20 May 2020

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

Half yearly report to 31 March 2020

33% revenue growth, 15% EBITDA margin
Strong cash balance of £6.7m
£15.3m order book at 31 March 2020 strengthened further after the period end

IXICO plc (AIM: IXI), the AI data analytics company delivering insights in neuroscience, announces its unaudited interim results for the six months ended 31 March 2020.

IXICO's proprietary AI technology provides greater clarity to brain imaging and digital biomarker data and helps pharmaceutical and biotech clients to get more from their clinical development programmes for drugs targeting neurological and other rare diseases.

Financial highlights

- Reported revenues of £4.6 million; 33.0% growth on H1 2019 (2019: £3.4 million)
- Strong gross margin at 66.5% (2019: 66.3%)
- Growth in earnings before interest, taxation, depreciation and amortisation ('EBITDA') to £0.7 million (2019: £0.1 million)*
- EBITDA margin at 14.8% (2019: 4.0%)
- Cash position of £6.7 million as at 31 March 2020 (2019: £7.5 million)
- Profit per share of 1.01p (2019: 0.46p)

Commercial and operational highlights

- Rapid extension of IXICO's remote business model and technology platform to enable all employees to be home-based in response to COVID-19 with no loss of service delivery;
- Order book of £15.3 million at 31 March 2020, increased to over £22 million in April 2020 on signing contracts post-period end;
- Existing projects across a range of Central Nervous System (CNS) indications provide a backlog of revenue-generating data analysis activity for the near term;
- Appointment of US-based Chief Business Officer and expansion of commercial team to further build IXICO's presence in the key US biopharma market; and
- Increasing deployment of AI for advanced data analytics driving operational leverage.

Post-period end highlight

- Substantial contract win in the therapeutic area of Huntington's disease, with a contract value of £10.5 million

Giulio Cerroni, CEO of IXICO, commented: *"In response to the COVID-19 pandemic, I would like to again recognise the agility and dedication of our team in their adoption of new ways of working while focusing on continued, reliable delivery of our data analytics services to our pharma clients in these uncertain times. In the first six months of 2020, the Group has delivered another period of profitable growth. In addition to revenues having increased by 33%, the Group has reported an EBITDA margin of 15% in the period, a significant step-change from the 4% margin seen in the same period last year. This shows the potential for the Group to sustain and expand its profitability in the medium to long term as its growing revenues and order book enable it to continue to benefit from operational leverage of its fixed cost base. Whilst we are likely to see some impact of COVID-19 headwinds in the coming months, and particularly across 2021, I am delighted to report that, thanks to the volume of work that we have on hand, and the strong growth trajectory that we have established over the past 3 years, there has been no requirement to change staffing levels or implement staff furloughs.*

"The business fundamentals and opportunities remain strong, with our revenue growth momentum, strong balance sheet and order book supporting our ability to continue to pursue new near-term business opportunities whilst building on our strategic investments for the medium and longer term. Whilst COVID-19 has resulted in some disruption to clinical trial timelines, we remain focused on supporting our clients through the pandemic and ensuring that we are well-positioned to manage the anticipated ramp up in demand as affected trials come back on stream and new trials are initiated later in 2020 and into 2021."

* The Group has adopted "IFRS 16 – Leases" for the first time during H1 of 2020 and, in accordance with the accounting policies adopted by the Group in applying the modified retrospective method, comparative figures for the six months ended 31 March 2019 have not been restated. The adoption of this standard positively impacted EBITDA by £0.1 million compared to the equivalent period in 2019.

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

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About IXICO
IXICO is dedicated to delivering insights in neuroscience. Our mission is to transform the progression of our biopharmaceutical clients' neurological therapeutic pipelines through the application of novel imaging and digital biomarkers.

IXICO's data analytics services are used by the global biopharmaceutical industry to interpret data from brain scans and digital biosensors to enable better trial design, site qualification, patient selection and clinical outcomes. We provide technology-enabled services across all phases of clinical evaluation. Our integrated digital platform provides a scalable and secure infrastructure for the capture and analysis of regulatory compliant clinical data to enable clients to make rapid, better informed decisions. IXICO is also collaborating with partners to develop new analytical techniques and companion digital health products targeted at improving patient outcomes.

More information is available on www.IXICO.com

CHIEF EXECUTIVE OFFICER'S STATEMENT

Statement from Giulio Cerroni

Delivering our commercially-led growth strategy

Across the past six months, we have reported revenue of £4.6 million, representing the seventh consecutive reporting period with revenue growth of more than 20% compared to the same period of the prior year. At 31 March 2020, our contracted order book totalled £15.3 million (YE 2019: £16.9 million), and this has been augmented further in April with the signing of a significant £10.5 million contract in the therapeutic area of Huntington's disease ('HD').

Underlining this achievement is delivery of EBITDA of £0.7 million for the half-year period, which means that we have now delivered a greater level of EBITDA in the first six months of 2020 than was achieved across the full year to 30 September 2019 (£0.5 million). This strong performance has been driven by continued commercial momentum of the Group's proprietary technology services, which enable the pharmaceutical industry to derive valuable data insights from their clinical development programmes in neuroscience. With our reported 33% year-on-year revenue growth, an increased proportion of the Group's revenue is now associated with higher margin data analysis services, contributing to operational leverage being realised within the business.

Developing and deploying added-value data analytics services combines our deep therapeutic expertise in neurological diseases with proven AI technology for accurately measuring imaging and digital biomarkers. Our track record of successful partnerships with large pharmaceutical and emerging biotech companies to deliver imaging services to global clinical trials is providing the basis for strong and continuous growth in an expanding clinical development arena. The market for our services is characterised by established therapeutic areas such as Alzheimer's disease and an increasing focus on development of new therapies for rare neurological diseases such as HD and Progressive Supranuclear Palsy ('PSP').

In the last six months we have appointed a Chief Business Officer in the US and made a further appointment of business development resource in the US, establishing a stronger presence in this key market. Overall, our staff number has expanded by 30%, to 80 employees, as we continue to invest in our science, technology and operational capabilities.

Looking forward to the second half of the year, we are confident that the Group is well-placed and resourced to manage through the headwinds presented by COVID-19. We took early action by equipping all employees with the hardware and software required to enable a smooth transition to enable working from home effectively. Although we have received some notifications of delays and slowdowns in a number of the clinical trials that we support, encouragingly, other significant trials have continued as originally planned, with no change in service or support provided by the Group. This, and the fact that our business model is based on remote site support, has meant that the immediate impact of COVID-19 on the Group has been somewhat limited to date. Nonetheless, it is likely that delays in new trials starting (as clients pause trial initiation until COVID-19's impact duration is more certain) will have a more notable impact on our 2021 performance than in the short term. We will therefore retain our focus on the business fundamentals of winning new contracts, such as the recently announced HD open label study, and using any potential capacity that arises over the coming months to streamline processes and enhance our service offering in anticipation of renewed demand as the crisis abates.

The Group is well-capitalised, debt-free and profitable with a cash balance of £6.7 million at 31 March 2020. As a result, we are able to look forward with cautious confidence, and expect to continue to expand the IXICO team in line with current and future client demand.

Having taken swift action to protect our staff's wellbeing and with an effective remote working business model now in place, our priority remains ensuring delivery of the best possible service to our clients as the industry adjusts to new ways of working and, in so doing, position the Group for continued future growth, thereby maximising shareholder value.

Financial Review

KPI	H1-20	H1-19	Movement	FY2019	FY2018
Revenue	£4.6m	£3.4m	33.0% ↑	£7.6m	£5.4m
Gross profit	£3.0m	£2.3m	33.3% ↑	£4.9m	£3.2m
Gross margin	66.5%	66.3%	0.2% ↑	65.4%	58.8%
EBITDA profit / (loss)	£0.7m	£0.1m	£0.6m ↑	£0.5m	(£0.6m)
EBITDA margin	14.8%	4.0%	10.8% ↑	6.3%	(12.0%)
Operating profit / (loss)	£0.5m	£0.1m	£0.4m ↑	£0.4m	(£0.8m)
Profit / (loss) per share	1.01p	0.46p	0.55p ↑	0.92p	(2.00)p
Orderbook [1]	£15.3m	£21.2m	£5.9m ↓	£15.9m	£19.3m
Cash	£6.7m	£7.5m	£0.8m ↓	£7.3m	£7.9m
Revenue per FTE [2]	£123k	£114k	£9k ↑	£124k	£94k

[1] Orderbook is contracted but not yet recognized revenue
[2] Revenue per FTE for the interim periods are annualized

Revenue

- Revenue of £4.6 million (2019: £3.4 million) representing a 33.0% increase on prior period.
- Robust order book of £15.3 million enabling continued delivery of revenue growth.

Gross profit and margin

- Gross profit growth of £0.7 million to £3.0 million (2019: £2.3 million) with a marginal increase in gross margin to 66.5% from 66.3%.

Operating expenses

- Operating expenditure increased to £2.9 million (2019: £2.5 million), representing investment in building scale and capabilities to drive growth by strengthening leadership, functional teams and systems particularly in the areas of business development and R&D.

EBITDA

- Growth in EBITDA to £0.7 million (2019: £0.1 million).
- Driven through increase in revenue, maintaining of gross margin and accessing additional operational leverage via growth and sales mix.
- Application of IFRS 16 has positively impacted EBITDA by £87k compared to the equivalent period in 2019.

Cash

- Reduction in closing position of £6.7 million (2019: £7.5 million) due to increased capital investment to support further growth and scalability and operating cash outflow
- Operating cash outflow maintained at £0.3 million (2019: outflow of £0.3 million). An operating cash outflow is reported, despite positive EBITDA growth, as a result of differences in related cash inflow and outflow timings. Specifically, services have been delivered in H1 2020 for which client payments were received in prior periods. This means that cash outflows arise in the period as costs are incurred to deliver certain client services but the associated cash inflows were already received prior to H1 2020. This is reflected in £0.7m reduction in liabilities across H1 2020.

Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2020 – unaudited

	Notes	**31 Mar 20 6 months Unaudited**	31 Mar 19 6 months Unaudited	30 Sep 19 12 months Audited
		£000	£000	£000
Revenue		**4,555**	3,426	7,561
Cost of sales		**(1,528)**	(1,155)	(2,619)
Gross profit		**3,027**	2,271	4,942
Other income		**378**	303	588
Operating expenses				
Research and development expenses		**(631)**	(458)	(986)
Sales and marketing expenses		**(906)**	(406)	(1,154)
General and administrative expenses		**(1,382)**	(1,605)	(3,026)
Total operating expenses		**(2,919)**	(2,469)	(5,166)
Operating profit		**486**	105	364
Finance income		**17**	1	2
Finance expense		**(10)**	-	-
Profit on ordinary activities before taxation		**493**	106	366
Taxation		**(18)**	109	66
Profit attributable to equity holders for the period		**475**	215	432
Other comprehensive expense:				
Items that will be reclassified subsequently to profit or loss				
Foreign exchange translation differences		**(13)**	-	(1)
Total other comprehensive expense		**(13)**	-	(1)
Total comprehensive income attributable to equity holders for the period		**462**	215	431
Profit per share (pence)				
Basic profit per share	6	**1.01**	0.46	0.92
Diluted profit per share	6	**1.00**	0.46	0.92

Consolidated Statement of Financial Position
As at 31 March 2020 – unaudited

	Notes	**31 Mar 20 6 months Unaudited**	31 Mar 19 6 months Unaudited	30 Sep 19 12 months Audited
		£000	Restated £000	Restated £000
Assets				
Non-current assets				
Property, plant and equipment		**652**	129	316
Intangible assets		**395**	51	292
Total non-current assets		**1,047**	180	608
Current assets				
Trade and other receivables		**2,598**	2,077	2,379
Current tax receivables		**273**	415	450
Cash and cash equivalents		**6,664**	7,453	7,264
Total current assets		**9,535**	9,945	10,093
Total assets		**10,582**	10,125	10,701
Liabilities and equity				
Current liabilities				
Trade and other payables		**1,905**	2,550	2,782
Total current liabilities		**1,905**	2,550	2,782
Non-current liabilities				
Other payables		**130**	-	-
Equity				
Ordinary shares	**7**	**471**	467	469
Share premium	**7**	**84,499**	84,389	84,436
Merger relief reserve		**1,480**	1,480	1,480
Reverse acquisition reserve		**(75,308)**	(75,308)	(75,308)
Foreign exchange translation reserve		**(94)**	(80)	(81)
Capital redemption reserve		**7,456**	7,456	7,456
Accumulated losses		**(9,957)**	(10,829)	(10,533)
Total equity		**8,547**	7,575	7,919
Total liabilities and equity		**10,582**	10,125	10,701

Consolidated Statement of Changes in Equity
For the six months ended 31 March 2020 – unaudited

	Ordinary shares	Share premium	Merger relief reserve	Reverse acquisition reserve	Foreign exchange translation reserve	Capital redemption reserve	Accumulated Losses	Total
	Restated £000	£000	£000	£000	£000	Restated £000	£000	£000
Balance at 30 September 2018	**7,923**	**84,389**	**1,480**	**(75,308)**	**(80)**	**-**	**(11,078)**	**7,326**
Prior period adjustment	(7,456)	-	-	-		7,456	-	-
Adjusted 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)**	**7,456**	**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	-	-	-	-	-	-	475	475
Other comprehensive expense:								
Foreign exchange translation	-	-	-	-	(13)	-	-	(13)
Total comprehensive income/(expense)	-	-	-	-	**(13)**	**-**	**475**	**462**
Transactions with owners								
Charge in respect of share options	-	-	-	-	-	-	101	101
Exercise of share options	2	63	-	-	-	-	-	65
Total transactions with owners	**2**	**63**	**-**	**-**	**-**	**-**	**101**	**166**
Balance at 31 March 2020	**471**	**84,499**	**1,480**	**(75,308)**	**(94)**	**7,456**	**(9,957)**	**8,547**

Consolidated Statement of Cashflows
For the six months ended 31 March 2020 – unaudited

	31 Mar 20 **6 months** **Unaudited**	31 Mar 19 6 months Unaudited	30 Sep 19 12 months Audited
	£000	£000	£000
Cash flows from operating activities			
Profit for the period	**475**	215	432
Finance income	**(17)**	(1)	(2)
Finance expense	**10**	-	-
Taxation	**18**	(109)	(66)
Depreciation	**152**	19	72
Amortisation	**36**	12	40
Research and development expenditure credit	**(91)**	(76)	(155)
Share option charge	**101**	34	113
	684	94	434
Changes in working capital			
(Increase)/decrease in trade and other receivables	**(214)**	63	(239)
(Decrease)/increase in trade and other payables	**(982)**	(464)	(325)
Cash (used in)/generated from operations	**(512)**	(307)	(130)
Taxation received	**251**	-	-
Net cash (used in)/generated from operating activities	**(261)**	(307)	(130)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(203)**	(70)	(217)
Purchase of intangible assets including staff costs capitalised	**(101)**	(32)	(300)
Finance income	**12**	1	4
Net cash used in investing activities	**(292)**	(101)	(513)
Cash flows from financing activities			
Issue of shares	**65**	-	48
Repayment of lease liabilities	**(99)**	-	-
Net cash generated from financing activities	**(34)**	-	48
Movements in cash and cash equivalents in the period	**(587)**	(408)	(595)
Cash and cash equivalents at start of period	**7,264**	7,861	7,861
Effect of exchange rate fluctuations on cash held	**(13)**	-	(2)
Cash and cash equivalents at end of period	**6,664**	7,453	7,264

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 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 19 May 2020. 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 together with the comparative information for the six months ended 31 March 2019 are unaudited.

The statutory accounts of the Company for the year ended 30 September 2019 were approved by the Board of Directors on 3 December 2019 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 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. They 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 predominant 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 interim 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 interim 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. Changes to the cost base are made in the normal course of business, so that operating expenditure and planned investment are in line with the Group's strategy and financial resources.

In light of the recent COVID-19 pandemic, the Group has carefully considered the potential impact on revenue through consultations with clients, as well as reforecasting future expenditure. The Group established remote working practices early in the pandemic to allow the ongoing support of clinical trials to our clients, and whilst there is significant uncertainty over the length of time at which the pandemic may continue, the Group continues to maintain a strong financial position with significant cash to meet the future cashflow needs of the business. After due consideration, and taking into account management's updated estimates of future revenue and expenditure, the Directors have a reasonable expectation that the Company and the Group will have adequate financial resources to continue in operation for the foreseeable future.

2. New and amended accounting standards and interpretations

Adoption of new accounting standards for the period ended 31 March 2020

IFRS 16 – Leases

The Group adopted IFRS 16 from 1 October 2019. IFRS 16 requires a lessee to recognise assets and liabilities, previously accounted for as operating leases, on the Statement of Financial Position, with subsequent recognition of depreciation of the lease assets and interest on the lease liabilities over the 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. 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	**Remeasurement**	**Carrying amount at 1 October 2019**
	£000	**£000**	**£000**
Property, plant and equipment	316	372	688
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 assets	(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**

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	**Capital redemption reserve**
	£000	**£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
Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, project set-up and management, site set-up and management, TrialTracker configuration and access, data reading and analysis, data management and quality control and scientific study reporting.

The most significant service revenue streams to the Group and the respective recognition criteria are:

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 are 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.

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.

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 period ended 31 March 2020, research and development expenses totalled £711,000 (2019: £458,000). Of this amount, £80,000 (2019: £nil) was capitalised as an intangible asset. The balance of expenditure being £631,000 (2019: £458,000) 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.

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 8.

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.

6. Earnings per share

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

	31 Mar 20 **6 months** **Unaudited**	31 Mar 19 6 months Unaudited	30 Sep 19 12 months Audited
Earnings			
Earnings for the purposes of basic and diluted EPS, being net profit attributable to the owners of the Company (£000)	**475**	215	432
Number of shares			
Weighted average number of shares for the purposes of basic EPS	**46,981,814**	46,777,000	46,786,375
Effect of potentially dilutive ordinary shares:			
- Weighted average number of share options	**701,770**	-	9,182
Weighted average number of shares for the purposes of diluted EPS	**47,683,584**	46,777,000	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:

	31 Mar 20 **6 months** **Unaudited**	31 Mar 19 6 months Unaudited	30 Sep 19 12 months Audited
Basic earnings per share	**1.01p**	0.46p	0.92p
Diluted earnings per share	**1.00p**	0.46p	0.92p

7. 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.

During the period, an accounting entry was made relating to a share transaction that occurred in December 2016 and has resulted in a prior period adjustment. Further information on this is detailed in note 3.

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 2019 (restated)	46,902,294	469	84,436
Share options exercised	188,998	2	63
At 31 March 2020	**47,091,292**	**471**	**84,499**

Exercise of share options

During the period, the following share options were exercised:

	Key management personnel	**Other Employees**	**Total**	**Exercise price**	**Value**
Date of exercise	**Shares**	**Shares**	**Shares**	**Pence**	**£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**

8. 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 separate 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.

Total share options outstanding have a range of exercise prices from £0.01 to £0.49 per option and the weighted average contractual life is 4.1 years (2019: 5.1 years). The total charge for the period relating to employee share-based payment plans for continuing operations is £101,000 (2019: £34,000).

EMI Share Option Plan 2014

This scheme is open, by invitation, to Executive Directors and key management personnel. Participants are granted share options in the Group which contain standard and enhanced 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 forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	As at 31 March 2020		As at 30 September 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of the period	1,872,050	£0.36	2,707,835	£0.35
Granted	-	-	-	-
Exercised	(188,998)	£0.34	(125,294)	£0.38
Lapsed	(75,000)	£0.34	(710,491)	£0.33
Outstanding at end of the period	**1,608,051**	**£0.36**	**1,872,050**	**£0.35**
Exercisable at end of the period	**1,118,581**	**£0.36**	**1,068,110**	**£0.36**

There were no grants issued under the EMI Share Option Plan 2014 during the period (2019: nil).

"Long-Term Incentive Plan"

2018 LTIP options

On 4 June 2018, the Company issued options with an exercise price of £0.01 as an alternative approach to incentivising employees under the EMI Share Option Plan 2014. It termed this approach of issuing options with an exercise price of £0.01 its Long-Term Incentive Plan ('LTIP'). The LTIP was approved by shareholders on 29 May 2018. The LTIP operates under the umbrella of the EMI Share Option Plan 2014.

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 LTIP Award is 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.

The share price at the date of issue of the grant was £0.28.

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 2019 award detailed below. 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%

2019 LTIP options

On 5 December 2019, the Company issued options with an exercise price of £0.01. These options are subject to share price performance, measured against the twenty-day volume weighted average price of the Company's ordinary shares in the twenty days following the third anniversary from the date of the grant. This LTIP award is also subject to achieving a compound annual growth rate of 10% on annual revenues over the three financial years to 30 September 2022. The performance conditions of this LTIP award are measured against a share price of £0.32 and is 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 model used to value the grants was the Monte Carlo method followed by 'Hull White' trinomial lattice and the inputs used were as follows:

Weighted average share price	£0.70
Weighted average exercise price	£0.01
Expected volatility	66.7%
Expected life	5 years
Expected dividend yield	0%
Risk-free interest rate	0.55%

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

	As at 31 March 2020		As at 30 September 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of the period	1,818,522	£0.01	2,571,910	£0.01
Granted	1,540,000	£0.01	-	-
Exercised	-	-	-	-
Lapsed	(194,842)	£0.01	(753,388)	£0.01
Outstanding at end of the period	**3,163,680**	**£0.01**	**1,818,522**	**£0.01**
Exercisable at end of the period	**-**	**-**	**-**	**-**