

# Insights in neuroscience



We are a specialist data analytics company delivering insights in neuroscience

Our mission is to transform the progression of our biopharmaceutical clients' therapeutic pipelines through the application of artificial intelligence ('AI') algorithms to data from medical images and digital health technologies

Our data analytics enable our clients to improve:

- selection of patients for clinical trials
- measurement of the clinical efficacy of new drugs
- assurance of patient safety in clinical studies
- post-marketing surveillance and patient support

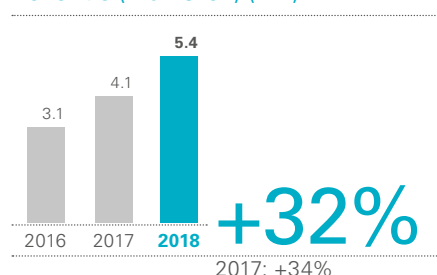


Global, multi-site operations to collect, manage, analyse and report regulatory-compliant data from clinical studies

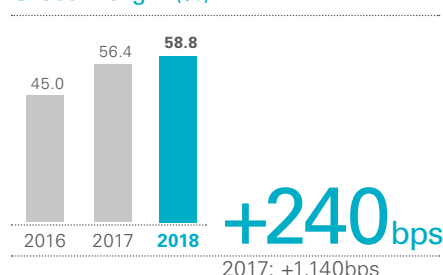
## STRATEGIC REPORT

## Highlights

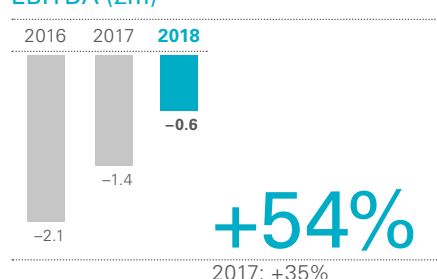
## Revenue (inc. forex) (£m)



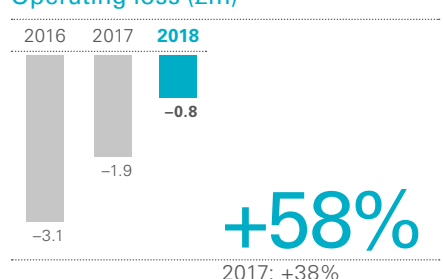
## Gross margin (%)



## EBITDA (£m)



## Operating loss (£m)



- Operating cash outflows significantly reduced in the year to £0.1m (2017: £1.2m)
- Secured £15m of new and expanded, multi-year client contracts across all phases of clinical development
- Concluded an oversubscribed placing of £5.5m to invest in new product and new market development
- A broadening base of expertise in neurological disease areas and diversification of biopharmaceutical clients
- Achievement of key milestones in the Assessa® PML programme
- Expansion of key scientific collaborations to develop new AI algorithms for imaging and digital biomarkers
- Investment in increasing management bandwidth to drive growth, strengthening leadership and operations team

## STRATEGIC REPORT

2	Market Review and Opportunities
3	Our Focus Therapeutic Areas
4	Chairman's Statement
6	Chief Executive's Statement
7	Strategic Framework
8	Business Model and Key Strengths
10	Our Technology Services
11	Innovation
12	Our Culture and People
13	Risk Management
14	Principal Risks and Uncertainties
16	Financial Review

## GOVERNANCE

17	The Board of Directors
18	Directors' Report
21	Directors' Remuneration Report
23	Corporate Governance
26	Statement of Directors' Responsibilities

## FINANCIAL STATEMENTS

27	Independent Auditor's Report to the Members of IXICO plc
31	Consolidated Statement of Comprehensive Income
32	Consolidated Statement of Financial Position
33	Company Statement of Financial Position
34	Consolidated Statement of Changes in Equity
35	Company Statement of Changes in Equity
36	Consolidated and Company Statements of Cash Flows
37	Notes to the Financial Statements
62	Addresses and Advisers



STRATEGIC REPORT

Market Review and Opportunities

# Data-driven solutions for every stage of clinical development

Patient Selection



Drug Safety & Efficacy



Post-Marketing



**About IXICO**

We are a specialist data analytics company delivering insights in neuroscience. The unique combination of IXICO’s digital technologies and expertise in neuroscience enable us to provide mission-critical services to biopharmaceutical companies to collect, analyse, manage and report medical image and biosensor data that is generated in the course of a clinical study. The outputs from our data analyses are used to improve patient selection, monitor drug safety and assess clinical efficacy of the drug being trialled, as well as to support post-marketing surveillance activities.

**Market overview**

Reflecting a significant unmet clinical need, neurology is a large and growing area of research and development 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 will be significant. Imaging plays an important role in evaluating both the safety and efficacy of new drugs for the treatment of brain disease and disorders. Both of these study measures are value drivers for IXICO’s long-term growth prospects.

**Market dynamics**

Outsourcing is an established and increasing trend in the biopharmaceutical value chain. Biopharmaceutical sponsors may run clinical trials using in-house teams or may choose to outsource management of the trial to a Contract Research Organisation ('CRO') or adopt a hybrid, using both in-house and CRO resources. It is estimated that the global market for CRO services will be worth \$57 billion by 2020, with a compound annual growth rate of over 12%<sup>1</sup>. Of this, the market for imaging services in clinical research is estimated to be worth over \$1 billion.

**IXICO’s position in the market**

We provide specialist data analysis services to a wide range of stakeholders in the neuroscience trial ecosystem. Our deep understanding of neurological disease is a key vendor selection criterion for our clients and neuroscience will remain our focus. Management estimates that this market is worth over £100 million annually.

**Expert scientific networks**

Recognising our scientific heritage and the importance of innovation in this market, we continue to work closely with academic-industry partnerships and consortia. For example, we are the imaging provider for the European Prevention of Alzheimer’s Dementia ('EPAD') and the Amyloid imaging to Prevent Alzheimer’s Disease ('AMYPAD') consortia. The EPAD consortium alone

has qualified a cohort of over 1000 subjects to be enrolled in a series of adaptive clinical trials in Alzheimer’s disease.

**Clients**

We work with many of the world’s largest biopharmaceutical companies who are active in the field of neurology. Increasingly, smaller biotechnology companies are leading early-stage development of new therapies and partnering with longer established biopharmaceutical corporations for late-stage development and commercialisation. IXICO is commercially active across this broadening market.

**\$800bn**

Healthcare costs for the most common neurological diseases globally in 2015<sup>2</sup>

**\$74.2bn**

Top 20 biopharma multinationals’ R&D spend<sup>3</sup>

1 Frost & Sullivan Global CRO Report, 2015  
 2 Borenstein et al. The burden of neurological diseases in the US, Annals of neurology (April 2017)  
 3 PhMRA Biopharmaceutical research industry, 2016 profile

STRATEGIC REPORT

# Our Focus Therapeutic Areas

IXICO's focus is on neurological and psychiatric conditions. To date, our services have supported researchers and clinicians across a range of diseases, including Alzheimer's disease, Cerebrovascular disease, Multiple Sclerosis, Parkinson's disease and Progressive Supranuclear Palsy.



# Applying our technologies

### Alzheimer's disease

AD is a chronic neurodegenerative disease and major cause of dementia. In 2015, there were approximately 29.8 million people worldwide living with AD and it is now the leading cause of mortality in the UK. There are currently no treatments to halt or reverse its progression. We have supported AD research since 2007 and continue to assist many biopharmaceutical companies in their clinical programme to trial novel therapies.

### Cerebrovascular disease

Cerebrovascular diseases are conditions caused by problems that affect the blood supply to the brain and can result in vascular dementia. Cerebrovascular disease primarily occurs with advanced age and the risk increases after 65 years of age. We have supported cerebrovascular disease research since 2012.

### Multiple Sclerosis

MS is a condition that affects the brain and spinal cord. It is the most common autoimmune disorder of the central nervous system, affecting around 2.3 million people globally as of 2015. Ongoing research is focused on developing more effective disease-modifying and symptomatic treatments as well as the creation of therapies for the progressive types of MS. We have been involved in MS since 2015 through our Assessa PML collaboration which supports patient management decisions in MS.

### Parkinson's disease

PD is the second most common neurodegenerative disease, after Alzheimer's disease. An estimated 7 to 10 million people worldwide are living with PD. There has been significant research over the past fifty years, resulting in important discoveries and treatments which provide relief. We first supported a clinical study for PD in 2016 and continue to invest in our technological solutions to support clinical trials in this area.

### Progressive Supranuclear Palsy

PSP is a Parkinson's-like neurological condition caused by the premature loss of nerve cells in certain parts of the brain, which leads to difficulties with balance, movement, vision, speech and swallowing. There are currently no effective marketed treatments for PSP. As a rare disease, several new treatments for PSP have been granted orphan drug status by the FDA, fuelling momentum in PSP research; we have supported clinical trials in this area since 2015.

## Focus on Huntington's disease



*Huntington's is a terrible disease with a huge unmet need, and patients and their families desperately want treatments that work.*

Professor Sarah Tabrizi  
University College London  
(Nature, 30 May 2018)

Huntington's disease ('HD') is a rare genetic neurodegenerative disorder that affects normal movement, cognition and behaviour. First observed in 1872 by George Huntington, it is caused by a mutation in the HTT gene. This faulty gene creates a toxic protein that gradually destroys brain tissue, resulting in a range of distressing and disabling neurological symptoms, including confusion, depression and involuntary movement, which rapidly worsen over time. Symptoms typically begin in a sufferer's mid-40s and life expectancy from symptom onset is around fifteen years.

The drug pipeline for potential treatments of Huntington's disease has grown significantly in recent years, reflecting the technical advancements in the field of gene and cell therapies. This recent progress means that there is now a real prospect of bringing an effective therapy to market, potentially transforming the lives of thousands of people living with HD and their families, as well as those who are asymptomatic carriers of the faulty gene.

We have supported studies in HD since 2007 and our technologies are currently powering some of the most important clinical trials in Huntington's disease.

### Need: Patient selection

New therapies for HD will likely be most effective at preventing HD-related decline when they are given as soon as changes can be detected, potentially even before the physical onset of symptoms in young adult gene carriers.

### IXICO solution

Our technology can accurately measure changes in the volume of brain segments that are specific to HD. These changes, together with genetic and cognitive assessments, are being evaluated in clinical studies to determine when the first signs of the disease can be reliably detected.

### Need: Drug efficacy assessment

To bring new medicines to market, biopharmaceutical sponsors must demonstrate that medicines are effective in preventing symptom onset or slowing disease progression.

### IXICO solution

We have developed and validated data analytics that can analyse brain MRI scans to a high degree of accuracy. In the case of HD, our algorithms are able to detect small changes in brain structure and the brain connectome (brain pathways and circuits) which, in the HD-specific regions of interest, correlate with underlying genetic disease burden and clinical decline. As a result, their measurement in clinical trials could indicate a beneficial drug effect, potentially supporting a future submission for regulatory approval.

More than  
**30,000**  
Americans have HD<sup>1</sup>

<sup>1</sup> National Institute of Neurological Disorders and Stroke – Huntington's Information Page [www.ninds.nih.gov/Disorders/All-Disorders/huntingtons-Disease-Information-Page](http://www.ninds.nih.gov/Disorders/All-Disorders/huntingtons-Disease-Information-Page)

STRATEGIC REPORT

# Chairman's Statement

I am delighted to report that IXICO has had an excellent year, substantially outperforming both budget and market expectations by delivering accelerated revenue growth and important new business wins.

# Increasing commercial traction



**Charles Spicer**  
Chairman



*We have reported record revenue and significantly reduced operating losses as we move forward on our path to profitability.*

### Overview

IXICO is now well-positioned as a data analytics company delivering insights in neuroscience. Our mission is to transform the progression of our clients' neurodegenerative therapeutic pipelines through the application of novel medical imaging and digital health technologies.

We have reported record revenue, improved gross margins, significantly reduced operating losses and reduced cash outflows as we move forward on our path to profitability. During the year, we announced new contracts with leading biopharmaceutical clients. These demonstrate our healthy business pipeline, and especially our ability to execute major, multi-year phase III studies. Together these provide a solid foundation for future revenue growth.

In May, we placed an additional £5.5 million of growth capital predominantly from new institutional shareholders. This has substantially strengthened our balance sheet and we intend to deploy the capital over the coming years to accelerate our development of new products and markets.

### Strengthened management team and systems

Over the past twelve months we have invested in the management team to provide the necessary bandwidth to support our platform for growth through senior appointments across key functions in the business including operations, commercial and quality functions.

We are confident that the investments we are making in people, systems and processes, coupled with continued client service improvement and technology development, will continue to deliver growth and increased shareholder value.

## A year of achievements:

First contract for wearable biosensors is awarded to support a phase II clinical study in a neurological disorder.

Deal value:  
**£0.5m**



Deal value:  
**£0.75m**

A new, 2-year contract for wearable biosensors in a late-phase clinical study for a psychiatric disorder is awarded.

Deal value:  
**\$2.7m**

A new imaging services contract to support a new study in Progressive Supranuclear Palsy ('PSP') is announced.

An existing contract for imaging services is extended, for a major PSP study.



Increased deal value:  
**£0.75m**

October  
2017

November

January  
2018

May



**Governance**

In March 2018, the London Stock Exchange made several changes to the AIM Rules, following which, we adopted the Quoted Companies Alliance Corporate Governance Code (the 'Code'). This comprises 10 broad principles, which we use to explain our application of the principles of the Code and our corporate governance arrangements.

At IXICO, our core values reflect the technical and scientific expertise which has been developed over the last fourteen years, our innovative and talented people, driving quality in business operations and conducting our business relationships with integrity as a trusted partner of choice. The Board believes that these values and principles are a fundamental part of our sustainable, growing business and the Company's culture.

**Board**

At the 2019 Annual General Meeting ('AGM'), in accordance with the Company's Articles of Association, John Bradshaw, Mark Warne and I will stand for re-election, supported by the Board of Directors' recommendation.

**Shareholders**

We are grateful to all our shareholders for their continued support and interest. I would also like to welcome our new shareholders who joined during the year whose vision and support are an important part of our accelerated growth plans.

**Outlook**

Having made demonstrable progress executing our business strategy in the year, we reported record revenue in our core imaging business which was further enhanced by strong first year revenue from our wearable biosensor contracts.

We enter the new year with a healthy orderbook from our blue-chip clients and the Board is confident in meeting our expectations for growth. We are looking forward to the future with enthusiasm and confidence. We will continue to work closely with our clients, collaborators and business partners to realise our vision. I would like to thank them as well as all our staff, shareholders and advisers for their continued commitment and enthusiasm.

**Charles Spicer**  
Chairman  
3 December 2018

**Our values**



**EXPERTISE**

We are neuroscience experts, specialising in data analytics.



**QUALITY**

We strive for operational excellence in all areas of our business, supporting our people to be the best they can be.



**INTEGRITY**

We work to the highest ethical standards, so you can trust what we do.



**INNOVATION**

We continually push to deliver ever more accurate and efficient services by developing new digital technologies.

Clients' expanded contract value:

**+24%**

A further 2 projects – in Alzheimer's disease and in Huntington's disease – are expanded by our clients.

Our oversubscribed placing is concluded.



Total additional capital:

**£5.5m**

Deal value:

**£1.0m**

New contract for imaging services is awarded for a major new study in Huntington's disease.



A contract scope is expanded, to include additional advanced MRI imaging services.

Increased deal value:

**£0.6m**

Increased deal value:

**€0.5m**

An existing project for Alzheimer's disease has a scope extension agreed, increasing the deal value to a total of €1.3 million.

Deal value:

**£9.1m**

IXICO secures a contract for imaging services with a top 10 biopharmaceutical company for a new phase III study.

May

May

May

August

August

September

## STRATEGIC REPORT

## Chief Executive's Statement

Building on our earlier success, 2018 has been another year of significant progress. I am pleased to share the vision that underpins our success and the ambitious goals we set ourselves for the coming year.

# Delivering our strategy



**Giulio Ceroni**  
Chief Executive Officer



*We have again delivered on our financial commitments, exceeding our full year guidance while continuing to invest in the long-term future of the company.*

## £15m

New and expanded client contracts

Put simply, our success is based on our unique capabilities in digitising information from clinical trials, combined with our commitment to innovate and commercialise new digital health solutions with our global biopharmaceutical clients.

### Increasing commercial momentum

We are well-placed to benefit from macro trends in the industry, with a long-term runway for growth driven by the increasing outsourcing requirements of the biopharmaceutical industry, the significant unmet medical need in neurological disease and the emergence of innovative digital health solutions.

This year's reported revenue of £5.4 million is testament to our traction in delivering on our commercial goals, representing 32% revenue growth (41% excluding forex). During the year, we announced £15 million of new and expanded multi-year contracts across a range of therapeutic areas. Record revenue in our core imaging business was further enhanced by strong first year revenue from our wearable biosensor contracts and continuation of our Assessa PML programme.

### Commitment to continuous improvement

We continue to invest in the long-term future of the company to deliver enhanced project service levels to our clients in high impact areas such as technology deployment timelines and clinical site management. This strengthened focus on operational efficiency resulted in significant progress in our staff productivity Key Performance Indicators ('KPIs') such as income per head and 240 basis points improvement in gross margin to 58.8%.

### Investing in innovation

Other highlights in 2018 included an oversubscribed capital placing in May, of £5.5 million, adding a number of new institutions to our register and enabling additional investment in new digital products and markets to further accelerate our growth trajectory in future years. In particular, we are excited about the emerging markets for our wearable biosensor data solutions to generate patient Real-World Evidence ('RWE') and our Assessa companion product for post-marketing surveillance.

We also achieved significant milestones in our scientific collaborations. The Cygnus project, which explored the use of wearable biosensors to support dementia sufferers, was successfully concluded in March and we were pleased to receive positive feedback on the pilot of our Assessa PML programme to support clinical management decisions for multiple sclerosis patients.

### Strengthened management team and systems

I am delighted to report that we continue to attract and develop the highest calibre of talent, welcoming new, experienced, senior management in key functions including Quality, Operations, IT and Commercial. With this strengthened team in place, we have initiated several improvement programmes (such as upgrading IT infrastructure and data governance) to enable us to better serve the requirements of more complex and larger clinical trials across a wider range of therapeutic areas.

### A bright outlook

We recognise that the unique value we offer our clients is built on scientific and technical capabilities and our ability to combine this with a deep understanding of neuroscience. As such, as we invest the additional capital placed in May, our innovation programmes will be substantially expanded. This will include building on our collaborations with the broader scientific community, enabling us to continue to provide global biopharma clients with highly differentiated technology solutions for imaging and digital biomarkers.

We go into the new financial year with increased and accelerating commercial traction, ambitious growth plans and a strengthened organisation focused on delivering unique, valuable technology solutions. Our commercial trajectory in an attractive market, strong cash balance and good visibility of future revenue from our orderbook underpin our confidence for the coming year.

**Giulio Ceroni**  
Chief Executive Officer  
3 December 2018



STRATEGIC REPORT

# Strategic Framework

# 5-point growth plan

## STRATEGIC OBJECTIVES

- 1 Focus on delivering scale and operational excellence**

We continue to invest in our operational capacity to meet client demands and in new technology to automate processes and capture efficiencies of scale.

**Key challenge:** Each project has study-specific needs, which may lead to competing demands for resource.

**Mitigation:** Careful planning of near- and long-term deliverables enables us to anticipate peaks in demand well in advance and assign appropriate resource.
- 2 Accelerate penetration of the global clinical trials market**

We are investing in our commercial resources to extend our reach to new clients and in our R&D programmes to drive innovation within neuroscience where investment in the drug development pipeline is increasing.

**Key challenge:** We experience competition from larger companies in our markets, which have significantly more resources than us.

**Mitigation:** We have identified high value, specialist niche applications where our technology and neuroscience expertise uniquely positions us to create value for our clients for the long term.
- 3 Target all phases of clinical trials**

We have demonstrated our ability to deliver value to our clients at all stages of clinical development, from early to late-phase studies. In 2018, we secured an additional £15 million of business, through expansion of existing contracts, and new contract wins, including a significant new phase III study, adding to the Company's credentials in the industry to deliver services to larger, late-phase studies.

**Key challenge:** Each of these study phases has differing requirements, with a greater emphasis on innovation in the early phases and increasing requirements for operational standardisation and regulatory compliance in late-phase development.

**Mitigation:** We have a track record over the past decade of deploying our core science and technology to studies in all phases, while adapting our approach to deliver to specific study requirements. Quality is one of our core values and we continue to invest in our quality systems to meet the needs of later phase studies.
- 4 Innovate: commercialise IXICO's proprietary technologies**

We are continuing to build our capabilities in imaging and digital technologies, providing clients with insights to transform their clinical development programmes.

**Key challenge:** With all innovation programmes, there are risks to development timelines, costs and the level of commercial success due to market uncertainty and changing client priorities and competitor actions.

**Mitigation:** We maintain a balanced portfolio of innovation investments and work closely with our clients to develop novel solutions to their data analysis challenges. Our scientific collaborations, through consortia and grants, are aimed at ensuring IXICO is at the forefront of new developments. Following our successful placing in 2018, we are well-capitalised to further invest in innovation in our wearable biosensor and other digital platforms for long-term growth.
- 5 Enhance organic growth with selective mergers and acquisitions**

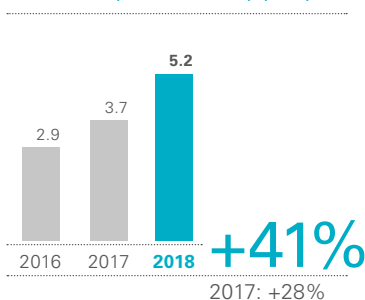
Our strategic partnership activities enable us to enhance our core capabilities in neurology whilst also accessing adjacent markets (e.g. geography, technology, clinical speciality).

**Key challenge:** As with all potential partnerships, the timing and value of opportunities and outcomes are uncertain and subject to change.

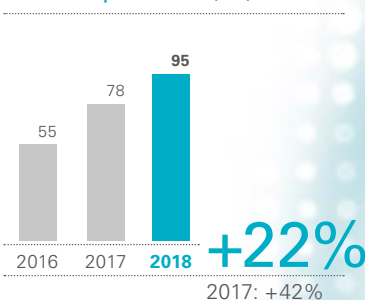
**Mitigation:** IXICO takes a prudent approach to assessment of M&A opportunities and has engaged with expert third parties to assess opportunities. We consider these opportunities as potential upside to further accelerate our existing, ambitious growth plans.

## KEY PERFORMANCE INDICATORS

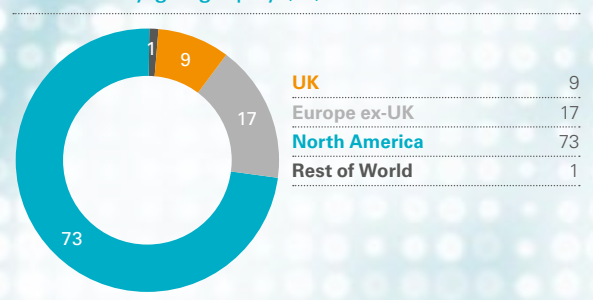
Revenue (exc. forex\*) (£m)



Income per head (£k)



Revenue by geography (%)



\* See financial review on page 16 for forex treatment

## STRATEGIC REPORT

## Business Model and Key Strengths

# Creating value

## WHO WE ARE

### Our people

- We are experts in neuroscience and interpreting data collected from patients with neurological and psychiatric disorders.
  - > Our core skills are in neuroscience, software engineering, algorithm development and image analysis.
  - > We employ highly skilled technical staff, more than 80% of whom are qualified to M.Sc. or Ph.D. level.
  - > Our London, UK, Centre of Excellence supports knowledge management within IXICO and throughout our global network of key opinion leaders and academic partner sites.



### Our technology

- Our TrialTracker® platform supports the secure upload, management, analysis and reporting of anonymised data from clinical trial sites all over the world.
- Our software algorithms quantify changes to brain segments from MRI and PET scans.
- We gather and analyse data from medical images and wearable biosensor devices to provide insights on disease signs and symptom progression.

### Our partners

- The majority of the top biopharma companies with active research programmes in neuroscience have chosen IXICO as their imaging provider.
- We are the imaging partner in key scientific consortia such as AMYPAD, EPAD and the Critical Path Institute programme for Huntington's Disease.
- We work with a network of expert neuroradiologists to provide clinical reading services to studies and in post-marketing surveillance programmes.

## WHAT WE DO

### Site qualification

- We qualify imaging sites to ensure that scans are provided to us to the required quality level.
- We provide online, remote technical training to ensure successful site qualification as part of the trial.



### Global data capture

- We collate complex datasets generated from MRI and PET scanners and wearable biosensor devices.

### Central radiology services

- Patients participating in a neurology drug trial will typically be scanned at enrolment to ensure they are eligible to participate in the study. They will also have follow-up scans at several time points during the study to identify any potential drug safety issues and to measure changes that are correlated with progression of disease.
- We offer centralised radiological safety reads via our network of expert neuroradiologists.

### Clinical interpretation and analytics

- Our proprietary, AI algorithms enable accurate measurement of changes to brain structure and function that are correlated with progression of disease and which support the assessment of drug efficacy.
- We are developing and validating new digital biomarkers based on wearable biosensor data.



## 14 of the top 20 biopharma

multinationals have active neurological drug development programmes;

## 8 of these companies are IXICO clients

## HOW WE ADD VALUE

### We support improvements in the clinical development process through richer data insights



- Our algorithms provide an objective assessment of the efficacy of neurological drugs in development.
- Our technology is more robust to variability and image scan quality failure rates (compared to other image analysis methods) which maximises the usable data collected during the course of a clinical trial.
- Validated digital biomarkers can be applied to studies to generate real-world evidence of drug efficacy to potentially accelerate development pathways and input to value models for healthcare payers.

### We enable access to clinical neuroradiology expertise in trials and post-marketing surveillance



- Our centralised neuroradiology service enables clinical expertise to be deployed globally, regardless of clinical study site location, assuring the quality of the radiology reading service and reducing cost and complexity for the biopharmaceutical sponsor.

### We provide a secure and regulatory compliant environment for data collection, storage and analysis

- Our TrialTracker platform is designed to ensure that data management and governance is robust and can be used in future regulatory submissions by our clients.
- Data is held securely and our processes are aligned with international standards.

## STAKEHOLDER BENEFITS



### Patients

- The potential to accelerate the progression of the drug development pipeline for devastating neurological conditions.
- Access to validated new technologies such as wearable biosensors which have the potential to reduce the burden of clinic visits for study participants.



### Clients & partners

- Access to scientific and technical expertise, applied to imaging and wearable biosensor data in clinical studies, potentially reducing risk and complexity of a trial.
- Richer insights extracted from imaging and biosensor data to determine the efficacy of new drugs in development.
- Development of new digital biomarkers to reduce the cost of gathering clinic-based measures.



### Employees

- The opportunity to work with impact on areas of acute, unmet clinical and societal need.
- A challenging and stimulating working environment collaborating with key academic centres and major biopharmaceutical clients.



### Shareholders

- Societal benefit of supporting the efforts to bring new treatments to market for devastating neurological diseases.
- Access to the large, growing biopharmaceutical R&D spend in critical medical areas.
- Continued growth momentum with our commercially-led growth strategy.
- Exposure to global markets with strong growth dynamics.

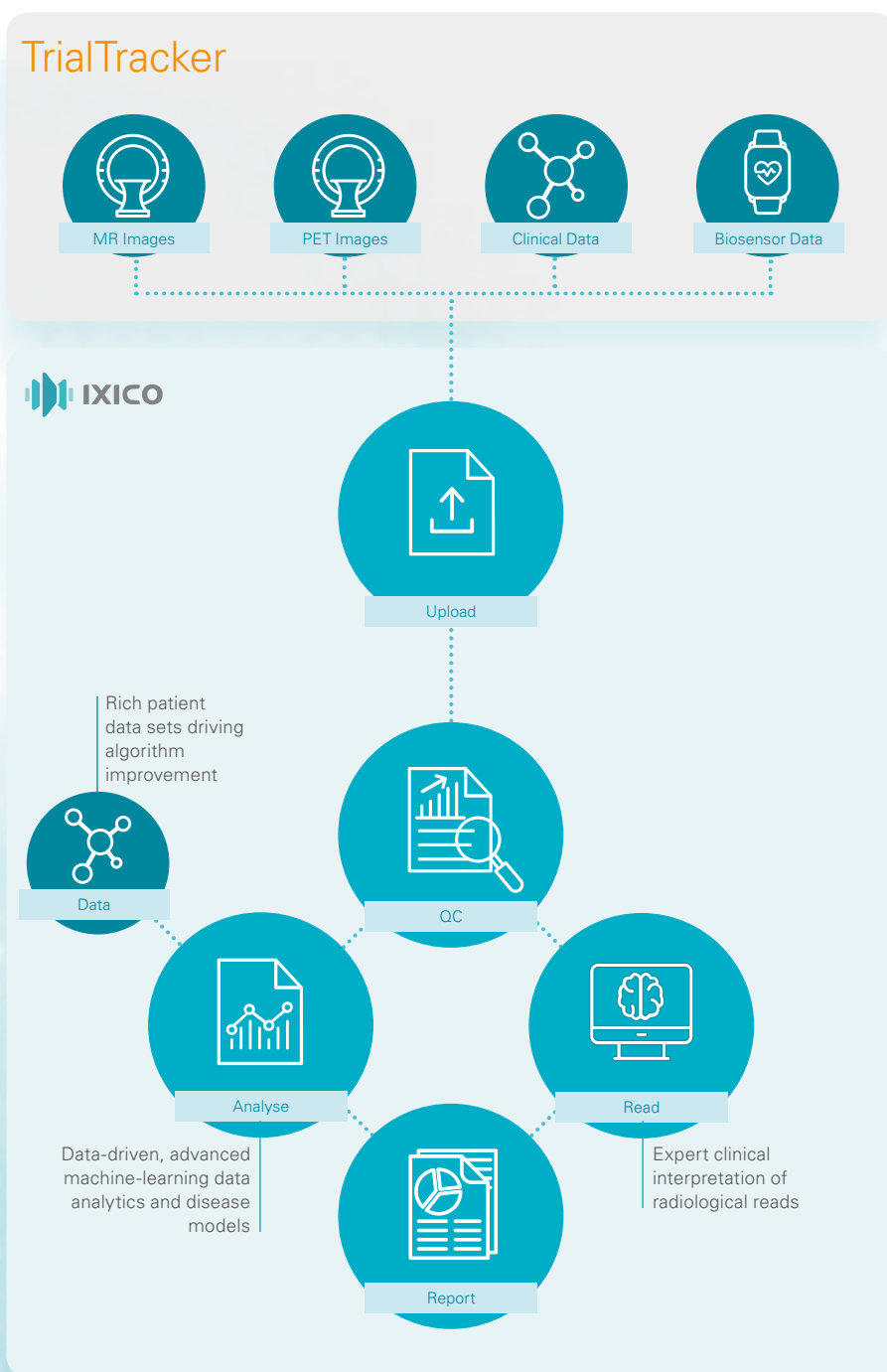


STRATEGIC REPORT

Our Technology Services

# TrialTracker combined with data analytics

## Supporting compliant data management and analysis



Our TrialTracker platform provides a secure and compliant environment for the collection, analysis and interpretation of large image files and other data that may be generated in the course of a clinical study.

### Imaging biomarkers

Our proprietary algorithms have been developed to analyse MRI and PET scans, to measure small changes in the brain. To date, over 140 imaging biomarkers have been analysed using our algorithms, to support studies in a broadening range of neurological therapeutic areas.

### Digital biomarkers

Digital biomarkers are increasingly employed in clinical trials to provide real-world evidence of disease signs and symptoms, extracted from data gathered outside of the clinic. We are developing and validating algorithms to analyse data captured by wearable biosensor devices to measure changes in symptoms such as sleep quality or walking gait.

### Assessa PML

Multiple Sclerosis ('MS') patients may be at increased risk of developing progressive multifocal leukoencephalopathy ('PML'), a rare but serious side effect of immunosuppressive treatment for MS. The expertise to reliably read follow-up MRI scans to detect PML with confidence is limited. Our Assessa PML platform supports clinicians by providing access to expert neuroradiologists for second opinion reads. We are pursuing additional market applications of the Assessa platform to support future commercialisation of new therapies currently in our clients' drug development pipelines.

Artificial Intelligence ('AI') technologies and approaches continue to develop at pace and have the potential to impact every stage of clinical development. Here we look at how IXICO is positioned to take advantage.

# Artificial Intelligence in focus



**Dr Robin Wolz**  
Senior Vice President,  
Research and  
Development



*Through the application of IXICO's data science expertise, these measurements have the potential to increase success rates of clinical trials, reduce the cost of running them as well as reducing the burden on trial participants.*



**We've heard a lot recently about the potential for AI to transform so many aspects of our lives. How could it impact the field of neuroscience?**



There are many definitions of AI but, in essence, machine-learning, and AI specifically, enable us to develop new analysis algorithms from ever-increasing datasets and apply these to respond to new challenges. As such, it's a huge field, and can be applied to solving a wide range of challenges. In neuroscience, AI has applications across the spectrum of understanding and treating the disease: from the very early stages of research in the selection of the most promising drug candidates, to clinical development programmes in interpreting complex patient data and even to supporting new models of care in the community.



**How is IXICO harnessing machine-learning and AI?**



We have been in the business of machine-learning since our company's inception in 2004. Our proprietary LEAP algorithm harnesses the power of large datasets and computer-based learning to segment specific regions of the brain and then accurately measure their volume. This provides a reliable method of measuring brain atrophy which can indicate

progression of neurological disease. We have furthermore developed AI technology to assess brain pathology like white matter lesions and, more recently, to use data from wearable biosensors to accurately measure sleep patterns in Parkinson's disease and dementia patients. All these approaches allow us to understand disease symptoms more directly compared to manual assessment or complex in-clinic technology. Through applying IXICO's data science expertise, these measurements have the potential to increase success rates of clinical trials, reduce the cost of running them as well as reducing the burden on trial participants and their carers by reducing the need for clinic visits.



**What can we expect for the future?**



AI has the potential to complement our service offerings in multiple areas: we are actively working on technology to extend the clinical endpoints that we can measure automatically from trial data. Besides imaging, we're continuing to develop these interpretive algorithms for new data types, such as from wearable biosensors, which is a rapidly developing field. Additionally, increasing data sizes collected at IXICO and advanced AI also have the potential to help us achieve greater efficiency in trial service delivery by enabling us to reliably automate processes such as image quality control and to develop predictive tools that can provide valuable insights to our customers on different aspects of trial performance.

## STRATEGIC REPORT

## Our Culture and People

Our people are our key to success. Empowering them to take action and make a difference is core to our culture.

We aim to select the very best leaders and continuously develop their strengths so they can manage, coach and develop the various capabilities the business requires, through careful objective setting, performance management and reward and recognition platforms.

We provide great learning and development opportunities for our employees to challenge themselves to reach their full potential. We encourage learning and collaboration across functions and development of expertise areas through regular 'Lunch & Learn' workshops and Townhall meetings, as well as providing more formal on-the-job training. Our aim is to grow high performing teams across all levels and areas of the business by raising awareness of individual skills, attitudes and behaviours.

We undertake regular employee engagement surveys and our most recent survey saw a participation level of 76%. One of our key questions explores how employees experience the culture of our organisation.

The diversity of our team and creating an inclusive culture is essential to our ability to attract and retain the best talent. We recruit and promote people on the basis of their personal ability, contribution and potential, regardless of age, gender, sexual orientation, marital status, race, colour, ethnicity, disability, religion, political affiliation or union membership. Our priority is to promote, support and maintain a culture of fairness, respect and equal opportunity for all.

## 2018: How our staff describe our culture



*Our aim is to grow high-performing teams across all levels and areas of the business by raising awareness of individual skills, attitudes and behaviours.*

Amanda Wooding  
HR Director

## IXICO people



**Dr Katherine Gray,**  
**Associate Director of Technology**

Katherine completed master's degrees in physics and bioimaging sciences, and a Ph.D. in medical image analysis at Imperial College London. She started working at IXICO as a Senior Imaging Lead in the Science team on a part-time basis, in July 2012, while completing her Ph.D., moving to a full-time position the following year. In November 2015, she was promoted to Associate Director, Clinical Science. In this role, she worked on delivering scientific input across operational projects, as well as providing scientific support to the business development team, particularly

regarding PET imaging. After returning from maternity leave in October 2017, Katherine switched to a role in the Technology team as Associate Director of Technology. Her work now involves supporting TrialTracker deployments, implementing technology-based internal improvement projects, and supporting data management, operations and science in defining new projects and supporting existing analysis pipelines. She additionally works with the Science team to provide PET expertise as required.



**Dr Helen Crawford,**  
**Image Processing & Analysis Manager**

Helen gained her Ph.D. in Clinical Neuroscience at University College London's Institute of Neurology in September 2016, where her thesis focused on white matter abnormalities present in premanifest and early Huntington's disease and their relation to clinically relevant behaviour. Helen joined IXICO on a part-time basis in February 2015, as Consultant Associate Image Analyst at IXICO. She became a

full-time employee and Senior Image Analyst in April 2017 where her main responsibility was to oversee all analysis activities and assist in incorporating new analysis techniques. In September 2018, she was promoted to Image Processing & Analysis Manager and now manages the image processing team and oversees the processing and analysis of all imaging data received by IXICO.



## STRATEGIC REPORT

## Risk Management

The Board has ultimate responsibility for the Company's system of internal control and for reviewing its effectiveness.

Any such system of internal financial and operational controls can provide reasonable, but not absolute assurance, against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, stage of development, complexity and risk profile of the Group. The Group's internal control system is split into the following 2 areas.

**Financial controls**

The Group has an established framework of policies and procedures to maintain a system of internal financial and operational control. The effectiveness of such control is monitored and reviewed by the Leadership Team, Executive Directors, the Audit Committee and the Board.

- Group policies, accounting and administrative procedures cover significant areas of the business and key systems. This includes formal authorisation procedures for treasury management, operating and capital expenditure. Major expenditure or commitment requires Board approval.
- The Board is responsible for reviewing and approving Group strategy, annual budgets and determining the financial structure of the Group.
- The Audit Committee assists the Board in discharging its duties in respect of the annual and interim financial statements, accounting policies and the maintenance of internal financial controls.
- There are comprehensive procedures for monitoring and reporting to the Board, the Group's performance against budgets and forecasts. Such reports include financial statements, cash flows and capital expenditure. Results are compared with the prior year and expected performance over the remainder of the financial period.

**Non-financial controls**

The Board recognises that maintaining sound controls and vigilance is an important part of managing risk. The non-financial controls that have been established to date include:

- Close management of the day-to-day activities of the Group by the Executive Directors.
- A Leadership Team that operates within an organisational structure that has defined levels of responsibility.
- Carrying out business operations in accordance with ISO 13485:2016.
- Appropriate standards and codes of conduct that are set out in written policies and part of mandatory training for employees. These are wide-ranging and include policies such as dealing fairly with stakeholders and one another, privacy, handling confidential information, conflict of interest, anti-bribery and corruption.
- The VP of Quality, Compliance and Regulatory Affairs works closely with the Leadership Team to oversee the Standard Operating Procedures used to perform services for our clients and Company policies and procedures.
- All material contracts are reviewed and signed by an Executive Director.





A risk register is maintained which details potential risks and mitigating actions for all client projects. Such risks are reviewed by members of the operational leadership and discussed at Leadership Team meetings. Material risks or uncertainties, together with potential mitigating actions, are communicated to the Board.

## STRATEGIC REPORT

## Principal Risks and Uncertainties

The following are 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 our business strategy.

PRINCIPAL RISK	PERCEIVED RISK	MITIGATION
<p><b>Financial</b></p> <p>We have a stated objective of a path to profitability, which depends upon the successful execution of our business strategy. Adverse events could affect profitability and our ability to meet financial targets.</p>		<p>We have secured £15 million of new and expanded client contracts in the year, strengthening our existing orderbook.</p> <p>The placing of £5.5 million in May 2018 has strengthened our cash position.</p> <p>We carefully monitor working capital requirements to fund continued operational expenses and planned investments to ensure long-term sustainability.</p>
<p><b>Industry</b></p> <p>Clinical trials, and therefore our client contracts, can be stopped at any time if the drug is deemed not effective or unsafe. There is a risk of reduced revenue as a result of the timing or reduction of expenditure by our biopharmaceutical clients.</p>		<p>We aim to strengthen our market position and sustain our competitive advantage by building collaborative, commercial partnerships. We continue to diversify by expanding into new therapeutic areas which provides some mitigation against potential changes in funding priorities within neurology. Most clinical studies for neurological conditions span multiple years and this is reflected in our client contracts. This mitigates the short-term risk of changes to funding priorities.</p>
<p><b>Competition</b></p> <p>We face competition in this sector from larger companies or from academic institutions, which may affect our ability to implement our commercially-led growth strategy. As a technology services provider there is always the risk of new disruptive technologies emerging that could render IXICO's technology uncompetitive.</p>		<p>We have invested in innovative technology and product development to broaden our therapeutic focus. This reduces our exposure to the inherent risk in clinical development.</p> <p>We continue to invest in our technology and scientific capabilities and market reach to create value for our clients and differentiate our portfolio of services and to remain competitive.</p>
<p><b>BREXIT</b></p> <p>While revenue from non-UK, European clients was less than 20% of the Group's total in 2018, reducing our exposure to trading challenges due to BREXIT, there is considerable uncertainty in the macroeconomic outlook as a result of the UK's decision to leave the EU.</p> <p>We recruit staff who are not UK nationals. Post-BREXIT residency and work rights for non-UK nationals may affect our ability to attract and retain qualified staff in the future.</p> <p>We manage data across multinational territories, storing these on UK-based servers. Post-BREXIT, data management requirements for non-UK clients may change.</p>		<p>Like many companies, we continue to monitor the impact of the United Kingdom's relationship with the European Union.</p> <p>Most of our current contracts are multi-year agreements with agreed terms and pricing. We do not expect these to be materially affected, other than by the potential impact of forex. We closely monitor the movement of Sterling against other currencies in which we trade such as the US Dollar, Euro and Swiss Franc.</p> <p>We continue to monitor the reports of likely BREXIT outcomes. In the near-term, we plan to support our staff in securing the appropriate work permits.</p> <p>We may switch to EU-based data storage providers if data management requirements change post-BREXIT.</p>

**H** High      **M** Medium      **L** Low

PRINCIPAL RISK	PERCEIVED RISK	MITIGATION
<p><b>Management and employees</b> The loss of key employees could weaken our scientific, technical and management capabilities and negatively impact our business.</p>	<p><b>L</b></p>	<p>Key employees are on permanent employment contracts. Remuneration includes salary, pension performance-related bonus and share options. The Business Development team receives performance related sales commission.</p>
<p><b>Reliance on key customers</b> We work closely with our clients to ensure that we deliver to their requirements. The biopharmaceutical industry has consolidated over the past 2 decades, leading to potential concentration of our revenue in a relatively small client base.</p>	<p><b>M</b></p>	<p>We continue to broaden our customer base to manage the risk of being overly dependent on any one client. This includes diversification in a broadening market with new entrants such as smaller biotechnology companies.</p>
<p><b>Regulatory and compliance</b> We operate in a regulated environment and changes to regulations could negatively impact our ability to implement our strategy.</p>	<p><b>L</b></p>	<p>We monitor potential regulatory changes and participate in industry bodies so that we can manage change accordingly. We have also invested in additional senior resource in our Quality &amp; Compliance team as part of continuous improvement.</p>
<p><b>Intellectual property and proprietary technology</b> Our technologies are based on software and data algorithms, which may present a lower barrier to competition than other forms of intellectual property protection.</p>	<p><b>L</b></p>	<p>Successful development and deployment of our technologies are reliant on considerable know-how in neuroscience, data analytics and image analysis. Copyright in the software incorporated into our products is a further form of potential protection.</p> <p>We maintain business know-how and knowledge in our Quality Management System and Standard Operating Procedures.</p> <p>We manage, develop and protect our intellectual property portfolio.</p>
<p><b>Cybersecurity</b> We collect, manage and analyse clinical data from international trial sites.</p> <p>The introduction of the EU General Data Protection Regulation has had a material impact on the requirements for the collection, storage, and management of personal data.</p>	<p><b>M</b></p>	<p>The Group's TrialTracker software is designed to anonymise patient data at the point of source, minimising the risk in the event of a cybersecurity breach. The Group continues to invest in its IT infrastructure and security and is working towards achieving accreditation to ISO27001.</p> <p>We have responded to the changes in data privacy regulations to ensure compliance. We conduct regular reviews to ensure our systems are robust.</p>



## STRATEGIC REPORT

## Financial Review

We have delivered a strong financial performance as part of our 5-point growth plan.

# Ahead of expectations

This financial review includes a comparison of KPIs that we use to measure our progress over the prior year. Revenue KPIs are reported at actual exchange rates and Project Exchange Rates ('PER'). The KPI of revenue at PER demonstrates the underlying movement in the revenue performance by excluding the impact of foreign exchange. PER represents a fixed foreign exchange rate agreed in each individual customer contract.

## Revenue

This is the first financial year that we are reporting revenue in accordance with IFRS 15 'Revenue from Contracts with Customers'. We have decided to early adopt this new accounting standard as it resulted in changes to the revenue recognition policy. Comparative figures have been adjusted to reflect this change.

Revenue for the period of £5.4 million (2017: £4.1 million\*) represented an increase of 32%. This growth was generated from clinical trials services, Assessa PML, wearables projects and licence revenue.

Revenue at PER of £5.2 million (2017: £3.7 million) represented a strong underlying growth of 41%.

## Gross profit

The improved gross profit performance reflected increased revenue and operational efficiencies. The gross profit of £3.2 million increased by £0.9 million or 39% in the year. This resulted in an improved gross margin of 58.8%.

## Other income

Other income comprised income from grants of £0.5 million (2017: £0.5 million) and R&D expenditure credit of £0.1 million (2017: £0.1 million).

## KPIs

The KPIs currently used to monitor the business are linked into financial performance and cash resources as shown below:

KPI	2018 result	2017 result	Movement	
Revenue at actual exchange rates	£5.4m	£4.1m*	£1.3m (32%)	↑
Revenue at PER	£5.2m	£3.7m*	£1.5m (41%)	↑
Gross profit	£3.2m	£2.3m*	£0.9m (39%)	↑
Gross margin	58.8%	56.4%*	240 bps	↑
Other income	£0.6m	£0.6m	–	—
EBITDA loss	£0.6m	£1.4m*	£0.8m	↓
Operating loss	£0.8m	£1.9m*	£1.1m	↓
Loss per share	(2.0)p	(5.7)p	3.7p	↓
Cash	£7.9m	£2.4m	£5.5m	↑

\* Adjusted to reflect the early adoption of IFRS 15 'Revenue from Contracts with Customers'.

## EBITDA

Reduced EBITDA loss of £0.6 million (2017: £1.4 million) reflected increased project volumes, improved productivity and cost control.

## Operating loss

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

- research and development expenses of £1.0 million (2017: £1.3 million) included improvements to existing products together with new product development;
- sales and marketing expenses were materially unchanged at £0.8 million (2017: £0.8 million); and
- general and administrative expenses increased to £2.7 million (2017: £2.3 million).

The reported operating loss of £0.8 million reflected an improved gross profit performance and reduced operating expenditure.

## Cash

Operating cash outflows significantly reduced in the year to £0.1 million (2017: £1.2 million). The Group completed a placing of £5.5 million which, combined with neutral operating cash flows, resulted in a closing cash balance of £7.9 million (2017: £2.4 million).

## Loss per share

Loss per share improved to 2.0p from 5.7p reflecting a strong performance in the year.

Following the successful placing we are able to continue to invest in the business to ensure that we have the people, products, processes and IT infrastructure to further accelerate our commercially-led growth strategy.

**Giulio Cerroni**  
Chief Executive Officer  
3 December 2018

GOVERNANCE

# The Board of Directors

**CHARLES SPICER**  
Non-Executive Chairman



Charles is an experienced Director of, and adviser to, public and private companies primarily in the medtech and life science sectors. He is Non-Executive Chairman of Realm Therapeutics plc, Creo Medical Group plc and 11 Health Technologies Limited and chairs the UK Department of Health Invention for Innovation Funding Panel.

**Appointment to Board:**  
October 2013

**GIULIO CERRONI**  
Chief Executive Officer



Giulio has over thirty 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 Ltd, where he transformed the scale of LGC's Genomics division, completing 3 acquisitions in under eighteen months. Giulio was a member of the executive leadership team responsible for the successful sale of LGC Ltd to global investment firm, KKR & Co. Inc.

**Appointment to Board:**  
February 2017

**SUSAN LOWTHER**  
Chief Financial Officer and  
Company Secretary



Susan is an experienced Executive Director with previous Board positions including Group Chief Financial Officer of Novacyt S.A. and Chief Financial Officer of Lab21 Ltd prior to its acquisition by Novacyt S.A. Susan was Chief Financial Officer of BioWisdom Ltd. until its acquisition by Instem plc and Finance Director of RiboTargets Limited until its acquisition by Vernalis plc.

**Appointment to Board:**  
October 2014

**TIM SHARPINGTON**  
Non-Executive Director and  
Senior Independent Director



Tim has more than twenty-five years' experience in the life sciences sector with various pharmaceutical, biotechnology and pharmaceutical service companies in Europe and the US. He has broad experience in drug development, product licensing, mergers, acquisitions and fundraisings. Tim is currently Chief Operating Officer at hVIVO plc. His previous positions include Chief Executive Officer at Phytopharm plc and Serentis Limited and Executive Vice President at Vectura plc. Tim chairs the Remuneration Committee and is a member of the Audit Committee.

**Appointment to Board:**  
October 2013

**A** **Re**

**MARK WARNE**  
Non-Executive Director



Mark is Chief Executive Officer of DeepMatter Group plc. Mark 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 a Non-Executive Director of hVIVO plc. Mark is a member of the Audit and Remuneration Committees.

**Appointment to Board:**  
September 2016

**A** **Re**

**JOHN BRADSHAW**  
Non-Executive Director



John is a chartered accountant with more than twenty 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

**A** **Re**

Committee membership:

**A** Audit      **Re** Denotes Chairman  
**Re** Remuneration

## GOVERNANCE

## Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The Board of Directors of IXICO plc (registered in England and Wales: 03131723) presents its report together with the audited consolidated and Company financial statements for the year ended 30 September 2018.

**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 clinical development, as well as to support post-marketing surveillance activities. Details of principal risks and uncertainties are included in the Strategic Report.

**Results and dividends**

The Group's net loss after tax for the year decreased to £0.7 million (2017: £1.5 million *adjusted\**).

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

**Placing**

On 30 May 2018, the Group placed £5.5 million before expenses of £0.3 million, comprising a placing of VCT/EIS qualifying investment and ordinary shares at a price of £0.28. The placing will be used over the coming years to accelerate development of new products and markets.

**Financial risk management**

The financial risk management and objectives of the Group are set out in note 23 of the consolidated financial statements.

**Political donations**

The Group made no political donations during the period (2017: £nil).

**Charitable donations**

The Group made charitable donations of £2,000 during the period as part of our corporate social responsibilities activities (2017: £nil).

**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:

	Capacity	Appointed date	Resignation date
Giulio Cerroni	Chief Executive Officer	6 February 2017	
Derek Hill	Executive Director	15 October 2013	22 January 2018
Susan Lowther	Chief Financial Officer and Company Secretary	1 October 2014	
Charles Spicer	Non-Executive Chairman	15 October 2013	
Tim Sharpington	Non-Executive and Senior Independent Director	15 October 2013	
John Bradshaw	Non-Executive Director	15 October 2013	
Mark Warne	Non-Executive Director	16 September 2016	

Biographical details of IXICO plc's Directors are shown on page 17.

**Directors' remuneration and share options**

Details of the Directors' remuneration and share options are set out in the Directors' Remuneration Report on page 21.

**Re-election of Directors**

At the 2019 Annual General Meeting ('AGM'), in accordance with the Company's Articles of Association, Charles Spicer, Mark Warne and John Bradshaw 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 26 November 2018, the table below sets out the interests in the Company's shares of Directors who served during the period and their connected persons:

	Ordinary shares of 1 pence 2018	Ordinary shares of 1 pence 2017
Giulio Cerroni	31,500	–
Derek Hill	–	516,942
Susan Lowther	28,300	28,366
Charles Spicer	122,600	62,078
Tim Sharpington	15,100	15,150
John Bradshaw	35,500	35,517
Mark Warne <sup>(1)</sup>	5,400	5,709,989 <sup>(1)</sup>

(1) At 30 September 2017, the interest in issued share capital of 5,709,989 shares attributed to Mark Warne reflected 5,404 shares held by Mark and 5,704,585 shares held by his employer; IP Group plc. On 2 July 2018, Mark was appointed Chief Executive Officer of DeepMatter Group plc. He resigned from IP Group plc on 29 June 2018. At 30 September 2018, Mark's interest in the Company's shares was 5,400 shares.

During year ended 30 September 2018, the Directors' interest in Company's shares changed as a result of the share consolidation and sub-division on 21 September 2018. More details are set out in note 20 of the consolidated financial statements.

The Directors' interests are beneficially held by each Director unless otherwise stated. Apart from the interests and share options, no Director had any interest in the period in the share capital of the Company or other Group companies. There has 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.

## 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 2018, 46,777,000 shares were allotted and fully paid. Note 20 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 carry 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 21 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 29 May 2018, shareholders authorised the Directors to allot relevant securities up to an aggregate nominal value of £155,718, representing one-third of the issued share capital, and to allot equity securities up to an aggregate nominal value of £155,718 in connection with a fully pre-emptive rights issue, in accordance with ABL guidance, and to allot for cash equity securities having a nominal value not exceeding in aggregate £58,453 (being 12.5% of the issued share capital).

These authorities expire at the close of business on 28 May 2019, or if earlier, the conclusion of the next AGM. At the 2019 AGM similar authorities will be sought from shareholders.

## GOVERNANCE

## Directors' Report continued

FOR THE YEAR ENDED 30 SEPTEMBER 2018

**Substantial shareholdings**

At 26 November 2018, 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
IP Group	11,109,800	23.75
Octopus Investments	6,708,400	14.34
Invesco Perpetual	6,205,190	13.27
Livingbridge	5,357,100	11.45
Amati Global Investors	5,031,300	10.76

The shares held by Invesco Asset Management Limited ('Invesco') are held in Invesco's capacity as an institutional investor and an investment channel for others and not on its own behalf. A significant number of the shares are held by open-ended investment companies together with other shares held in investment portfolios managed by Invesco as nominee/bare Trustee.

**AGM**

The notice convening and giving details of the 2019 AGM will be posted to shareholders on 14 December 2018. The 2019 AGM of the Company will be held at the offices of FTI Consulting LLP, 200 Aldersgate Street, London EC1A 4HD on 18 January 2019.

**Disclosure of information to auditors**

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the Directors has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

**Going concern**

At 30 September 2018, the Group had cash and cash equivalents of £7.9 million. The Group's business activities, together with the factors likely to affect its future performance and position, are set out in the Strategic Report. The Directors have considered the expected future performance together with the Group's estimated future cash inflows from existing long-term contracts, sales pipeline and funded collaborations. Changes to the operating cost base are made in the normal course of business, so that expenditure and investment are in line with the Group's strategy and financial resources. After due consideration, and taking into account management's estimate of future revenue and expenditure, the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future.

On behalf of the Board of Directors

**Charles Spicer**  
Chairman  
3 December 2018

## GOVERNANCE

## Directors' Remuneration Report

**Remuneration Policy for Executive Directors**

The remuneration policy and practice is intended to align the remuneration of Executive Directors with the Group's business model and achievement of the Company'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 KPI's 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.

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 2018**

During the year the Group established a Long-Term Incentive Plan ('LTIP') which had 3 participants including the Executive Directors. The LTIP was approved by shareholders on 29 May 2018 and a grant of options occurred on 4 June 2018.

The LTIP share option deed is subject to the rules of the IXICO EMI Share Option Plan 2014 but is not intended to be a qualifying EMI Option for the purposes of Schedule 5 ITEPA.

Share options granted in accordance with the LTIP are subject to share price performance which is measured against the 3-month volume weighted average price of the Company's ordinary shares in the 3 months prior to the third anniversary from the date of grant.

The share price performance conditions are as follows:

- 25% of the LTIP Award will vest if the share price increases by 50% above £0.28, which was the price of the placing of new ordinary shares announced in May 2018.
- 100% of the LTIP Award will vest if the share price increases by over 100%.
- The performance conditions are subject to a minimum floor price of £0.50 per ordinary share.

The LTIP Award is subject to a holding period of up to 2 years after the performance conditions are met. The award is also subject to continued employment, malus and clawback provisions.

The grant of LTIP options is set out in the Directors' options table below.

**Share dilution limits**

The aggregate number of new ordinary shares which may be issued on the realisation of the EMI Share Option Plan 2014 and the LTIP 2018 in any 10-year period may not exceed 12.5% of the number of ordinary shares in issue from time to time.

At 30 September 2018 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 LTIP 2018 was 5,279,745 or 11.2% of the number of ordinary shares in issue at that date.

**Other benefits**

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

Private medical insurance or 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
Susan Lowther	13 August 2014	6 months



## GOVERNANCE

## Directors' Remuneration Report continued

## 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	16 September 2016	3 months
John Bradshaw	15 October 2013	3 months
Tim Sharpington	15 October 2013	3 months
Mark Warne	16 September 2016	3 months

## Directors' remuneration

	Year ended 30 September 2018			Year ended 30 September 2017		
	Salary and fees £	Bonus £	Pension contributions £	Salary and fees £	Bonus £	Pension contributions £
<b>Executive</b>						
Derek Hill	118,630	250	7,140	176,440	30,470	14,280
Susan Lowther	178,500	160,900	14,280	175,461	29,251	13,794
Giulio Cerroni	210,600	175,500	–	136,620	10,693	–
	<b>507,730</b>	<b>336,650</b>	<b>21,420</b>	<b>488,521</b>	<b>70,414</b>	<b>28,074</b>
<b>Non-Executive</b>						
Charles Spicer	42,000	–	–	42,000	–	–
Tim Sharpington	30,500	–	–	22,500	–	–
John Bradshaw	22,500	–	–	22,500	–	–
Mark Warne <sup>(1)</sup>	18,912	–	–	18,666	–	–
	<b>113,912</b>	<b>–</b>	<b>–</b>	<b>105,666</b>	<b>–</b>	<b>–</b>
<b>Aggregate emoluments</b>	<b>621,642</b>	<b>336,650</b>	<b>21,420</b>	<b>594,187</b>	<b>70,414</b>	<b>28,074</b>

(1) IP Group plc were remunerated for services rendered by Mark Warne until 29 June 2018 when Mark resigned from his position in IP Group plc. From 29 June 2018 Mark Warne was remunerated for his services directly.

No Directors waived emoluments in the year ended 30 September 2018 (2017: £nil).

## Directors' options

Details of options over shares of 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					Exercise price	Date of grant	Expiry date
	At 30 September 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2018			
Derek Hill	30,118	–	–	(30,118)	–	£0.490	28 October 2014	7 May 2024
	230,117	–	(15,000)	(215,117)	–	£0.305	29 March 2016	7 May 2024
	80,000	–	–	(80,000)	–	£0.365	7 February 2017	7 May 2024
	<b>340,235</b>	<b>–</b>	<b>(15,000)</b>	<b>(325,235)</b>	<b>–</b>			
Susan Lowther	25,098	–	–	–	25,098	£0.490	28 October 2014	7 May 2024
	205,098	–	–	–	205,098	£0.305	29 March 2016	7 May 2024
	80,000	–	–	–	80,000	£0.365	7 February 2017	7 May 2024
	235,000	–	–	–	235,000	£0.340	7 August 2017	7 May 2024
	–	935,240	–	–	935,240	£0.010	4 June 2018	7 May 2024
	<b>545,196</b>	<b>935,240</b>	<b>–</b>	<b>–</b>	<b>1,480,436</b>			
Giulio Cerroni	676,582	–	–	–	676,582	£0.365	7 February 2017	7 May 2024
	–	1,169,050	–	–	1,169,050	£0.010	4 June 2018	7 May 2024
	<b>676,582</b>	<b>1,169,050</b>	<b>–</b>	<b>–</b>	<b>1,845,632</b>			
<b>Aggregate</b>	<b>1,562,013</b>	<b>2,104,290</b>	<b>(15,000)</b>	<b>(325,235)</b>	<b>3,326,068</b>			

The share options granted to Giulio Cerroni and Susan Lowther in the year were granted in accordance with the LTIP approved by shareholders on 29 May 2018.

The options granted to Derek Hill lapsed upon his resignation as an Executive Director on 22 January 2018. On 7 June 2018, Derek exercised 15,000 options at an exercise price of £0.305 which was approved by the Board in its discretion.

During the year ended 30 September 2018, the Company's share price ranged from £0.26 to £0.39.

Further details of the share option schemes are set out in note 21 of the consolidated financial statements.

## GOVERNANCE

# Corporate Governance

In March 2018, the London Stock Exchange made several changes to the AIM Rules which, inter alia, require AIM companies to adopt a recognised corporate governance code and provide appropriate disclosures of how the Group complies with the recognised corporate governance code that they have adopted, and, if applicable, provide details and the rationale for areas of non-compliance.

The Board has adopted 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 statement. The Board intend to provide 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 control to manage risk and build long-term value.

## Board of Directors' structure

The Board of Directors is responsible to shareholders for the proper management of the Group. A statement of Directors' responsibilities is set out on page 26.

The Board comprises the Non-Executive Chairman, 2 Executive Directors and 3 Non-Executive Directors, one of which acts as Senior Independent Director. The Board feels that is an appropriate balance between independence and knowledge of the Group and its target markets which allow it to discharge its duties and responsibilities effectively. The Board deems that Charles Spicer, John Bradshaw and Tim Sharpington are independent Directors in accordance with the QCA guidelines.

Tim Sharpington is the Senior Independent Director ('SID') and acts as an independent sounding board and intermediary for the Chairman or other Board members as necessary. Tim is available to shareholders or Directors who may have a concern that cannot be raised through the normal Board processes.

The Board believes that Mark Warne brings relevant skills and experience of the digital healthcare market to the Group, which is important at its current stage of development. Until 29 June 2018, Mark was a Partner in the Life Sciences team at IP Group and was therefore associated with a major shareholder.

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.

Non-Executive Directors receive a fee for their services as set out in the Remuneration Report. During the year, Mark Warne's fees were paid to IP Group plc as his employer until his appointment as Chief Executive Officer of DeepMatter Group plc.

## Conflicts of interest

The Group has effective procedures in place to monitor and 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. If there are changes to these commitments or interests, Directors are required to advise the Chairman and appropriate action is agreed by the rest of the Board.

## Skills and experience

The Board considers that it 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 Board members are of sufficient calibre to bring independent judgement to bear on business decisions related to strategy, expected standards of business performance and conduct which are an important part of the Group's future growth and success.

The Non-Executive Directors serve on other boards which gives a broad range of skills and capabilities. They also receive updates from professional advisers at Board meetings and external meetings or seminars.

Further details of each of the Board's skills and experience can be found at: <https://ixico.com/about-us/>

## Independent advice

The Board has access to professional advisers and is able to take independent advice in the performance of their duties, at the Group's expense. Details of external advisers can be found at: <https://ixico.com/investors/contacts-advisers/>

## Appointment and re-election

The Company's Articles of Association require that all Directors must stand for re-election every 3 years and that any new Directors appointed during the year must stand for election at the AGM following their appointment.

## GOVERNANCE

## Corporate Governance continued

**Performance and evaluation of the Board**

Whilst the Group does not currently have a formal appraisal process for Directors, the Chairman assesses the Directors to ensure that their individual contribution is relevant and effective and that they are committed members of the Board.

Furthermore, at the end of each Board meeting the Chairman and Non-Executive Directors meet to identify areas to provide constructive feedback to the Executive Directors as part of their continuous improvement. This process of evaluation will be kept under review and the Board will consider whether formal evaluations are appropriate in the future.

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. The Board considers the Leadership Team's strategic proposals and, following a rigorous review, determines strategy and ensures that the necessary resources are in place for the Leadership Team to execute against that strategy.

The Chairman provides leadership to the Board and is responsible for agreeing the agenda for Board meetings, and ensuring (with the Company Secretary) that the Directors receive the information that they need to participate in Board meetings. The Chairman also ensures that the Board has sufficient time to discuss items on the agenda.

The Chief Executive Officer is responsible for the day-to-day leadership of the Group, the Leadership Team and employees. The Chief Executive Officer is responsible, together with the Leadership Team, for the execution of the Group's strategy approved by the Board and the implementation of decisions made by the Board.

**Board meetings**

The Board meets at least 6 times per year in accordance with a scheduled meeting calendar. Prior to the start of each financial year a schedule of dates for the Board meetings is prepared to align, where reasonably practicable, with the Group's financial calendar whilst ensuring an appropriate spread of meetings during the financial year. These meetings are supplemented by additional face-to-face meetings or calls as required.

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

**Board committees**

The Board is supported by the Audit and Remuneration Committees. A committee discharges its functions on behalf of the Board and is entitled, at the Group's expense, to such internal or external professional advice as it sees fit in the furtherance of its duties. A committee is also authorised by the Board to seek any information it requires from any employee of the Company, in order to perform its duties.

The terms of reference of each committee are available at: <https://ixico.com/investors/governance/>

**Audit Committee**

The Audit Committee is chaired by John Bradshaw. Tim Sharpington and Mark Warne are members of the Committee.

The terms of reference of the Audit Committee include the following responsibilities:

- monitoring the integrity of the Group's financial statements, application of accounting policies;
- reviewing the effectiveness of the Group's internal control and risk management systems; and
- oversight of the Group's external auditors.

Audit Committee meetings are usually held twice per financial year.

**Remuneration Committee**

The Remuneration Committee is chaired by Tim Sharpington. John Bradshaw and Mark Warne are members 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.



### Risk management and control

The Board of Directors has responsibility for the oversight of the Group's operations ensuring:

- competent and prudent management;
- sound planning;
- adequate system of internal control;
- adequate and accurate accounting records; and
- compliance with statutory and regulatory obligations.

The Group's internal controls are designed to manage business risk and provide reasonable but absolute assurance against material misstatement or loss. The Board reviews the effectiveness of the Group's systems, policies and procedures through an awareness and consideration of the business risks that could affect the Group.

### Communication with shareholders and other stakeholders

The Group communicates with shareholders through:

- the Annual Report and Accounts;
- full-year and half-year announcements;
- the AGM;
- one-to-one meetings with shareholders as required; and
- issuing regular and appropriate RNS and RNS Reach announcements.

The above and a range of corporate information, including Group presentations, is also available on the Group website at: <https://ixico.com/investors/>

The Board receives regular updates on the views of shareholders through briefings and reports provided by the Chief Executive Officer, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors through briefings with management and analyst notes are reviewed to understand the external view of the Company.

It is planned to add new functionality to the Group website including an Investor centre and feedback as part of continually improving the information provided to stakeholders.

## 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 of the Group and the Company and of the profit or loss of the 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 Company'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 Company'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**  
Chairman  
3 December 2018

# 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 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and 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 the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the 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 Company's affairs as at 30 September 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the 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 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.

## Who we are reporting to

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.

## 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 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.



### **Overview of our audit approach**

- Group materiality: £105,000, which represents approximately 2% of the Group's total revenue
- The key audit matter identified was revenue recognition
- We performed full scope audit procedures in respect of IXICO plc and IXICO Technologies Limited. All other Group companies are not significant.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

# Independent Auditor's Report to the Members of IXICO plc continued

## Key Audit Matter – Group

### Revenue recognition

Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to fraud. The Group has also early adopted IFRS 15 'Revenue from contracts with customers' for the 2018 financial statements and a prior year adjustment to reduce profit previously reported of £216k has been recognised. The adoption of the standard is considered to be a risk due to the complexity involved with the application of the standard.

The Group has two revenue streams: service revenue and licence revenue. Licence revenue is derived from use of the Group's proprietary platform and is recognised over the contractual period. Service revenue from many of the Group's contracts comprises multiple 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. Revenue recognition is therefore dependent upon identifying the relevant distinct performance obligation, ensuring the revenue allocated to the performance obligation is based on stand-alone pricing and ensuring that revenue is appropriately recognised in accordance with the delivery of the performance obligation. During the period, change orders have also been agreed which amount to contract modifications which also impacts on revenue recognition. As a result of the requirement to identify when performance obligations are met revenue recognition is considered to be a risk.

We therefore identified revenue recognition as a significant risk, which was the most significant assessed risk of material misstatement.

## How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- considering whether revenue was accounted for in accordance with the disclosed accounting policy and whether it is consistent with the requirements of IFRS15 through comparing transition documents prepared by management and comparison to the standard;
- testing the prior year adjustment to revenue by identifying contracts impacted by the identification of separable performance obligations and testing a sample of adjustments to contracts;
- agreeing new contracts awarded in the year to the Group's internal project tracker system;
- testing a sample of invoices recognised in revenue to the Group's internal project tracker system;
- gaining an understanding of the performance and progress of contracts including discussions with the operational project managers;
- testing a sample of accrued and deferred income balances to supporting project tracking sheets;
- reconciliation of pass-through revenue to costs;
- reperforming calculations of the foreign exchange variances on contracts priced in currencies other than Sterling.

The Group's accounting policy on revenue recognition is shown in note 2 to the financial statements and related disclosures are included in note 4.

### Key observations

Our audit work identified the judgements by management in assessing the distinct performance obligations within contracts and we did not identify any issues in the application of IFRS 15. Our audit work did not identify any material misstatements in the occurrence of revenue recognised in the year or any material instances of revenue not being recognised in accordance with stated accounting policies.

We did not identify any separate 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	<p>£105,000 which is 2% of Group revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator used by management and shareholders in assessing performance of the business.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 September 2017, which reflects changes in benchmark and measurement percentage from the prior year when 5% of the Group's expected loss before tax was used. The benchmark was changed since the Group has delivered higher revenue and generated a smaller loss.</p>	<p>£93,000 which is based on 1% of total assets. The actual number was reduced so that company materiality is below Group materiality. This benchmark is considered the most appropriate because the company is a holding company for the trading group.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 September 2017, which reflects changes in benchmark and measurement percentage from the prior year when 5% of the Company's expected loss before taxation was used. The benchmark was changed to reflect the nature the nature of the Company's activity.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.



Materiality Measure	Group	Parent
Specific materiality	A lower level of specific materiality has been determined for Directors' remuneration and related party transactions.	A lower level of specific materiality has been determined for Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£5,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,650 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### 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 our 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 statements we considered the transactions undertaken by each entity and therefore where the focus of our work was required;
- We performed full scope audits of the financial statements of the parent company IXICO plc, and of the financial information of the principal trading entity IXICO Technologies Limited, which is the only component which is individually significant to the Group;
- Our audit approach was fully substantive in nature;
- The total percentage coverage of full scope procedures over revenue was 100%;
- The total percentage coverage of full scope procedures over total assets was 100%;
- Our audit approach in the current year is consistent with 2017.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 26, 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

# Independent Auditor's Report to the Members of IXICO plc continued

## **Responsibilities of Directors for the financial statements**

As explained more fully in the statement of Directors' responsibilities set out on page 26, 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 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Alison Seekings**

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge  
3 December 2018

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

	Note	Year ended 30 September 2018 £'000	Year ended 30 September 2017 adjusted* £'000
Revenue	4	5,394	4,100
Cost of sales		(2,221)	(1,786)
<b>Gross profit</b>		<b>3,173</b>	<b>2,314</b>
Other income	6	562	643
<b>Operating expenses</b>			
Research and development expenses		(1,033)	(1,256)
Sales and marketing expenses		(754)	(823)
General and administrative expenses		(2,745)	(2,309)
Non-recurring administrative expenses	7	–	(481)
<b>Total operating expenses</b>	10	<b>(4,532)</b>	<b>(4,869)</b>
<b>Operating loss</b>		<b>(797)</b>	<b>(1,912)</b>
Finance income		4	–
<b>Loss on ordinary activities before taxation</b>		<b>(793)</b>	<b>(1,912)</b>
Taxation credit	11	125	375
<b>Loss attributable to equity holders for the period</b>		<b>(668)</b>	<b>(1,537)</b>
<b>Other comprehensive expense:</b>			
<b>Items that will be reclassified subsequently to profit or loss</b>			
Foreign exchange translation differences		(1)	(13)
<b>Total other comprehensive expense</b>		<b>(1)</b>	<b>(13)</b>
<b>Total comprehensive expense attributable to equity holders for the period</b>		<b>(669)</b>	<b>(1,550)</b>
<b>Loss per share (pence)</b>	12		
Basic loss per share		(2.0)	(5.7)
Diluted loss per share		(2.0)	(5.7)

\* Revenue reflects early adoption of IFRS 15 'Revenue from Contracts with Customers' which is set out in note 2 of the consolidated financial statements.

# Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER 2018, 30 SEPTEMBER 2017 AND 1 OCTOBER 2016

	Note	Group		
		As at 30 September 2018 £'000	As at 30 September 2017 adjusted* £'000	As at 1 October 2016 adjusted* £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	77	60	88
Intangible assets	14	32	128	559
<b>Total non-current assets</b>		<b>109</b>	188	647
<b>Current assets</b>				
Trade and other receivables	16	2,140	1,487	1,353
Current tax receivables	11	229	420	562
Cash and cash equivalents		7,861	2,414	3,120
<b>Total current assets</b>		<b>10,230</b>	4,321	5,035
<b>Total assets</b>		<b>10,339</b>	4,509	5,682
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	18	3,013	1,801	1,527
Deferred consideration		–	–	174
<b>Total current liabilities</b>		<b>3,013</b>	1,801	1,701
<b>Non-current liabilities</b>				
Deferred tax liabilities	19	–	19	112
<b>Total non-current liabilities</b>		<b>–</b>	19	112
<b>Equity</b>				
Ordinary shares	20	7,923	7,727	7,720
Share premium	20	84,389	79,421	79,421
Merger relief reserve	20	1,480	1,480	1,312
Reverse acquisition reserve	20	(75,308)	(75,308)	(75,307)
Foreign exchange translation reserve		(80)	(79)	(66)
Accumulated losses		(11,078)	(10,552)	(9,211)
<b>Total equity</b>		<b>7,326</b>	2,689	3,869
<b>Total liabilities and equity</b>		<b>10,339</b>	4,509	5,682

\* Trade and other payables and accumulated losses reflect early adoption of IFRS 15 'Revenue from Contracts with Customers' which is set out in note 2 of the consolidated financial statements.

The financial statements on pages 31 to 61 were approved by the Board of Directors and authorised for issue on 3 December 2018 and were signed on its behalf by:

**Giulio Ceroni**  
Chief Executive Officer  
3 December 2018

IXICO plc, Registered number: 03131723



# Company Statement of Financial Position

AS AT 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

	Note	Company	
		As at 30 September 2018 £'000	As at 30 September 2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in Group undertakings	15	5,434	5,320
Amounts due from subsidiary undertakings	16	–	3,553
<b>Total non-current assets</b>		<b>5,434</b>	<b>8,873</b>
<b>Current assets</b>			
Trade and other receivables	16	685	42
Cash and cash equivalents		7,229	396
<b>Total current assets</b>		<b>7,914</b>	<b>438</b>
<b>Total assets</b>		<b>13,348</b>	<b>9,311</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	18	140	113
<b>Total current liabilities</b>		<b>140</b>	<b>113</b>
<b>Equity</b>			
Ordinary shares	20	7,923	7,727
Share premium	20	84,389	79,421
Merger relief reserve	20	1,480	1,480
Accumulated losses		(80,584)	(79,430)
<b>Total equity</b>		<b>13,208</b>	<b>9,198</b>
<b>Total liabilities and equity</b>		<b>13,348</b>	<b>9,311</b>

## 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 £1,296,000 (2017: £1,388,000).

The financial statements on pages 31 to 61 were approved by the Board of Directors and authorised for issue on 3 December 2018 and were signed on its behalf by:

**Giulio Ceroni**  
Chief Executive Officer  
3 December 2018

IXICO plc, Registered number: 03131723

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2018, 30 SEPTEMBER 2017 AND 1 OCTOBER 2016

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Foreign exchange translation reserve £'000	Accumulated losses £'000	Total £'000
<b>Balance at 30 September 2016</b>	7,720	79,421	1,312	(75,307)	(66)	(8,995)	4,085
Adjustment from the early adoption of IFRS 15	–	–	–	–	–	(216)	(216)
<b>Adjusted balance at 1 October 2016</b>	7,720	79,421	1,312	(75,307)	(66)	(9,211)	3,869
<b>Total comprehensive expense</b>							
Loss for the period	–	–	–	–	–	(1,537)	(1,537)
Other comprehensive expense:							
Foreign exchange translation	–	–	–	–	(13)	–	(13)
<b>Total comprehensive expense</b>	–	–	–	–	(13)	(1,537)	(1,550)
<b>Transactions with owners</b>							
Charge in respect of share options	–	–	–	–	–	196	196
Exercise of share options	1	–	–	(1)	–	–	–
Issue of deferred consideration shares	6	–	168	–	–	–	174
<b>Total transactions with owners</b>	7	–	168	(1)	–	196	370
<b>Balance at 30 September 2017</b>	7,727	79,421	1,480	(75,308)	(79)	(10,552)	2,689
<b>Total comprehensive expense</b>							
Loss for the period	–	–	–	–	–	(668)	(668)
Other comprehensive expense:							
Foreign exchange translation	–	–	–	–	(1)	–	(1)
<b>Total comprehensive expense</b>	–	–	–	–	(1)	(668)	(669)
<b>Transactions with owners</b>							
Charge in respect of share options	–	–	–	–	–	142	142
Exercise of share options	–	4	–	–	–	–	4
Proceeds from shares issued	196	5,304	–	–	–	–	5,500
Transaction costs for issue of shares	–	(340)	–	–	–	–	(340)
<b>Total transactions with owners</b>	196	4,968	–	–	–	142	5,306
<b>Balance at 30 September 2018</b>	<b>7,923</b>	<b>84,389</b>	<b>1,480</b>	<b>(75,308)</b>	<b>(80)</b>	<b>(11,078)</b>	<b>7,326</b>

# Company Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Accumulated losses £'000	Total £'000
<b>Balance at 30 September 2016</b>	7,720	79,421	1,312	(78,238)	10,215
<b>Total comprehensive expense for the period</b>	–	–	–	(1,388)	(1,388)
<b>Transactions with owners</b>					
Charge in respect of share options	–	–	–	196	196
Exercise of share options	1	–	–	–	1
Issue of deferred consideration shares	6	–	168	–	174
<b>Total transactions with owners</b>	7	–	168	196	371
<b>Balance at 30 September 2017</b>	7,727	79,421	1,480	(79,430)	9,198
<b>Total comprehensive expense for the period</b>	–	–	–	(1,296)	(1,296)
<b>Transactions with owners</b>					
Charge in respect of share options	–	–	–	142	142
Exercise of share options	–	4	–	–	4
Proceeds from shares issued	196	5,304	–	–	5,500
Transaction costs for issue of shares	–	(340)	–	–	(340)
<b>Total transactions with owners</b>	196	4,968	–	142	5,306
<b>Balance at 30 September 2018</b>	<b>7,923</b>	<b>84,389</b>	<b>1,480</b>	<b>(80,584)</b>	<b>13,208</b>

# Consolidated and Company Statements of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2018 AND SEPTEMBER 2017

	Group		Company	
	Year ended 30 September 2018 £'000	Year ended 30 September 2017 adjusted* £'000	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
<b>Cash flows from operating activities</b>				
Loss for the period	(668)	(1,537)	(1,296)	(1,388)
Finance income	4	–	–	–
Taxation	(125)	(375)	–	–
Depreciation	38	49	–	–
Amortisation of acquired intangibles	114	143	–	–
Impairment of acquired intangibles	–	316	–	–
Impairment of investment in subsidiary undertakings	–	–	–	360
Research and development expenditure credit	(126)	(137)	–	–
Share option charge	142	196	28	22
	(621)	(1,345)	(1,268)	(1,006)
<b>Changes in working capital</b>				
(Increase)/decrease in trade and other receivables	(653)	(134)	2,910	1,942
Increase/(decrease) in trade and other payables	1,214	274	27	(1,708)
<b>Cash (used in)/generated operations</b>	(60)	(1,205)	1,669	(772)
Taxation received	423	561	–	–
<b>Net cash generated/(used in) operating activities</b>	363	(644)	1,669	(772)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment and software	(75)	(49)	–	–
Finance income	(4)	–	–	–
<b>Net cash used in investing activities</b>	(79)	(49)	–	–
<b>Cash flows from financing activities</b>				
Issue of shares	5,504	–	5,504	–
Transaction costs associated with issue of shares	(340)	–	(340)	–
<b>Net cash generated from financing activities</b>	5,164	–	5,164	–
<b>Movements in cash and cash equivalents in the period</b>	5,448	(693)	6,833	(772)
Cash and cash equivalents at start of period	2,414	3,120	396	1,168
Effect of exchange rate fluctuations on cash held	(1)	(13)	–	–
<b>Cash and cash equivalents at end of period</b>	7,861	2,414	7,229	396

\* Loss for the period and trade and other payables reflect early adoption of IFRS 15 'Revenue from Contracts with Customers' which is set out in note 2 of the consolidated financial statements.



# Notes to the Financial Statements

The Group controls a subsidiary when the Group is exposed 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.

## 1. 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 an established provider of technology enabled speciality services to the global biopharmaceutical industry. The Company's services are used to select patients for clinical trials, assess the safety and efficacy of new drugs in development and in post marketing surveillance.

## 2. Significant accounting policies and basis of preparation

### **Basis of preparation**

The consolidated financial statements have been prepared 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 have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

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

The Group and Company financial statements for the year ended 30 September 2018 are the first financial statements prepared in accordance with IFRS 15 'Revenue from Contracts with Customers', in advance of its effective date (accounting periods starting 1 January 2018). The Directors have decided to early adopt IFRS 15 'Revenue from Contracts with Customers' as it resulted in material changes to revenue recognition policy.

Comparative figures have been adjusted to reflect the adjustments made and are presented below. There is no impact on the Company's financial statements.

### **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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Subsidiaries are entities controlled by the Group. 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, including goodwill and fair value adjustments arising on consolidation, are translated into Sterling at exchange rates ruling at the end of the reporting period. Income statements and cash flows of foreign operations are translated into Sterling 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.

The acquisition method is used to account for the acquisition of subsidiaries.

### **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 Directors have also considered the Group's strategy following the placing during the year. 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. After due consideration and taking into account management's estimate 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. Thus they have adopted the going concern basis of accounting in preparing the consolidated financial statements.

### **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.

# Notes to the Financial Statements continued

## 2. Significant accounting policies and basis of preparation continued

### Revenue recognition

The Group recognises revenue in accordance with amounts charged to customers 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. Change orders represent a contract modification because they represent a distinct performance obligation in addition to the obligations in the contract. This could 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.

There are two principal revenue recognition sensitivities. The first is in respect of the timing of transferring the deliverable to the customer which is not always directly under the Group's control. The second sensitivity is the volumes of data to be analysed. The price per unit of analysis is fixed in the contract, however if data volumes are lower than expected then revenue recognition would be correspondingly lower. Equally if the data volumes are higher than expected the revenue recognition would be correspondingly higher. Significant judgement is therefore required to determine that the distinct performance obligations under which revenue is recognised to have occurred. There is also significant judgement involved in determining whether the performance obligations are transferred over time or at a point in time.

Customer 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. During the year ended 30 September 2018, research and development expenses of £1,033,000 (2017: £1,256,000) have been recognised in the consolidated statement of comprehensive income.

The Group will recognise an intangible asset arising from development only if it can demonstrate its technical feasibility, intent to use or sell the intangible asset and measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets that do not meet the capitalisation criterion are recognised as an expense as incurred.

Internal development costs are capitalised only after technical and commercial feasibility of the software for sale or use have been established, meeting the criteria for capitalisation in the year.

### 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 of the Group's deferred tax asset can be found in note 17 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. Actual results may be substantially different.

### 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, detailed in note 21 of the consolidated financial statements.

### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

### Changes in accounting policies

The Group provides its TrialTracker technology platform together with associated services including the collection, analysis and interpretation of images and other data that may be generated in the course of a clinical study. The Group also uses wearable biosensors to collect and analyse data that measures changes in symptoms such as sleep quality or walking gait. The Group's Assessa PML platform provides access to expert neuroradiologists to provide second opinion reads of MRI images. The revenue associated with the Group's provision of these technology and associated services is recognised over time as the different services are provided or performed.

### Early adoption of IFRS 15 'Revenue from Contracts with Customers'

The Group has early adopted IFRS 15 'Revenue from Contracts with Customers' from 1 October 2017. As part of transitioning to the new financial standard, management reviewed all contracts with customers and identified distinct performance obligations.

IFRS 15 establishes the principles that the Group applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, the Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. Under IFRS 15 'Revenue from Contracts with Customers', revenue is recognised when a customer obtains control of the goods or services. Determining the distinct performance obligations within contracts and the timing of the transfer of control, at a point in time or over time, requires significant management judgement.

The Group's revenue is recognised in 2 main categories: service revenue and licence revenue.

#### Service revenue

Service revenue is mainly derived from activities related to technology and services provided to biopharmaceutical clients carrying out clinical development. The Group applied the IFRS 15 'Revenue from Contracts with Customers' 5-step model framework on all activities. The technology service contracts include a number of activities which can be allocated to discrete contract phases. The activities within each phase have been examined to determine distinct performance obligations. As a result, the Group has identified 2 activities which have resulted in a change in revenue recognition:

**1. Set-up and configuration of the TrialTracker platform:** Under IAS 18 'Revenue', revenue for these activities was recognised when the set-up and configuration was completed, provided that all other criteria for revenue recognition was met. Under IFRS 15 'Revenue from Contracts with Customers', revenue is recognised against 2 separate performance obligations. The first performance obligation is the set-up of TrialTracker and revenue is recognised when the configuration and platform set-up is completed. A second performance obligation is a platform access fee recognised over the duration of the project.

Some historic, long-standing, existing contracts combined the access fee and configuration fee which were agreed on a contract by contract basis. Management could not differentiate between the set-up, configuration and access fee as distinct performance obligations on these contracts, therefore revenue associated with these activities has been treated as an access fee and recognised over the duration of the project term.

Consequently, revenue recognition of the set-up and configuration of TrialTracker is recognised later under IFRS 15 'Revenue from Contracts with Customers' than under IAS 18 'Revenue'.

**2. Project set-up activities:** Under IAS 18 'Revenue', revenue for these activities was recognised when the set-up was completed, provided that all other criteria for revenue recognition was met. Under IFRS 15 'Revenue from Contracts with Customers', project set-up revenue is recognised as part of a bundle of activities as they do not on a stand-alone basis meet the definition of distinct performance. The set-up activities have been recognised when all the activities that together comprise the distinct performance obligation have been delivered.

Consequently, revenue recognition of Project set-up activities is recognised later under IFRS 15 'Revenue from Contracts with Customers' than under IAS 18 'Revenue'.

#### Licence revenue

Licence revenue includes one agreement, which grants the right to use TrialTracker software.

The licence is a distinct performance obligation and under IFRS 15 'Revenue from Contracts with Customers' revenue is recognised over the contract term. The licence grants a right to use the software and receive associated technical support during the licence period.

The revenue recognition under IFRS 15 'Revenue from Contracts with Customers' is consistent with recognition under IAS 18 'Revenue', therefore there is no change to the recognition of licence revenue.

### Transition to IFRS 15 'Revenue from Contracts with Customers'

The Group has early adopted IFRS 15 'Revenue from Contracts with Customers' using the retrospective effect method and has applied this standard from 1 October 2017. Accordingly, the information presented for year ended 30 September 2017 has been adjusted.

The principal changes arising from the early adoption of IFRS 15 'Revenue from Contracts with Customers' refer to changes in revenue recognition in 1. Set-up and configuration of the TrialTracker and 2. Project set-up activities as outlined above.

## Notes to the Financial Statements continued

### 2. Significant accounting policies and basis of preparation continued

The following tables summarise the impact of early adopting IFRS 15 'Revenue from Contracts with Customers' on the Group's consolidated statement of comprehensive income for the year ended 30 September 2017 and its consolidated statement of financial position as at 30 September 2016 and 30 September 2017. There is no impact on the Group's consolidated statement of cash flows.

#### Impact on consolidated statement of comprehensive income for year ended 30 September 2017:

	Previously reported £'000	IFRS 15 adjustments 2017 £'000	Adjusted £'000
Revenue	4,110	(10)	4,100
Cost of sales	(1,786)	–	(1,786)
Gross profit	2,324	(10)	2,314
Other income	643	–	643
Total operating expenses	(4,869)	–	(4,869)
Operating loss	(1,902)	(10)	(1,912)
Loss on ordinary activities before taxation	(1,902)	(10)	(1,912)
Taxation	375	–	375
Loss attributable to equity holders for the period	(1,527)	(10)	(1,537)
Total other comprehensive expense	(13)	–	(13)
Total comprehensive expense attributable to equity holders for the period	(1,540)	(10)	(1,550)
Loss per share (pence)			
Basic loss per share	(5.7)	–	(5.7)
Diluted loss per share	(5.7)	–	(5.7)

#### Impact on the consolidated statement of financial position at 30 September 2016:

	Previously reported £'000	IFRS 15 adjustments 2016 £'000	Adjusted £'000
Total assets	5,682	–	5,682
Liabilities and equity			
Current liabilities			
Trade and other payables	1,311	216	1,527
Deferred consideration	174	–	174
Total current liabilities	1,485	216	1,701
Total non-current liabilities	112	–	112
Equity			
Ordinary shares	7,720	–	7,720
Share premium	79,421	–	79,421
Merger relief reserve	1,312	–	1,312
Reverse acquisition reserve	(75,307)	–	(75,307)
Foreign exchange translation reserve	(66)	–	(66)
Accumulated losses	(8,995)	(216)	(9,211)
Total equity	4,085	(216)	3,869
Total liabilities and equity	5,682	–	5,682



## Impact on the consolidated statement of financial position at 30 September 2017:

	Previously reported £'000	IFRS 15 adjustments 2016 £'000	IFRS 15 adjustments 2017 £'000	Adjusted £'000
<b>Total assets</b>	4,509	–	–	4,509
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	1,575	216	10	1,801
<b>Total current liabilities</b>	1,575	216	10	1,801
<b>Total non-current liabilities</b>	19	–	–	19
<b>Equity</b>				
Ordinary shares	7,727	–	–	7,727
Share premium	79,421	–	–	79,421
Merger relief reserve	1,480	–	–	1,480
Reverse acquisition reserve	(75,308)	–	–	(75,308)
Foreign exchange translation reserve	(79)	–	–	(79)
Accumulated losses	(10,326)	(216)	(10)	(10,552)
<b>Total equity</b>	2,915	(216)	(10)	2,689
<b>Total liabilities and equity</b>	4,509	–	–	4,509

**Accounting developments**

At the date of approval of the consolidated financial statements, the following Standards which have not been applied in the consolidated financial statements were in issue but not yet effective:

- IFRS 9 Financial instruments (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- IFRS 17 Insurance contracts (effective 1 January 2021)

The Group is preparing for the introduction of IFRS 16 'Leases' under which right to use assets arising under operating lease commitments will be recognised in the statement of financial position. Apart from this standard, the Directors anticipate, based on the current business processes, that the introduction of the above standards, and other amendments and interpretations will not have a material impact on the consolidated and Company financial statements.

**Revenue**

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

In recognising revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

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

Contracts with customers include a detailed schedule of work or work order with promised goods and services. The Group identifies each promised goods and services as performance obligations only if the goods or services are distinct or a series of distinct goods or services that are substantially the same and that have the same pattern or transfer to the customers. Performance obligations do not include activities that the Group must undertake to fulfil a contract unless those activities transfer a good or service to a customer.

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.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by delivering the contracted goods or services to its customers.

Revenue is recognised over time when the biopharmaceutical customers simultaneously receive and consume the benefits provided by the Group's performance. This is mainly derived from monthly management fees and access to TrialTracker.

## Notes to the Financial Statements continued

### 2. Significant accounting policies and basis of preparation continued

Revenue is recognised at a point in time when the Group's has a present right to payment for the services provided to its biopharmaceutical customers. This is mainly derived from the study reports and materials used within clinical trials.

When an invoicing schedule is different to revenue recognition, appropriate adjustments are made through deferred and accrued income.

The Group's revenue is recognised in 2 main categories: service revenue and licence revenue.

#### Service revenue

Service revenue is mainly derived from activities related to technology services provided to biopharmaceutical customers engaged in clinical development.

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.

Under IFRS 15 'Revenue from Contracts with Customers', the Group must evaluate the separability of the contracted goods or services if they are 'distinct' which means that:

- the customer benefits from the item either in combination with other items; and
- it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

#### *Project set-up and management*

Each project has a dedicated project manager who co-ordinates the project set-up and ongoing delivery of the service. They prepare the clinical study protocol and other essential study documents.

Revenue from project management reflects the provision of an on-going service so the straight-line method of recognition is used.

Revenue from study documentation is recognised at a point in time when the Group has delivered the material to the customer.

#### *Site set-up and management*

Site management and science teams design data acquisition protocols for each site, prepare site training materials and provide interactive training courses.

Revenue from site management reflects the provision of on-going service so the straight-line method of recognition is used.

Revenue from site training is recognised when the activity is completed and the performance obligation is satisfied.

Materials prepared as tools for site training are preliminary activities that the Group undertakes to deliver the training. These activities are bundled with the revenue for site training and are recognised once this service has been completed.

#### *TrialTracker configuration and access*

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 to reporting and data transfer.

Under IAS 18 'Revenue', revenue for these activities was recognised when the set-up and configuration was completed, provided that all other criteria for revenue recognition was met. Under IFRS 15 'Revenue from Contracts with Customers', revenue is recognised against 2 separate performance obligations. The first performance obligation is the set-up of TrialTracker and revenue is recognised when the configuration and platform set-up is completed. A second performance obligation is a platform access fee recognised over the duration of the project.

#### *Data reading and analysis*

The Group provides data analysis services across a range of biomarkers, providing high-quality, clinically meaningful data.

Fees are charged on a per data reading basis. Revenue from these services is recognised at the point in time when the Group has provided the discrete service to the customer.

**Data management**

Both the data management and imaging teams work in collaboration to ensure ongoing integrity of data.

Revenue from data management is recognised on a straight-line basis over the duration of the project. It represents the provision of an on-going service so the straight-line method of recognition is used.

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

**Scientific reports**

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

Revenue from these services is recognised at a point in time when the Group provided a study report to the customer.

For revenue recognition purposes, the Group treats change order or contract modification to a customer agreement as a separate contract, if both:

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

The revenue recognition for the original customer agreement will be unchanged.

**Licence revenue**

Licence revenue arises from one agreement, which solely grants the right to use TrialTracker.

The licence is a distinct performance obligation and under IFRS 15 'Revenue from Contracts with Customers' revenue is recognised over the contract term. The licence grants a right to use the software and receive associated technical support during the licence period.

In this case, only future revenue is impacted as the Group will continue to account for the pre-modification contract as before. The accounting for a contract modification that is not a separate contract depends on whether the remaining goods and services to be delivered under the modified contract are 'distinct' from those already transferred to the customer at the modification date.

Where longer-term contracts for services allow for the reimbursement of certain expenses incurred by the Group in the execution of the service contract, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. These reimbursements (pass-throughs) are included in revenue and are subject to a nil gross margin.

Where it has been assessed that the Group is acting as agent in respect of an agency relationship, revenue is recognised on a net basis after deducting revenue earned by the principal.

**Other income**

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 grant is 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.

Other government or European grants received are recognised on a work performed and delivered basis.

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 12% 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.

**Research and development expenditure**

An intangible asset arising from development is recognised only if the Group can demonstrate its technical feasibility, intent to use or sell the intangible asset and measure reliably the expenditure attributable to the intangible asset during its development. If the intangible assets do not meet the capitalisation criteria, then expenditure on development is recognised as an expense when it is incurred.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Internal development costs have been capitalised only after technical and commercial feasibility of the software for sale or use have been established, meeting the criteria for capitalisation in the year.

**Exceptional items**

Exceptional items are disclosed separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount. These amounts are of a non-recurring nature.

## Notes to the Financial Statements continued

### 2. Significant accounting policies and basis of preparation continued

#### **Share-based payments**

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21 of the consolidated financial statements. 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 statement of financial position 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.

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

#### **Employee benefits**

All employee benefit costs, notably holiday pay and contributions to the Group or personal defined contribution plans, are recognised in the statement of comprehensive income as they are incurred.

As at 30 September 2018, all employees have been automatically enrolled into the Group's 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.

#### **Operating leases**

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

#### **Property, plant and equipment**

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation.

The cost of property, plant and equipment is its purchase cost, together with any directly attributable expenses of acquisition. Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, on a straight-line basis over the expected useful economic lives of the assets concerned.

The principal rates used for this purpose are:

- Leasehold improvements: straight-line over the shorter of 5 years or the lease term
- Fixtures and fittings: 33% straight-line
- Equipment: 33% straight-line

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each statement of financial position date.

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

#### **Intangible assets**

Acquired intangible assets are recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be reliably measured.

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. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

- Neurodegenerative disease technology and marketing know-how: 20% straight-line
- Computer Software: 33% straight-line

Amortisation is disclosed under general and administrative expenses in the consolidated statement of comprehensive income.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes are treated as changes in accounting estimates.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

#### **Impairment of assets**

Non-current assets are reviewed for impairment both annually and when there is an indication that an asset may be impaired (when events or changes in circumstances indicate that carrying value may not be recoverable). An impairment loss is recognised in the 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.

### **Investments in Group undertakings**

Investments in Group undertakings are carried at cost less any impairment provision. Such investments are subject to an annual impairment review.

### **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 delinquency in payments (exceeding credit terms) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 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.

### **Current tax**

Current tax represents United Kingdom tax recoverable 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.

### **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.

### **Foreign currency translation**

Transactions denominated in foreign currencies are translated into Sterling at actual rates of exchange ruling at the date of transaction. Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial year. All foreign currency exchange differences are taken to the 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.

### **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.

### **Equity instruments**

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

### **Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated statement of financial position or standalone 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.

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

### **Deferred taxation**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities; and their carrying amounts in the consolidated financial statements in accordance with IAS 12 'Income taxes'. Deferred tax liabilities are recognised for all taxable temporary differences and 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.



## Notes to the Financial Statements continued

### 3. Investments in subsidiaries

The consolidated financial statements of the Group as at 30 September 2018 include:

Name of subsidiary	Class of share	Place of incorporation	Principal activities	Proportion of ownership interest	Proportion of voting rights held
IXICO Technologies Limited	Ordinary	United Kingdom	Data collection and analysis of neurological diseases	100%	100%
IXITech Limited	Ordinary	United Kingdom	Dormant	100%	100%
IXICO US LLC	Members' interest	United States	Dormant	100%	100%
Optimal Medicine Limited	Ordinary	United Kingdom	Dormant	100%	100%
IXICO Technologies Inc.	Ordinary	United States	Dormant	100%	100%

### 4. Revenue

For the year ended 30 September 2018, revenue includes £249,000 (2017: £143,000) included in the deferred income within trade and other payables at the beginning of the period.

An analysis of the Group's revenue by type and geographic location are as follows:

	Year ended 30 September 2018			Year ended 30 September 2017 adjusted*		
	Service £'000	Licence £'000	Total £'000	Service £'000	Licence £'000	Total £'000
United States	3,703	223	3,926	2,502	202	2,704
United Kingdom	481	–	481	655	–	655
Europe	951	–	951	661	–	661
China	36	–	36	80	–	80
<b>Revenue</b>	<b>5,171</b>	<b>223</b>	<b>5,394</b>	<b>3,898</b>	<b>202</b>	<b>4,100</b>

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

	Year ended 30 September 2018			Year ended 30 September 2017 adjusted*		
	Service £'000	Licence £'000	Total £'000	Service £'000	Licence £'000	Total £'000
Goods transferred at a point in time	3,521	–	3,521	2,745	–	2,745
Services transferred over time	1,650	223	1,873	1,153	202	1,355
<b>Revenue</b>	<b>5,171</b>	<b>223</b>	<b>5,394</b>	<b>3,898</b>	<b>202</b>	<b>4,100</b>

The performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 30 September 2018:

	30 September 2019 £'000	30 September 2020 £'000	Total £'000
<b>Revenue at PER expected to be recognised</b>	<b>225</b>	<b>71</b>	<b>296</b>

Revenue at Project Exchange Rates ('PER') reflects revenue excluding the impact of foreign exchange. PER represents a fixed foreign exchange rate agreed in individual customer contracts.

\* Reflects the early adoption of IFRS 15 'Revenue from Contracts with Customers', which is set out in note 2 of the consolidated financial statements.

### 5. Segmental information

The Group's development, commercial and operational delivery teams operate across all of the Company's activities. The Group's customer projects are managed by Project Managers with inputs to each project provided by other functional team members. The leadership team review the Group's management information reports to assess performance and allocate resources. The customer projects are reported as a single business unit and management monitor the operating performance of the business based on these reports. The chief operating decision maker has been identified as the Chief Executive Officer.

Accordingly, the Board consider that there is only one reporting segment.

The Group is domiciled in the United Kingdom with all sales originating in the United Kingdom.

In the year ended 30 September 2018, the Group had 3 customers that exceeded 10% of total revenue, being 14%, 13% and 12%. In the year ended 30 September 2017, the Group had 3 customers that exceeded 10% of total revenue, being 14%, 13% and 11%.

Analysis of the Group's revenue by geographic location is set out in note 4 of the consolidated financial statements.

As at 30 September 2018, the Group's non-current assets of £109,000 were solely derived from the United Kingdom (2017: £188,000).

## 6. Other income

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Grant income	436	506
RDEC	126	137
<b>Other income</b>	<b>562</b>	<b>643</b>

All grant income originates in the United Kingdom.

The Group recognised RDEC as an item of other income, taking advantage of the above the line presentation.

## 7. Exceptional expenses

During the year ended 30 September 2018 there were no exceptional expenses incurred.

During the year ended 30 September 2017, exceptional expenses included the impairment of an intangible asset, redundancy costs and professional fees incurred in the dissolution of Optimal Medicine SARL together with the transfer of trade and assets of IXITech Limited and Optimal Medicine Limited to IXICO Technologies Limited.

These expenses have been recognised in the consolidated statement of comprehensive income as exceptional expenses due to their non-recurring nature.

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Professional fees	–	44
Impairment of intangible asset	–	316
Redundancy costs	–	121
<b>Non-recurring administrative expenses</b>	<b>–</b>	<b>481</b>

## 8. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Fees payable to the Group's auditors for the audit of the Company's annual accounts	29	20
Fees payable to the Group's auditors for other services:		
Audit of the subsidiaries' annual accounts	19	20
Audit related assurance services	5	5
Tax compliance services	11	12
Tax advisory services	16	5
<b>Total auditor's remuneration</b>	<b>80</b>	<b>62</b>

## 9. Employees and Directors

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

	Year ended 30 September 2018 Number	Year ended 30 September 2017 Number
Administration	13	12
Operations, research and development	50	49
<b>Average total persons employed</b>	<b>63</b>	<b>61</b>

At 30 September 2018 the Group had 67 employees (2017: 59).

## Notes to the Financial Statements continued

### 9. Employees and Directors continued

Staff costs in respect of these employees were:

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Wages and salaries	4,007	3,530
Social security costs	377	398
Other pension costs	187	175
Share-based payments	142	196
<b>Total remuneration</b>	<b>4,713</b>	<b>4,299</b>

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 2018 in respect of pension costs were £22,000 (2017: £21,000).

Key management remuneration:

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Short-term employee benefits	1,723	1,819
Post-employment benefits	39	70
<b>Total remuneration</b>	<b>1,762</b>	<b>1,889</b>

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.

Directors' remuneration is disclosed in the Directors' Remuneration Report on page 21. The aggregate Directors' remuneration was £958,000 (2017: £665,000) and aggregate pension of £21,000 (2017: £28,000).

### 10. Operating loss

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

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Research and development expenses	1,033	1,256
Sales and marketing expenses	754	823
Operating lease charges: land and building	131	130
Depreciation of property, plant and equipment	38	49
(Gain) on disposal of property, plant and equipment	(6)	–
Amortisation of intangible assets	114	143
Impairment of intangible assets <sup>(1)</sup>	–	316
Foreign exchange loss	17	102
Administrative expenses	2,451	1,885
Non-recurring administrative expenses excluding impairment of intangible assets <sup>(1)</sup>	–	165
<b>Total operating expenses</b>	<b>4,532</b>	<b>4,869</b>

(1) Impairment charge of nil for the year ended 30 September 2018 (2017: £316,000) is disclosed under exceptional expenses. See note 7 of the consolidated financial statements for further information.

## 11. Taxation

The tax charge for each period can be reconciled to the loss per consolidated statement of comprehensive income as follows:

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 adjusted* £'000
Loss on ordinary activities before taxation	(793)	(1,912)
Loss before tax at the effective rate of corporation tax in the United Kingdom of 19% (2017: 19.50%)	(151)	(373)
Effects of:		
Expenses not deductible for tax purposes	19	(50)
Temporary differences	7	18
Research and development uplifts net of losses surrendered for tax credits	3	28
Prior period adjustment	(3)	–
Early adoption of IFRS 15	–	2
<b>Tax credit for the period</b>	<b>(125)</b>	<b>(375)</b>

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

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 adjusted* £'000
Small or medium enterprise research and development credit	(128)	(311)
Deduction for corporation tax on RDEC	24	27
Tax due by foreign subsidiary undertakings	1	2
Deferred tax movement on amortisation	(19)	(93)
Prior period adjustment	(3)	–
<b>Tax credit for the period</b>	<b>(125)</b>	<b>(375)</b>

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:

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Current tax receivable at start of period	420	562
Current period credit	232	419
Corporation tax repayment	(423)	(561)
<b>Current tax receivable at end of period</b>	<b>229</b>	<b>420</b>

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:

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Tax credit for the year	125	375
Deferred tax movement on amortisation	(19)	(93)
RDEC gross of corporation tax deduction	126	137
<b>Current period credit</b>	<b>232</b>	<b>419</b>

\* Reflects the early adoption of IFRS 15 'Revenue from Contracts with Customers', which is set out in note 2 of the consolidated financial statements.

## Notes to the Financial Statements continued

### 12. Loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to equity holders by the weighted average number of ordinary shares outstanding during the period.

For diluted loss per share, the loss for the period attributable to equity holders and the weighted average number of ordinary shares outstanding during the period is adjusted to assume conversion of all dilutive potential ordinary shares. As the effect of the share options would be to reduce the loss per share, the diluted loss per share is the same as the basic loss per share.

At 30 September 2018 and 30 September 2017, the Group has no dilutive potential ordinary shares in issue.

The calculation of the Group's basic and diluted loss per share is based on the following data:

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 adjusted* £'000
Loss for the period attributable to equity holders for basic loss and adjusted for the effects of dilution	(668)	(1,537)

\* Reflects the early adoption of IFRS 15 'Revenue from Contracts with Customers' which is set out in note 2 of the consolidated financial statements.

	As at 30 September 2018 Number	As at 30 September 2017 Number
Weighted average number of ordinary shares for basic loss per share	33,761,428	26,929,554

### 13. Property, plant and equipment

	Leasehold improvement £'000	Fixtures and fittings £'000	Equipment £'000	Total £'000
<b>Cost</b>				
At 30 September 2016	62	14	301	377
Additions	–	–	21	21
Disposals	–	(7)	(115)	(122)
At 30 September 2017	62	7	207	276
Additions	–	–	60	60
Disposals	–	–	(116)	(116)
Transfer to computer software	–	–	(11)	(11)
At 30 September 2018	62	7	140	209
<b>Accumulated depreciation</b>				
At 30 September 2016	29	10	250	289
Charge for the period	12	2	35	49
Disposals	–	(7)	(115)	(122)
At 30 September 2017	41	5	170	216
Charge for the period	12	2	24	38
Disposals	–	–	(114)	(114)
Transfer to computer software	–	–	(8)	(8)
At 30 September 2018	53	7	72	132
<b>Net book value</b>				
At 30 September 2017	21	2	37	60
At 30 September 2018	9	–	68	77

At 30 September 2018 and 30 September 2017, the Company had no property, plant and equipment.



## 14. Intangible assets

	Computer software £'000	Registered intellectual property £'000	Neurodegenerative disease technology and marketing know-how £'000	Behavioural health technology and marketing know-how £'000	Total £'000
<b>Cost</b>					
At 30 September 2016	–	150	500	1,154	1,804
Additions	28	–	–	–	28
At 30 September 2017	28	150	500	1,154	1,832
Additions	15	–	–	–	15
Transfer from equipment	3	–	–	–	3
At 30 September 2018	46	150	500	1,154	1,850
<b>Amortisation and impairment</b>					
At 30 September 2016	–	150	300	795	1,245
Amortisation	–	–	100	43	143
Impairment	–	–	–	316	316
At 30 September 2017	–	150	400	1,154	1,704
Amortisation	14	–	100	–	114
At 30 September 2018	14	150	500	1,154	1,818
<b>Net book value</b>					
At 30 September 2017	28	–	100	–	128
At 30 September 2018	32	–	–	–	32

### Computer software

Computer software costs include the purchase of business software as part of the Group's investment in management information systems.

### Registered intellectual property, neurodegenerative disease technology and marketing know-how

Intangible assets include registered intellectual property (royalty income from a third party), technology and marketing-related intangibles associated with neurodegenerative disease conditions arising from IXICO plc's historic research and development activities.

#### Registered intellectual property

The Group identified that the intellectual property will not generate future cash flows from milestones or commercialisation.

As at 30 September 2018 and 30 September 2017, the intellectual property was fully amortised.

#### Neurodegenerative disease technology and marketing know-how

As at 30 September 2018 and 30 September 2017, the Group identified no evidence that indicate the neurodegenerative disease technology and marketing know-how intangible asset may be impaired. The assumptions in respect of the future cash flows and discount rate have not changed since initial recognition.

#### Behavioural health technology and marketing know-how

Intangible assets represent technology and marketing-related intangibles associated with behavioural health arising from Optimal Medicine Limited's research and development activities.

As at 30 September 2018 and 30 September 2017, behavioural health technology and marketing know-how was fully amortised.

As at 30 September 2017, the Group identified that the behavioural health technology and marketing know-how will not generate future cash flows following a change in commercial focus and strategy resulting in an impairment loss of £316,000 being recognised.

At 30 September 2018 and 30 September 2017, the Company had no intangible assets.

## Notes to the Financial Statements continued

## 15. Investments in Group undertakings

	Company	
	As at 30 September 2018 £'000	As at 30 September 2017 £'000
<b>IXITech Limited</b>		
At 1 October	2	2
At 30 September	2	2
<b>IXICO Technologies Limited</b>		
At 1 October	5,318	5,144
Increase in capital contribution relating to share option charge	114	174
At 30 September	5,432	5,318
<b>Optimal Medicine Limited</b>		
At 1 October	–	359
Exercise of OM Replacement Scheme 55,846 shares at £0.01 per share	–	1
Impairment charge	–	(360)
At 30 September	–	–
<b>Total investments in Group undertakings</b>	<b>5,434</b>	<b>5,320</b>

**IXITech Limited**

The investment in IXITech Limited amounts to the par value of the ordinary share capital of £2,000.

On 1 October 2017, the company became dormant.

**IXICO Technologies Limited**

The capital contribution relating to share-based payments relates to share options granted by the Company to employees of subsidiary undertakings in the Group in respect of the IXICO EMI Share Option Plan 2014.

**Optimal Medicine Limited**

As at 30 September 2018 and 30 September 2017, the recoverable amount is estimated to be £nil.

As at 30 September 2017, the Company identified that the cost of investment in Optimal Medicine Limited has diminished in value following a change in commercial focus and strategy resulting in an impairment loss of £360,000 being recognised.

On 1 October 2017, the company became dormant.

## 16. Trade and other receivables

	Group		Company	
	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 30 September 2018 £'000	As at 30 September 2017 £'000
<b>Amounts receivable within 1 year</b>				
Trade receivables	1,864	1,247	–	–
Other receivables	4	55	–	–
Other taxation and social security	13	–	3	2
Prepayments	259	185	25	40
Amounts due from subsidiary undertakings	–	–	657	–
<b>Trade and other receivables</b>	<b>2,140</b>	<b>1,487</b>	<b>685</b>	<b>42</b>
<b>Amounts receivable after more than 1 year</b>				
Amounts due from subsidiary undertakings	–	–	–	3,553
<b>Amounts due from subsidiary undertakings</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,553</b>

The average credit period granted to customers ranges from 30 to 90 days (2017: 30 to 90 days).

As at 30 September 2018, the Group had not recognised an allowance for doubtful debts which are estimated to be irrecoverable amounts.

As at 30 September 2018, amounts due from subsidiary undertakings have been reclassified to current assets from non-current as the Company is expecting to recover the outstanding amount within twelve months.

Trade receivables include amounts which are past due at the year-end but against which the Group has not recognised an allowance for doubtful receivables based on previous experience of payment timings with these customers. There has not been a significant change in credit quality and the amounts (which include interest accrued on overdue receivable balances) are still considered recoverable. As at 30 September 2018, the average age of the receivables is 64 days (2017: 82 days).

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

	Group		Company	
	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Less than 30 days past due	155	79	–	–
31–60 days past due	–	39	–	–
61–90 days past due	4	–	–	–
More than 90 days past due	–	–	–	–
<b>Total trade receivables past due but not impaired</b>	<b>159</b>	<b>118</b>	<b>–</b>	<b>–</b>

The fair value of trade and other receivables approximate their current book values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 23 of the consolidated financial statements.

## Notes to the Financial Statements continued

**17. Deferred tax asset (unrecognised)**

	Group		Company	
	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Tax effect of temporary differences:				
Depreciation in excess of tax allowances	(63)	(84)	(2)	(2)
Accumulated losses	(12,344)	(12,422)	(1,719)	(1,680)
Deductible temporary differences	9	(4)	(5)	(4)
<b>Deferred tax asset (unrecognised)</b>	<b>(12,398)</b>	<b>(12,510)</b>	<b>(1,726)</b>	<b>(1,686)</b>

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 reverse, based on tax rates and laws enacted or substantively enacted at the latest balance date, currently 19% (2017: 19%).

The unrecognised deferred tax is based on material temporary differences that have originated but not reversed at the 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.

**18. Trade and other payables**

	Group		Company	
	As at 30 September 2018 £'000	As at 30 September 2017 adjusted* £'000	As at 30 September 2018 £'000	As at 30 September 2017 £'000
<b>Amounts falling due within 1 year</b>				
Trade payables	339	270	39	40
Other taxation and social security	189	174	–	–
Accrued expenses	2,469	1,334	101	73
Other payables	16	23	–	–
<b>Trade and other payables</b>	<b>3,013</b>	<b>1,801</b>	<b>140</b>	<b>113</b>

\* Reflects the early adoption of IFRS 15 'Revenue from Contracts with Customers', which is set out in note 2 of the consolidated financial statements.

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. As at 30 September 2018, the average credit period taken for trade purchases is 48 days (2017: 58 days). No interest is charged on the trade payables. The Company's policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments.

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

## 19. Deferred tax liability

	Group		Company	
	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Balance at start of period	19	112	–	–
Amortisation	(19)	(30)	–	–
Reversal on impairment	–	(63)	–	–
<b>Balance at end of period</b>	<b>–</b>	<b>19</b>	<b>–</b>	<b>–</b>

The deferred tax liability was recognised due to the temporary difference arising from the recognition of the intangible assets acquired through the reverse acquisition on 14 October 2013 and business combination on 8 December 2015. The deferred tax liability was measured at 19%, the current effective rate of corporation tax in the United Kingdom. The deferred tax liability is being amortised using the straight-line method over 5 years, reflecting the estimated useful economic life of the intangible asset. Amortisation is disclosed under general and administrative expenses in the consolidated statement of comprehensive income.

### **Behavioural health technology and marketing know-how**

As at 30 September 2018 behavioural health technology and marketing know-how was fully amortised.

As at 30 September 2017, the recoverable amount was estimated to be £nil, resulting in an impairment loss of £316,000 being recognised.

Further information of the Group's intangible asset can be found in note 14 of the consolidated financial statements.

## 20. Issued capital and reserves

### **Ordinary shares and share premium**

	Group and Company		
	Ordinary shares of 1 pence Number	Share Capital £'000	Share premium £'000
At 30 September 2017	27,119,130	7,727	79,421
Issued on 30 May for VCT/EIS qualifying investment	17,767,856	177	4,798
Issued on 30 May for placement	1,875,000	19	506
Transaction costs for issue of shares on 30 May	–	–	(340)
Issued on 13 June for the exercise of share options	15,000	–	4
Issued on 21 September for the consolidation and sub-division of shares	14	–	–
<b>At 30 September 2018</b>	<b>46,777,000</b>	<b>7,923</b>	<b>84,389</b>

### **Share capital**

#### **Placing shares**

On 30 May 2018, the Company placed £5,500,000 before expenses of £340,000, comprising a placing of 17,767,856 VCT/EIS qualifying investment and 1,875,000 ordinary shares at a price of £0.28.

#### **Exercise of share options**

On 13 June 2018, 15,000 new ordinary shares were issued and allotted in the Company pursuant to the exercise of options granted under the IXICO EMI Share Option Plan 2014. The options were exercised at a share price of £0.305.

#### **Consolidation and sub-division**

On 21 September 2018, the Board approved a capital reorganisation which comprised a consolidation and sub-division of shares. Each of the new ordinary shares created pursuant to the capital reorganisation shall have the same nominal value of 1 pence as the existing ordinary shares due to a consolidation of every 100 existing ordinary shares into one consolidated share followed by an immediate sub-division of each consolidated share into 100 new ordinary shares.

The Company issued 14 additional ordinary shares so that the total number of ordinary shares in issue was divisible by 100. The aggregate subscription price for the additional ordinary shares as at the close price on 20 September 2018 was £4.19.



## Notes to the Financial Statements continued

### 20. Issued capital and reserves continued

#### 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 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.

### 21. Share-based payments

Certain Directors and employees of the Group hold options to subscribe for shares in the Group under share option schemes. The number of shares subject to options, the periods in which they were granted and the period in which they may be exercised are given below.

The Group operates 1 share option scheme, the IXICO EMI Share Option Plan 2014 (2017: 2), which is equity settled. The change in the number of share options outstanding at end of period and the number weighted average exercise prices during the year were as follows:

Grant date	Outstanding at start of period	Granted	Exercised	Lapsed	Outstanding at end of period
<b>IXICO EMI Share Option Plan 2014</b>					
1 October 2014	158,120	–	–	(30,118)	128,002
29 March 2016	966,940	–	(15,000)	(328,059)	623,881
7 February 2017	997,012	–	–	(80,000)	917,012
7 August 2017	713,940	–	–	–	713,940
4 June 2018	–	325,000	–	–	325,000
4 June 2018 (LTIP Award)	–	2,571,910	–	–	2,571,910
<b>Total</b>	<b>2,836,012</b>	<b>2,896,910</b>	<b>(15,000)</b>	<b>(438,177)</b>	<b>5,279,745</b>

#### IXICO 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. Vesting period varies by award and the conditions approved by the Board.

Share options granted on 4 June 2018 have a 3-year vesting period with vesting triggered on the achievement of strategic corporate goals.

#### Long-Term Incentive Plan 2018

During the year ended 30 September 2018, the Group established a Long-Term Incentive Plan ('LTIP') for 3 participants Giulio Cerroni, Susan Lowther and John Hall. The LTIP was approved by shareholders on 29 May 2018 and a grant of 2,571,910 options to Giulio Cerroni, Susan Lowther and John Hall occurred on 4 June 2018 ('LTIP Award').

Share options granted in accordance with the LTIP Award are subject to share price performance measured against the 3-month volume weighted average price of the Company's ordinary shares in the 3 months prior to the third anniversary from the date of grant. The performance conditions of the LTIP Award are as follows 25% of the LTIP Award will vest if the share price increases by 50% above £0.28, which was the price of the placing of new ordinary shares announced in May 2018, increasing on a straight-line basis such that the full LTIP Award will vest if the share price increases by over 100%. The performance conditions are subject to a minimum floor price of £0.50 per ordinary share before any part of the LTIP Award can vest. On vesting the LTIP Award is subject to a holding period of up to 2 years. The award is also subject to continued employment, malus and clawback provisions.

	As at 30 September 2018		As at 30 September 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of period	2,836,012	£0.35	2,293,753	£0.33
Granted	2,896,910	£0.05	1,758,638	£0.35
Exercised	(15,000)	£0.31	(55,846)	£0.26
Lapsed	(438,177)	£0.33	(1,160,533)	£0.34
<b>Outstanding at end of period</b>	<b>5,279,745</b>	<b>£0.18</b>	<b>2,836,012</b>	<b>£0.35</b>
<b>Exercisable at end of period</b>	<b>537,099</b>	<b>£0.36</b>	<b>248,470</b>	<b>£0.31</b>

The number of share options outstanding and share options exercised at the end of the period was 5,279,745 or 90% of the total share option pool. The total share option pool represents 12.5% of the total ordinary shares in issue.

During the year ended 30 September 2018, 2,896,910 options were granted under the IXICO EMI Share Option Plan 2014 (2017: 1,758,638). The estimated fair value of the options granted is £307,462 (2017: £207,484). The inputs used in the measurement of fair value at grant date of the share options issued are as follows:

	IXICO plc 4 June 2018 grant	IXICO plc 4 June 2018 grant ('LTIP')
Weighted average share price	£0.35	£0.35
Weighted average exercise price	£0.36	£0.01
Expected volatility	46.7%	46.7%
Expected life	6 years	6 years
Expected dividends	0%	0%
Risk-free interest rate	1.05%	1.05%
Model used	Monte Carlo followed by 'Hull White' trinomial lattice	Monte Carlo followed by 'Hull White' trinomial lattice

Note to assumptions:

#### Expected volatility

Expected volatility is based on historical performance of the share price using exponentially weighted moving average ('EWMA') function. This model uses exponential smoothing to give more weight to recent closing share prices than to more historic share prices. The share price period incorporated into the model spans from the reverse acquisition date on 14 October 2013 to the grant date.

#### Expected life

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

#### Expected dividends

The historical dividend yield is 0.0%.

#### Risk-free interest rate

The risk-free rate has been taken from the United Kingdom gilts over the expected life of the share options.

Total share options outstanding have a range of exercise prices from £0.01 to £0.39 per option and the weighted average contractual life is 5.6 years (2017: 6.6 years). The total charge for each period relating to employee share-based payment plans for continuing operations is disclosed in note 9 of the consolidated financial statements.

## 22. Operating lease arrangements

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Minimum lease payments under operating leases recognised as an expense in the period	131	130

As at the year-end, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	As at 30 September 2018 £'000	As at 30 September 2017 £'000	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Within 1 year	129	145	—	—
In the 2 to 5 years inclusive	430	73	—	—
After 5 years	—	—	—	—

Operating lease payments represent rental payable by the Group for its registered office and printers.

The Group's current building lease will expire on 25 March 2019.

On 29 June 2018, the Group entered into new full repairing and insuring lease for a term of 3 years commencing 26 March 2019. The new lease includes a tenant's break option by which the Group will have the ability to terminate the lease on or after 25 September 2020 subject to providing the landlord with 6 months prior written notice. The rent deposit deed will be in the same form as the existing lease.

As at 30 September 2018, the building lease has 3.5 years to run and the printer lease has 2 years to run.

## Notes to the Financial Statements continued

### 23. 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. The 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.

#### Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its obligations without incurring excessive losses. The Group monitors its levels of working capital to ensure that it can meet its repayments as they fall due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

The table below analyses the Group's financial assets and liabilities:

	Group		Company	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	Loans and receivables £'000	Loans and receivables £'000	Loans and receivables £'000	Loans and receivables £'000
<b>Assets as per statement of financial position</b>				
Trade and other receivables excluding prepayments	1,868	1,302	657	3,553
Cash and cash equivalents	7,861	2,414	7,229	396
	<b>9,729</b>	<b>3,716</b>	<b>7,886</b>	<b>3,949</b>

	Group		Company	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Liabilities as per statement of financial position</b>				
Trade and other payables excluding statutory liabilities	1,161	1,401	140	113
	<b>1,161</b>	<b>1,401</b>	<b>140</b>	<b>113</b>

The Group's financial liabilities are all due within 3 months of the statement of financial position date and it does not have any borrowings or payables on demand which would increase the risk of Group not holding sufficient reserves for repayment.

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

Financial instruments are measured at amortised cost.

#### 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 optimise interest costs and reduce volatility in reported earnings.

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

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

### Foreign currency risk management

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

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's overseas operating activities, primarily denominated in US Dollars, Euro and Swiss Franc and the Group's net investments in foreign subsidiaries. The Group's exposure to foreign currency changes for all other currencies is not material.

At present, the Group does not make use of financial instruments to minimise any foreign exchange gains or losses so any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities. However, the Group does seek to minimise the exposure to such risk by matching local currency income with local currency costs where possible. The Group will also 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	
	As at 30 September 2018 USD'000	As at 30 September 2017 USD'000	As at 30 September 2018 USD'000	As at 30 September 2017 USD'000
US Dollar exposure				
<b>Balance at end of period</b>				
Monetary assets	535	894	–	–
Monetary liabilities	(101)	(28)	–	–
<b>Total exposure</b>	<b>434</b>	<b>866</b>	<b>–</b>	<b>–</b>

	Group		Company	
	As at 30 September 2018 EUR'000	As at 30 September 2017 EUR'000	As at 30 September 2018 EUR'000	As at 30 September 2017 EUR'000
Euro exposure				
<b>Balance at end of period</b>				
Monetary assets	151	565	–	–
Monetary liabilities	(113)	(126)	–	–
<b>Total exposure</b>	<b>38</b>	<b>439</b>	<b>–</b>	<b>–</b>

	Group		Company	
	As at 30 September 2018 CHF'000	As at 30 September 2017 CHF'000	As at 30 September 2018 CHF'000	As at 30 September 2017 CHF'000
Swiss Franc exposure				
<b>Balance at end of period</b>				
Monetary assets	79	146	–	–
Monetary liabilities	(78)	(124)	–	–
<b>Total exposure</b>	<b>1</b>	<b>22</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements continued

### 23. Financial risk management continued

#### Foreign currency sensitivity analysis

As at 30 September 2018, 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 (2017: 10%). The sensitivity analysis was applied on the fair value of financial assets and liabilities.

If Sterling had been 10% (2017: 10%) weaker in relation to the US Dollar, Euro and Swiss Franc then the impact would have been as follows:

	Group			
	£'000 USD	£'000 EUR	£'000 CHF	£'000 Total
Year ended 30 September 2018	(78)	(56)	(14)	(148)
Year ended 30 September 2017	(59)	(35)	(2)	(96)

If Sterling had been 10% (30 September 2017: 10%) stronger in relation to the US Dollar, Euro and Swiss Franc then the impact would have been as follows:

	Group			
	£'000 USD	£'000 EUR	£'000 CHF	£'000 Total
Year ended 30 September 2018	95	67	17	179
Year ended 30 September 2017	72	43	2	117

#### Fair value of financial assets and liabilities

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

#### Credit risk 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 makes appropriate enquiries of the counterparty and independent third parties to determine credit worthiness. The Group does not have any significant credit risk exposure to any single counterparty or Group of counterparties having similar characteristics.

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group continually reviews customer credit limits based on market conditions and historical experience. Note 16 in the consolidated financial statements sets out the impairment provision for credit losses on trade receivables and the ageing analysis of overdue trade receivables.

#### 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 2018.

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 and issue new shares.



## 24. Related party transactions

### **Group**

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

Key management compensation is disclosed in note 9 of the consolidated financial statements. Director emoluments are disclosed in the Directors' Remuneration Report.

During the year ended 30 September 2018, the Group was charged monitoring fees totalling £23,000 (2017: £16,000) from IP Group plc, a shareholder. The amount owed to IP Group plc at 30 September 2018 was £nil (2017: £nil).

During the year ended 30 September 2018, the Group was charged consultancy fees totalling £18,000 (2017: £nil) from Panoramic Digital Health SASU, owned by a former Executive Director. The amount owed to Panoramic Digital Health SASU at 30 September 2018 was £3,000 (2017: £nil).

### **Company**

The Company is responsible for financing and setting Group strategy. The Company's subsidiaries carried out the Group's research and development strategy, employed all the staff including the Executive Directors and managed the Group's intellectual property. The Company provides interest bearing and unsecured funding to its subsidiaries with no fixed date of repayment. The Company manages the Group's funds and makes payments, including managing the payments of the Company.

During the year ended 30 September 2018, the Company has been charged £678,000 (2017: £335,000) for corporate services provided by subsidiary undertakings. Details of the inter-company balances can be found on the face of the Company statement of financial position.

## 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](http://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.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

### **Nominated adviser and broker**

Shore Capital and Corporate Limited  
Bond Street House  
14 Clifford Street  
London, W1S 4JU

Shore Capital Stockbrokers Limited  
Bond Street House  
14 Clifford Street  
London, W1S 4JU

Tel: +44 (0)20 7408 4090  
Website: [www.shorecap.co.uk](http://www.shorecap.co.uk)

### **Registrar**

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

### **Legal advisers**

Bristows LLP  
100 Victoria Embankment  
London, EC4Y 0PH  
Tel: + 44 (0)20 7400 8000  
Website: [www.bristows.com](http://www.bristows.com)

### **Financial public relations**

FTI Consulting LLP  
200 Aldersgate Street  
London, EC1A 4HD  
Tel: +44 (0)20 3727 1000  
Website: [www.fticonsulting.co.uk](http://www.fticonsulting.co.uk)





IXICO plc  
4th Floor  
Griffin Court  
15 Long Lane  
London  
EC1A 9PN  
[ixico.com](http://ixico.com)