's disease and Alzheimer's disease. The Company's purpose is to advance medicine and human health by turning data into clinically meaningful information, providing valuable new insights in neuroscience by supporting pharmaceutical companies across all phases of CNS clinical research. IXICO's goal is to be a leading advocate of artificial intelligence in medical image analysis.

IXICO has developed and deployed breakthrough data analytics, at scale, through its remote access technology platform, to improve the return on investment in drug development and reduce risk and uncertainty in clinical trials for the Company's pharmaceutical clients.

More information is available on www.IXICO.com

CHIEF EXECUTIVE OFFICER'S STATEMENT

Statement from Giulio Cerroni

Across the past six months, we have reported revenues of £3.9 million as compared to £4.9m in H1 2021 and as at 31 March 2022, our contracted order book totalled £12.6 million (H1 2021: £19.0 million). These contractions reflect the impact of the client clinical trial cessations we have disclosed to the market over the past twelve months and the length of cycle times within the industry to sign and initiate new trials, which have been further extended by the impact of COVID-19.

This emphasises the importance of continued investment by all CROs to build scale and client diversification to mitigate short term impacts when biopharmaceutical clients terminate clinical development programmes of their investigational new drugs (INDs). The priority attributed to achieving scale at IXICO underpins our decision to invest £1.0m over the last six months in our Microsoft Azure cloud-based next-generation technology platform (which is expected to launch later in 2022) and in new and enhanced analytical tools as we strengthen and diversify our offering across neurological therapeutic indications specialisms.

Positively, whilst in a period of rebuilding our order book and revenue levels, we have continued to report strong gross profit margins at 59.8% (H1 2021: 67.6%) with an increased proportion of early-phase projects. These projects are lower margin than phase III studies, as they are smaller and require relatively lower levels of analysis. Nonetheless, expanding our portfolio of these projects is an important success factor for long term growth as it is these trials which have the potential to grow into larger-later phase trials which are analysis heavy and drive operating leverage for the Company. By winning these trials at an early stage we take a position of strength in continuing to serve these clients and drug candidates if and when they progress through the development pipeline.

Similarly, I am pleased with the balance we have struck between investments in our technology and scientific offering, both of which further strengthen our commercial offering, with careful cost management. Consequently, we have reported lower operating expenditure at £2.5m compared to the prior year (H1 2021: £2.9m) thereby retaining a robust EBITDA position of £0.5m (H1 2021: £0.9m) and achieving an operating cash inflow of £0.2m which compares favourably with the same period in the prior year (H1 2021: £0.3m outflow).

Significantly, we have entered some particularly exciting new contracts in recent months. The launch of IXIQ.Ai, our new deep learning AI-based analytics platform which provides increased sensitivity, accuracy and flexibility, responds to our clients' need for more efficient clinical trials. The precision enhancements provided by IXIQ.Ai support the reduction of trial sizes and therefore costs, whilst increasing the likelihood of trial success by supporting new insights in patient selection via biomarker measures. This has directly led to new contract wins, the most significant being the recently announced consortium agreement in HD which has strong potential to expand further over the next year or so.

Looking forward to the second half of the year, we retain our focus on the business fundamentals of winning new contracts, across a diverse client base and an increasing breadth of neuroscience indications. We are, by strategic intent, a neuroscience specialist and our investments are accordingly entirely focussed on ensuring we offer the best possible services to our clients in this field.

Despite weaker first half results compared to our recent record of growth, we anticipate a stronger second half of the year as we deliver recently signed agreements and complete close out activities on the terminated phase III HD studies. We are focussed on the medium and longer term, address a growing market and have clear strategic priorities in which we will continue to invest to ensure we secure the opportunity the market provides.

We anticipate the second half of the year to result in a material outperformance of existing EBITDA market expectations. This is driven by one-off close-down activities on HD phase III trials, a profitability impact resulting from recent contract wins, the capitalisation of internal costs as we continue to invest in our next generation image capture and analysis platform as well as careful management of expenditure.

The Group is well-capitalised, debt-free and profitable, with a strong balance sheet containing a cash balance of £5.8 million as at 31 March 2022. Our priority remains ensuring delivery of leading services to our clients as the industry adjusts to new ways of working and becomes increasingly focussed on a precision analytics approach to clinical trial protocols and delivery. In so doing we will ensure we maximise value for all our stakeholders.

Financial Review

KPI	H1-22	H1-21	Movement	FY21
Revenue	£3.9m	£4.9m	20.4% ↓	£9.2m
Gross profit	£2.3m	£3.3m	30.3% ↓	£6.0m
Gross margin	59.8%	67.6%	7.8% ↓	65.6%
EBITDA profit	£0.5m	£0.9m	£0.4m ↓	£1.7m
EBITDA margin	13.8%	18.0%	4.2% ↓	18.9%
Operating profit / (loss)	£0.2m	£0.6m	£0.4m ↓	£1.2m
Profit / (loss) per share	0.45p	1.78p	1.33p ↓	3.30p
Orderbook[1]	£12.6m	£19.0m	£6.4m ↓	£18.8m
Cash	£5.8m	£7.0m	£1.2m ↓	£6.7m
Net Assets	£11.5m	£10.4m	£1.1m ↑	£11.2m

[1]Orderbook is contracted but not yet recognised revenue adjusted down to reflect the Company's best estimate of delivery.

Revenue

- Revenue of £3.9 million (H1 2021: £4.9m) representing a 20.4% decrease on the prior period. This reduction was primarily the result of several client trials being cancelled over the past twelve months, the impact of these on ongoing revenue streams and the contract cycle times typical of the clinical trials market, further extended by COVID-19, to rebuild the contracted order book.

Gross profit and margin

- Gross profit of £2.3 million (H1 2021: £3.3m) with a gross margin of 59.8% (H1 2021: 67.6%). The year on year change reflects the reduced revenues in the period, and a greater proportion of this revenue consisting of services to smaller-scale early-phase clinical trials.

Operating expenses

- Operating expenditure of £2.5 million (H1 2021: £2.9m), reflecting the careful management of expenditure across the period.
- Capitalised R&D expenditure increased in the period to £1.0 million (H1 2021: £0.5m), demonstrating the Company's continued commitment to investment in building scale and capabilities to drive growth.

EBITDA and operating profit

- EBITDA of £0.5 million (H1 2021: £0.9m) and operating profit of £0.2m (H1 2021: £0.6m). Both reflecting the revenues achieved in the period and the effective management of operating expenditures.

Orderbook

- Order book of £12.6m at 31 March 2022 (H1 2021: £19.0m). The reduction in the contracted orderbook reflects the adjustment resulting from previously announced clinical trial failures and the recognition of revenue in the period partially offset by new contract wins.

Cash

- Cash of £5.8 million at 31 March 2022 (H1 2021: £7.0m). This reflects an operating cash inflow of £0.2 million (H1 2021: outflow of £0.3m) offset by capital investment of £1.1m (H1 2021: £0.9m).

Net Assets

- Net assets increased to £11.5m at 31 March 2022 (H1 2021: £10.4m) reflecting the capital investments made by the Company over the past twelve months.

Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2022 – unaudited

	Notes	**31-Mar-22 6 months**	31-Mar-21 6 months	30-Sep-21 12 months
		Unaudited	Unaudited	Audited
	Notes	**£000**	£000	£000
Revenue		**3,922**	4,913	9,190
Cost of sales		**(1,576)**	(1,593)	(3,166)
Gross profit		**2,346**	3,320	6,024
Other income		**393**	224	448
Operating expenses				
Research and development expenses		**(631)**	(650)	(1,240)
Sales and marketing expenses		**(497)**	(651)	(1,146)
General and administrative expenses		**(1,394)**	(1,604)	(2,905)
Total operating expenses		**(2,522)**	(2,905)	(5,291)
Operating profit		**217**	639	1,181
Finance income		**-**	1	1
Finance expense		**(16)**	(5)	(22)
Profit on ordinary activities before taxation		**201**	635	1,160
Taxation		**15**	208	415
Profit attributable to equity holders for the period		**216**	842	1,575
Other comprehensive expense:				
Items that will be reclassified subsequently to profit or loss				
Foreign exchange translation differences		**12**	9	9
Movement in cash flow hedges		**(5)**	-	-
Total other comprehensive expense		**7**	9	9
Total comprehensive income attributable to equity holders for the period		**223**	851	1,584
Profit per share (pence)				
Basic profit per share	3	**0.45**	1.78	3.30
Diluted profit per share	3	**0.43**	1.68	3.12

Consolidated Statement of Financial Position
As at 31 March 2022 – unaudited

	Notes	**31-Mar-22 6 months**	31-Mar-21 6 months	30-Sep-21 12 months
		Unaudited	Unaudited	Audited
		£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment		**890**	1,183	1,081
Intangible assets		**3,647**	1,711	2,710
Total non-current assets		**4,537**	2,894	3,791
Current assets				
Trade and other receivables		**2,589**	2,887	3,194
Current tax receivables		**658**	558	480
Cash and cash equivalents		**5,801**	7,011	6,684
Total current assets		**9,048**	10,456	10,358
Total assets		**13,585**	13,350	14,149
Liabilities and equity				
Non-current liabilities				
Trade and other payables		**51**	159	114
Lease liabilities		**469**	548	519
Total non-current liabilities		**520**	707	633
Current liabilities				
Trade and other payables		**1,441**	2,050	2,217
Provisions		**-**	175	-
Lease liabilities		**76**	29	78
Total current liabilities		**1,517**	2,254	2,295
Total liabilities		**2,037**	2,961	2,928
Equity				
Ordinary shares	**4**	**482**	480	482
Share premium	**4**	**84,802**	84,802	84,802
Merger relief reserve		**1,480**	1,480	1,480
Reverse acquisition reserve		**(75,308)**	(75,308)	(75,308)
Cash flow hedge reserve		**(5)**	-	-
Foreign exchange translation reserve		**(76)**	(88)	(88)
Capital redemption reserve		**7,456**	7,456	7,456
Accumulated losses		**(7,283)**	(8,433)	(7,603)
Total equity		**11,548**	10,389	11,221
Total liabilities and equity		**13,585**	13,350	14,149

Consolidated Statement of Changes in Equity
For the six months ended 31 March 2022 – unaudited

	Ordinary shares	Share premium	Merger relief reserve	Reverse acquisition reserve	Foreign exchange translation reserve	Cash flow hedge reserve	Capital redemption reserve	Accumulated Losses	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 30 September 2020	**471**	**84,499**	**1,480**	**(75,308)**	**(97)**	**-**	**7,456**	**(9,382)**	**9,119**
Total comprehensive income									
Profit for the period	-	-	-	-	-	-	-	1,575	1,575
Other comprehensive income:									
Foreign exchange translation	-	-	-	-	9	-	-	-	9
Total comprehensive income	-	-	-	-	**9**	**-**	**-**	**1,575**	**1,584**
Transactions with owners									
Charge in respect of share options	-	-	-	-	-	-	-	204	204
Exercise of share options	11	303	-	-	-	-	-	-	314
Total transactions with owners	**11**	**303**	**-**	**-**	**-**	**-**	**-**	**204**	**518**
Balance at 30 September 2021	**482**	**84,802**	**1,480**	**(75,308)**	**(88)**	**-**	**7,456**	**(7,603)**	**11,221**
Total comprehensive income / (expense)									
Profit for the period	-	-	-	-	-	-	-	216	216
Other comprehensive income / (expense):	-	-	-	-	-	-	-	-	-
Foreign exchange translation	-	-	-	-	12	-	-	-	12
Movement in cash flow hedges	-	-	-	-	-	(5)	-	-	(5)
Total comprehensive income / (expense)	-	-	-	-	12	(5)	-	216	223
Transactions with owners									
Charge in respect of share options	-	-	-	-	-	-	-	104	104
Exercise of share options	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	104	104
Balance at 31 March 2022	**482**	**84,802**	**1,480**	**(75,308)**	**(76)**	**(5)**	**7,456**	**(7,283)**	**11,548**

Consolidated Statement of Cashflows
For the six months ended 31 March 2022 – unaudited

	31-Mar-22 6 months	31-Mar-21 6 months	30-Sep-21 12 months
	Unaudited	Unaudited	Audited
	£000	£000	£000
Cash flows from operating activities			
Profit for the period	**217**	842	1,575
Finance income	**-**	(1)	(1)
Finance expense	**16**	5	22
Taxation	**(15)**	(208)	(415)
Depreciation of fixed assets	**228**	247	464
Amortisation of intangibles	**91**	50	145
Dilapidation provision release	**-**	(53)	(53)
Research & development expenditure credit	**(153)**	(92)	(160)
Share option charge	**104**	107	204
	488	897	1,781
Changes in working capital			
Decrease/(increase) in trade and other receivables	**609**	(755)	(1,112)
(Decrease)/increase in trade and other payables	**(869)**	(436)	(410)
Cash generated from/(used in) operations	**228**	(294)	259
Taxation received	**-**	-	354
Taxation paid	**(10)**	-	-
Net cash generated from/(used in) operating activities	**218**	(294)	613
Cash flows from investing activities			
Purchase of property, plant and equipment	**(37)**	(36)	(170)
Purchase of intangible assets including staff costs capitalised	**(1,032)**	(877)	(1,984)
Finance income	**-**	1	1
Net cash used in investing activities	**(1,069)**	(912)	(2,153)
Cash flows from financing activities			
Issue of shares	**-**	312	314
Repayment of lease liabilities	**(44)**	(44)	(44)
Interest paid	**-**	(5)	-
Net cash generated from financing activities	**(44)**	263	270
Movements in cash and cash equivalents in the period	**(895)**	(943)	(1,270)
Cash and cash equivalents at start of period	**6,684**	7,945	7,945
Effect of exchange rate fluctuations on cash held	**12**	9	9
Cash and cash equivalents at end of period	**5,801**	7,011	6,684

Notes to the financial statements

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, together referred to throughout as 'the Group'. The Group is an established provider of technology-enabled imaging 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 condensed consolidated interim financial statements were approved by the Board of Directors for issue on 23rd May 2022. The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The condensed consolidated interim financial statements for the six months ended 31 March 2022, together with the comparative information for the six months ended 31 March 2021, are unaudited.

The statutory accounts of the Company for the year ended 30 September 2021 were approved by the Board of Directors on 6 December 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

c. Basis of consolidation

The condensed consolidated interim 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. 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 condensed 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 condensed 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.

In assessing going concern, management prepare forecasts which are updated monthly that consider different scenarios throughout the course of the financial year, as well as ad-hoc forecasts that extend into future years. 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. Significant accounting policies, judgements, and estimation uncertainty

The unaudited condensed consolidated interim financial statements have been prepared using the accounting policies as described in the 30 September 2021 audited year end Annual Report and have been consistently applied.

When preparing the condensed consolidated interim 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.

Determination of acting as agent or principal
The scope of the project or contract terms are reviewed to determine whether the Group is acting as principal or agent. This determination depends on the facts and circumstances of each individual project or contract and requires judgement, which are made in accordance with the applicable standards. The primary indicator used to determine whether the Group is acting as a principal is whether control of the good or service is gained prior to the good or service transferring to the client. If control is gained, revenue is recognised on a gross basis. If no control is achieved, then revenue is recognised on a net basis. The Group has entered into a contract with a client to arrange the delivery of products from a third party to various client trial sites. The Group determined this was an agency relationship. If this judgement was incorrect and the Group was acting as principal, it would result in a material increase in revenue and cost of sales recognised in the period and a decrease in profit margins achieved.

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 period ended 31 March 2022, total research and development expenses totalled £1,678,000 (H1 2021: £1,136,000). Of this amount, £1,027,000 (H1 2021: £486,000) was capitalised as an intangible asset. The balance of expenditure being £631,000 (H1 2021: £650,000) 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.

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.

Determination of transaction prices in revenue recognition
Client contracts include an agreed work order so the transaction price for a contract is allocated against each distinct performance obligations for each service, based on their relative stand-alone selling prices. For legacy contracts prior to the adoption of IFRS 15, management were required to estimate the standalone price allocated to each distinct service that were previously grouped in a single price. For new contracts, the fair value of individual components is based on actual amounts charged by the Group on a stand-alone basis. Management have determined that for items recognised on a straight-line basis, including project, site and data management, the demands of this on the company are spread evenly over the life of the revenue stream. This was determined through an understanding of the work required to deliver the various revenue streams and the obligations within the contract needing to be met.

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.

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.

3. Earnings per share

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

	31 Mar 22 6 months Unaudited	31 Mar 21 6 months Unaudited	30 Sep 21 12 months Audited
Earnings			
Earnings for the purposes of basic and diluted EPS, being net profit attributable to the owners of the Company (£000)	**216**	842	1,575
Number of shares			
Weighted average number of shares for the purposes of basic EPS	**48,151,373**	47,259,617	47,664,319
Effect of potentially dilutive ordinary shares:			
- Weighted average number of share options	**2,487,018**	2,950,951	2,749,423
Weighted average number of shares for the purposes of diluted EPS	**50,638,391**	50,210,568	50,413,742

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 period. 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 period.

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

	31 Mar 21 6 months Unaudited	31 Mar 21 6 months Unaudited	30 Sep 21 12 months Audited
Basic earnings per share	**0.45p**	1.78p	3.30p
Diluted earnings per share	**0.43p**	1.68p	3.12p

4. Issued capital and reserves

Ordinary shares and share premium
The Company has one class of ordinary shares. The share capital issued has a nominal value of £0.01 and all carry the right to one vote at shareholders' meetings and 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	**Share capital**	**Share premium**
	Number	**£000**	**£000**
Authorised, issued and fully paid			
At 30 September 2021	48,151,373	482	84,802
Share options exercised	-	-	-
At 31 March 2022	**48,151,373**	**482**	**84,802**

Exercise of share options

No share options were exercised in the period.

5. 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 (H1 2021: 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 7.3 years (H1 2021: 8.3 years). The total charge for the period relating to employee share-based payment plans for continuing operations is £104,000 (H1 2021: £107,000).

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

	As at 31 March 2022		As at 30 September 2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of the period	3,815,931	£0.18	4,438,512	£0.17
Granted	300,000	£0.01	475,000	£0.52
Exercised	-	-	(1,060,081)	£0.30
Lapsed	(75,000)	£0.58	(37,500)	£0.36
Outstanding at end of the period	**4,040,931**	**£0.16**	**3,815,931**	**£0.18**
Exercisable at end of the period	**998,766**	**£0.11**	**998,766**	**£0.11**