Digital technologies improving research and treatment of brain diseases

IXICO plc
Annual Report & Accounts 2016

IXICO

Focused on the needs of the pharmaceutical industry:

- **Clinical Development of new drugs in clinical trials**
- **Companion Products to drugs in the clinic to improve patient safety and outcomes**

Longstanding expertise in dementia and other neurodegenerative diseases.

IXICO at a glance – See pages 2–3

Highlights

Commercial

- Assessa® PML partnership with Biogen to improve the risk profile of a multiple sclerosis drug
- New sales wins of £4.7 million
- 4 new contracts in Alzheimer's disease clinical trials with a combined value of over £3.0 million
- Changing sales mix and continued expansion into other disease areas

Corporate development

- Acquisition of Optimal Medicine
- Equity fundraising of £2.7 million (gross)

Financial

- Performance reflects start-up of 7 new clinical trials and integration of Optimal Medicine
  - Revenues of £3.1 million (2015: £3.1 million)
  - Other income of £0.8 million (2015: £1.1 million)
  - Operating loss of £2.9 million (2015: £1.4 million)
  - Loss per share 8.7 pence (2015: 7.9 pence)
  - Cash of £3.1 million (2015: £1.9 million)

Post year-end highlights

- $1.2 million contract with new global pharma customer
- €1.1 million funding as partner in major European consortia to address Alzheimer's disease

New business in:

Alzheimer's disease

Progressive supranuclear palsy

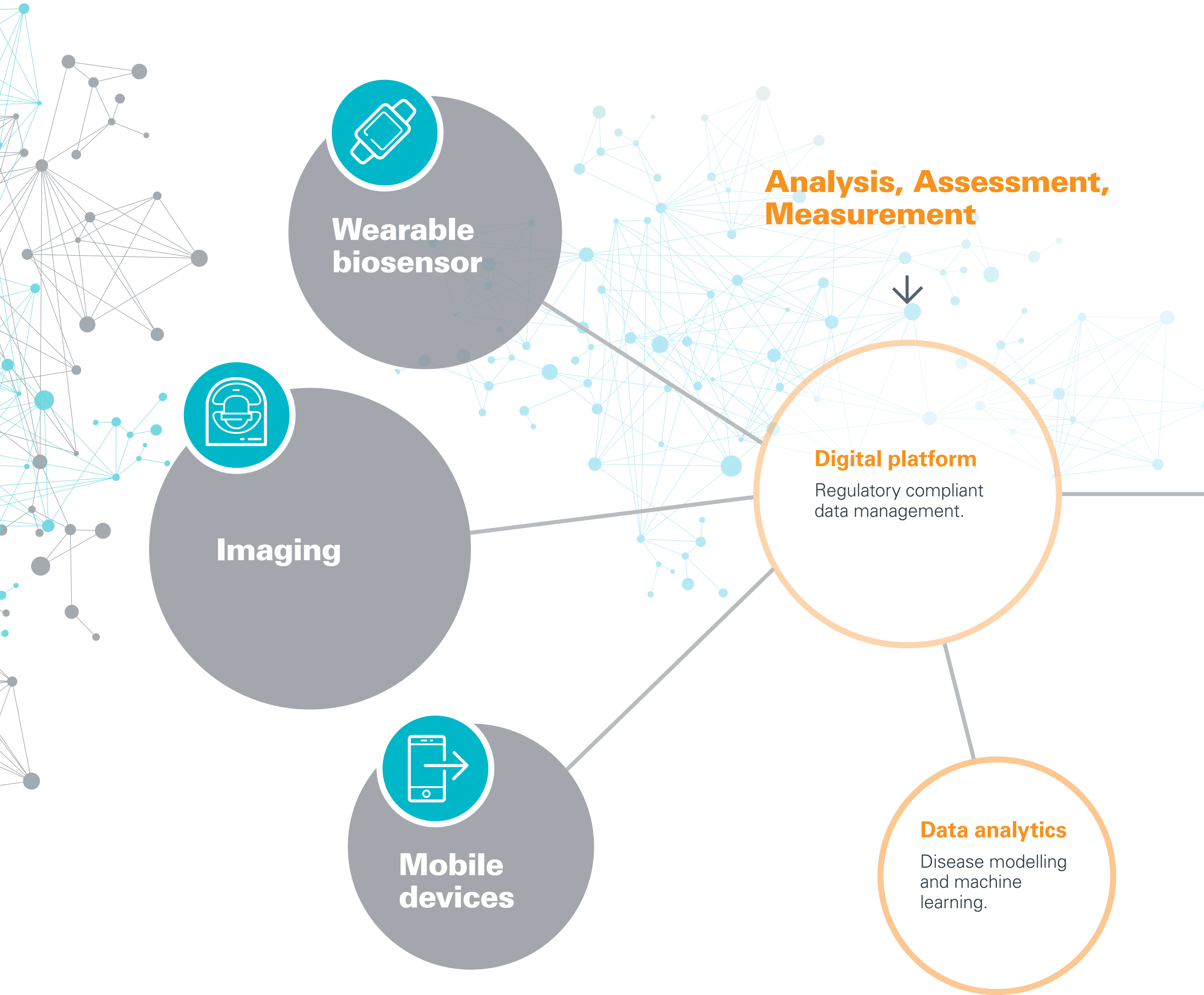
Parkinson's disease

mehealth® technology in American Academy of Pediatrics Program

Further development and launch of Assessa® PML

IXICO at a Glance

Meeting pharma needs for digital technologies



Used in:

Clinical Development

of new drugs in clinical trials

Companion Products

to drugs in the clinic to improve patient safety and outcomes

Multiple sclerosis

- Debilitating brain disease. Many effective treatments available but some have serious side effects.

Progressive Supranuclear Palsy ('PSP')

- Rare brain disease, leading to difficulties with mobility, vision and speech. No current disease modifying treatments.

Alzheimer's disease

- Degenerative brain condition. No current disease modifying treatments.

Huntington's disease

- Rare, inherited disease now becoming the focus of new efforts in drug development.

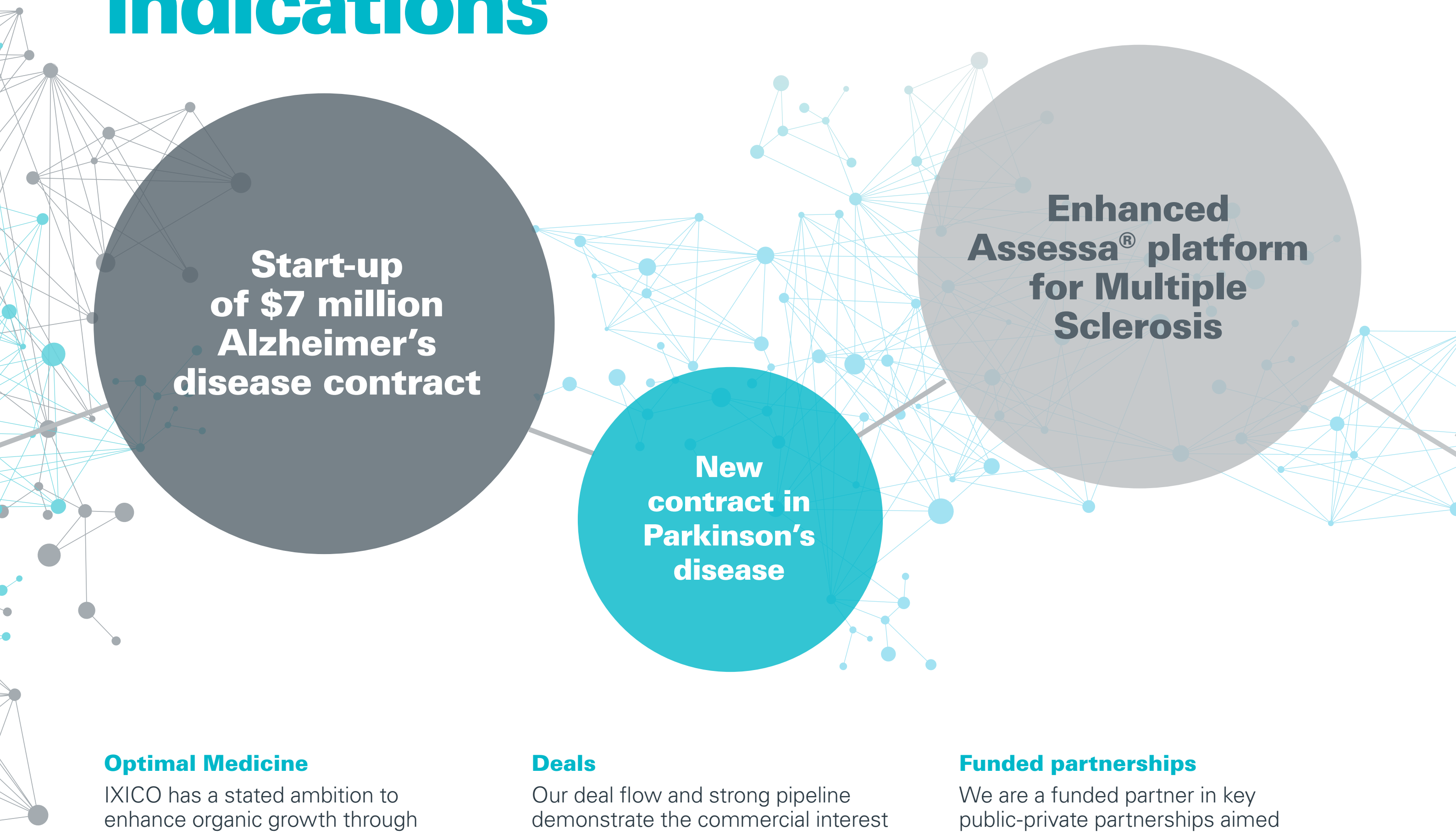
Parkinson's disease

- Brain disease for which some effective treatments are available and several others in drug development.

Attention Deficit Hyperactivity Disorder ('ADHD')

- Brain disorder characterised by inattention, impulsivity and hyperactivity. Diagnosis and treatment remains an ongoing challenge.

Growing customer base across a range of neurological indications



Optimal Medicine

IXICO has a stated ambition to enhance organic growth through M&A. Our acquisition of Optimal Medicine in December 2015 was part of this strategy. The mehealth® technologies provide individualised clinical decision support software for mental health disorders. The acquisition broadened IXICO's brain health focus to include ADHD and psychiatry, and provided US operations.

Financing

The £2.7 million placing in December 2015 enabled further investment in the development of our core TrialTracker™ and Assessa® platforms.

Deals

Our deal flow and strong pipeline demonstrate the commercial interest in our products and services. New contracts for Alzheimer's disease trials were signed in the year which reflects our long-standing expertise in this area. In addition, we have signed contracts with new customers in Parkinson's disease and post the year end announced a contract with a new customer in PSP. These deals demonstrate the commercial value of our efforts to broaden into other disease areas as part of our brain health focus.

Funded partnerships

We are a funded partner in key public-private partnerships aimed at speeding up the development of, and access to, better and safer medicines for patients. These partnerships strengthen relationships with customers and thought leaders whilst further developing and showcasing our products and services.

Partnerships announced in the year included providing our digital and data analytics platforms as part of the Amyloid Imaging to Prevent Alzheimer's disease ('AMYPAD'). This initiative involves working with GE Healthcare, Piramal Imaging and Janssen Pharmaceutica JPNV to investigate the use of amyloid brain scans to improve the diagnosis and management of Alzheimer's disease.

€1 million funding as a partner in public-private initiatives

Case study

Assessa® PML for Multiple Sclerosis

Progressive multifocal leukoencephalopathy ('PML') is a rare and potentially fatal brain infection, caused by the common John Cunningham virus, which can arise in persons whose immune system is weakened. Some effective multiple sclerosis ('MS') therapies that suppress a person's immune system have known increased risk of PML.

If identified early from an MRI brain scan, PML can be treated by taking the patient off the drug concerned. However, symptoms of PML and disease pathology visible on MRI scans may be similar to those of a new MS lesion. Neuroradiology expertise for assessment of suspected PML is seldom available outside highly specialist centres.

IXICO has adapted and enhanced the existing core technology built into TrialTracker™ and Assessa®, to develop Assessa® PML as a digital companion product to provide MS neurologists with second opinion reading services if there is a suspicion of PML.

This demonstrates our ability to translate our proprietary technology from applications in clinical development to a companion product for imaging-based technologies.

The development of Assessa® PML was supported by financial contribution from Biogen.

Product development and start-up of new projects

Charles Spicer,
Chairman

Derek Hill,
Chief Executive Officer

Results

We are pleased to report our progress made in the year and the outlook for the year ahead.

Revenue for the year was £3.1 million (2015: £3.1 million) which together with other income of £0.8 million (2015: £1.1 million), resulted in total income of £3.9 million for the year (2015: £4.2 million). Revenues were in line with the prior year and reflected the start-up of 7 new clinical trials including 5 Alzheimer's disease studies, 1 in progressive supranuclear palsy ('PSP') and a first contract in Parkinson's disease with Oxford Biomedica. The project start-up activities included the $7 million long-term contract with a leading pharmaceutical company announced in August 2015.

Revenues in the year were further characterised by a changing sales mix, including a contribution by Biogen towards the development of the Assessa® PML digital platform to support the early detection of progressive multifocal leukoencephalopathy ('PML'), a potentially fatal side effect of certain drug treatments for multiple sclerosis including Tysabri®. Assessa® PML is in the beta testing phase and an important part of the Company's digital strategy.

Total operating expenses (including non-recurring administrative expenses of £0.7 million, 2015: £0.2 million) of £5.1 million for the year (2015: £4.3 million) reflect planned investment in product development and in particular the Assessa® PML digital platform. In-house research and development continues to be directly expensed when incurred.

Losses after tax and non-recurring administrative expenses were £2.1 million (2015: £1.2 million). This was materially higher than in previous years and reflected the integration of the acquisition of Optimal Medicine, planned investment in the start-up of seven new clinical trials as well as in current and future digital technologies.

The Group has a strong balance sheet following the £2.7 million equity placing in December 2015. Net cash at 30 September 2016 was £3.1 million (2015: £1.9 million) reflecting careful cash management and control of operating expenditure.

Further information is included in the Directors' Report on page 9.

Strategic review

Pharmaceutical companies are responding to a changing global environment which includes technology companies entering the mainstream healthcare sector and a movement towards outcome-based reimbursement. Digital technologies linked to drug treatments ('combination products') are expected to play an increasingly important role in digital healthcare markets. Pharmaceutical companies are actively seeking partners with appropriate capabilities to support their own digital healthcare strategies.

We believe that IXICO plc, together with its subsidiary undertakings ('IXICO' or 'Group') has demonstrated how we are able to meet this need through the clinical trials and companion product deals that we have announced and are starting to deliver. There are strong synergies between our clinical trial and companion product markets in the pharmaceutical sector. This means that we are able to leverage our long-standing expertise and track record in the sector to provide our new digital products. The deployment of our digital technologies during clinical trials generates commercial value and provides an opportunity to demonstrate the benefits of our platform to support marketed drugs. Data gathered during clinical trials (under appropriate collaboration agreements) further improves our digital offering allowing IXICO to strengthen both its intellectual property and product differentiation.

Principal risks and uncertainties

Like all businesses we face risks and uncertainties, many of which are inherent with any company looking to establish new products as well as expand its commercial footprint. The Board continually identify, monitor and manage the risks and uncertainties of the Group. Set out below are those principal risks and uncertainties that the Board considers could have a material impact on the Group's operational results, financial condition and prospects. This list does not purport to be exhaustive.

Management and employees

The Group's future success is dependent on retention of key management and employees.

The loss of key employees could weaken the Group's scientific, technical and management capabilities, resulting in delays in the development of our products and impacting negatively on our business. We have entered into employment arrangements with key staff and they are incentivised by a combination of salary, bonus, sales commission and equity participation.

Industry and competition risk
A large proportion of the Group's revenue is dependent on the pharmaceutical industry and therefore there is a risk of reduced revenues resulting from the timing or reduction of expenditure by customers in this sector. Pharmaceutical companies may change their strategic focus away from neurodegenerative diseases which would negatively impact IXICO's accessible market. We face competition in this sector from companies which may be larger and have stronger track records.

There can be no guarantee that the pharmaceutical industry will accept our recently-launched and future products and we face competition from both technology companies and service providers. We aim to strengthen our market positions and sustain competitive advantage by building collaborative, commercial partnerships, continuing to widen our customer base, investing in technology and product development, and working closely with our customers to ensure that we develop solutions tailored to their needs to continue delivering a quality service.

There can be no guarantee that the grant funding or the research and development expenditure credit ('RDEC') will continue to be available to the Group, which would affect our ability to broaden our investment into new product development and deployment opportunities.

Regulatory and reimbursement risk
Given the regulatory environment in which we operate, any change in that environment could negatively impact our growth strategy, revenues, profitability and consequently cash available for investment in new product development. We maintain oversight of local regulatory environments and participate in local industry bodies to help anticipate potential changes to the regulatory environment and ensure appropriate compliance of our products.

Like many companies we are continuing to monitor the impact of the Brexit decision both on our commercial strategy and future applications to participate in European grant funded projects.

Intellectual property risk
The Group owns a portfolio of patents and patent applications and is the authorised licensee of other patents. We actively seek to manage, develop and protect our intellectual property portfolio. However, our technologies are based on software and related analysis. Patents in respect of software-based systems are considered to be less of a barrier to competitors than other patents related to hardware devices. Copyright in the software incorporated into our products is a further form of potential protection.

We maintain business know how and knowledge in our quality management system and standard operating procedures ('SOPs').

Financial risk
The Group's financing requirements depend on numerous factors including the rate of market acceptance of our products and services and our ability to attract and retain customers. The Group may be unable to obtain adequate funding on acceptable terms, if at all.

The Group has instigated certain financial risk management policies and procedures which are set out in note 23 to the consolidated financial statements.

Integration of Optimal Medicine
The acquisition of Optimal Medicine was completed on 8 December 2015. During the year its products and technologies have been consolidated with IXICO's products and services. We have made changes to the Group's cost base as part of the integration and in the normal course of business.

The mehealth® technologies are part of our commercial strategy to demonstrate that we collect, manage and can perform data analytics on real world data collected from patients or people supporting their care.

Conclusion and outlook

In September, Andy Richards, who had been Non-Executive Chairman since 2009 and played a key role in IXICO's evolution from a private to public company, decided to step down from the Board. At the same time David Brister also stepped down as a Non-Executive Director following the successful integration of Optimal Medicine. We would like to thank Andy and David for the contribution they made to IXICO's development.

Charles Spicer was appointed Non-Executive Chairman in September having been Non-Executive Director since January 2016 and previously an Executive Director with responsibility for corporate development. Mark Warne joined the Board as a Non-Executive Director in September. Mark is Head of the Healthcare division of IP Group plc. Full details of the Board biographies are shown on page 8.

Following these Board changes we announced the appointment of Shore Capital as nominated adviser and broker in October. We would like to thank Peel Hunt LLP, our previous nominated adviser for their support following the reverse takeover of Phytopharm plc and admission to AIM on 14 October 2013 and most recently our acquisition of Optimal Medicine Limited on 8 December 2015. We look forward to working with Shore Capital in the next stage of our development.

We believe that IXICO is continuing to make steady progress with our business strategy. The new clinical trials contracts together with the expansion of the application of the Assessa® platform in multiple sclerosis provides us with confidence in the execution of our strategy and the year ahead.

We will continue to work closely with our customers, collaborators and business partners to realise our vision and would like to thank them as well as all our staff, shareholders and advisers for their continued commitment, enthusiasm and support.

Approved on behalf of the Board of Directors:

Charles Spicer,
Chairman

Professor Derek Hill,
Chief Executive Officer

19 December 2016

The Board of Directors

Charles Spicer

Non-Executive Chairman

Charles joined the Board of IXICO in July 2013 having previously been an adviser on corporate strategy to the Board since 2011. He is an experienced Director of, and adviser to, public and private companies primarily in the medtech and life science sectors. He is currently Non-Executive Chairman of Realm Therapeutics plc (formerly PuriCore plc), Creo Medical Group plc and 11 Health Technologies Limited and chairs the UK Department of Health's Invention for Innovation Funding Panel. He has also served as Non-Executive Director of Stanmore Implants and Aircraft Medical. He was previously Chief Executive of MDY Healthcare plc, a strategic healthcare investor and prior to that, Head of Healthcare Corporate Finance at both Numis Securities and Nomura International. Charles has an MA in History from Cambridge University.

Derek Hill

Chief Executive Officer

Derek is a founder and has been Chief Executive Officer of IXICO since its incorporation in 2004. He is responsible for setting and delivering the business strategy which has included leading the company to profitability in 2012 and the subsequent admission to AIM in October 2013. Derek has worked in medical imaging science for over 25 years and has authored more than 80 journal papers in this field. He is a member of the MRI Core of the Alzheimers disease Neuroimaging Initiative ADNI in the US, has served on the scientific advisory board for several pharmaceutical companies and is involved in the Critical Path Institute's Coalition Against Major Diseases CAMD biomarker qualification initiatives. Derek has a PhD in medical image analysis at the Medical School of Guy's & St Thomas' Hospitals, University of London, an MSc in Medical Physics at the University of Surrey and a BSc degree in Physics from Imperial College. He undertook business training at London Business School as part of the CSEL programme.

Susan Lowther

Chief Financial Officer

Susan joined IXICO as Chief Financial Officer in October 2014. She was previously Group Chief Financial Officer and a Director of Novacyt SA, a European diagnostic company listed on the French Alternext exchange. Prior to that, she was Chief Financial Officer and a Director of Lab21 Group Limited which was acquired by Novacyt in June 2014. Susan also held executive positions at BioWisdom Limited where she was Chief Financial Officer until its acquisition by Instem plc and Finance Director at RiboTargets Limited until its acquisition by Vernalis plc. She has held senior financial management roles at other life science companies including Lonza Biologics, Celltech Group and Monsanto, gaining significant experience in growing businesses and corporate transactions.

Tim Sharpington

Non-Executive Director and Senior Independent Director

Tim has more than 25 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. Previous positions include Chief Executive Officer at Phytopharm PLC and SerentisLimited, and Executive Vice President at Vectura PLC. Tim led product development at Arakis Ltd. and US-based Sequus Inc. following a period of time at Pfizer. His CRO experience was gained at ICON, one the world's largest CROs, where he led European operations. Tim was also a Non-Executive Director at Clinical Force Limited, a clinical trial software company, until its successful trade sale in 2011. Tim chairs the Remuneration Committee.

John Bradshaw

Non-Executive Director

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

Mark Warne

Non-Executive Director

Mark became a Non-Executive Director of IXICO in September 2016. He is currently Head of IP Group's Healthcare division which at the end of December 2015 had shareholdings in 31 companies valued at over £275 million. Mark also represents IP Group on the boards of a number of its portfolio companies, both quoted and private; notably hVIVO plc, Genomics plc, Cronin Group plc and Crysalin Limited. Mark has been at IP Group since 2008 and has extensive experience in building world-changing healthcare businesses as well as in managing transactions including portfolio company IPOs, financings and M&A. He joined IP Group from pre-clinical drug discovery CRO, Exelgen, where he was managing director. Mark spent 8 years at Exelgen (formerly known as Tripos Discovery Research) where he also held positions in licensing and strategic affairs, project management and research. He has a PhD in Computational Chemistry, an MSc in Colloid Science and a BSc in Chemistry, all from the University of Bristol. Mark is a Chartered Chemist and member of the Royal Society of Chemistry.

Directors' Report

for the year ended 30 September 2016

The Directors of IXICO plc (registered in England and Wales: 03131723) present their report together with the audited consolidated and Company financial statements for the year ended 30 September 2016.

Principal activities

Details of current and future trading as well as the principal risks and uncertainties are included in the strategic review which is part of the Chairman and Chief Executive Officers report on pages 6 to 7.

Key performance indicators

At this stage in the business's evolution the key performance indicators used by the Group are financial and relate to revenue, other income, net profit/(loss) and cash resources. The Group intends to establish other key performance indicators in due course once the business and new products have matured sufficiently. The Group does not use and does not at present intend to use non-financial key performance indicators.

Financial review

The financial performance for the year ended 30 September 2016 was in line with expectations. The comparatives refer to the 12 months ended 30 September 2015.

Revenue

Revenue for the period of £3.1 million (2015: £3.1 million) was generated from clinical trials services provided to pharmaceutical customers, preliminary revenues related to Assessa® PML and licensing revenues from VirtualScopics.

Other income

Other income for the period comprised income from grants of £0.6 million (2015: £0.9 million) and RDEC of £0.1 million (2015: £0.1 million).

Operating expenditure

Operating expenditure in the year reflected investment in people and product development following completion of the acquisition of Optimal Medicine Limited on 8 December 2015.

- Research and development expenses of £1.6 million (2015: £1.2 million) were in line with expectations and the Group's plans to invest in new product development.
- Sales and marketing expenses of £0.8 million (2015: £0.6 million) represented increased investment in people and business development activities.
- Administrative expenses of £2.0 million (2015: £2.2 million) were in line with expectations

Non-recurring administrative expenses of £0.7 million comprised intangible asset impairment charge, professional fees and restructuring costs related to the integration of Optimal Medicine Limited, The prior year comparatives of £0.2 million were transaction fees incurred in the acquisition.

Taxation

The Group has elected to take advantage of the RDEC, whereby a company may surrender corporation tax losses incurred on qualifying research and development expenditure for a corporation tax refund. In addition, the Group has claimed research and development tax credits under the small or medium enterprise research and development credit scheme.

The corporation tax refund due for the year of £0.6 million (2015: £0.3 million) has been recognised as a current tax receivable.

Non-current assets

Non-current assets at 30 September 2016 included property, plant and equipment of £0.1 million (2015: £0.1 million) and intangible assets of £0.6 million (2015: £0.3 million). The net book value of the behavioural health technology and marketing know-how has been reviewed as part of the Group's commercial strategy and focus. As at 30 September 2016, the recoverable amount is estimated to be £0.4 million, resulting in an impairment loss of £0.6 million being recognised for the year ended 30 September 2016.

Current assets

Current assets at 30 September 2016 of £5.0 million (2015: £3.8 million) reflected an increase in cash and cash equivalents to £3.1 million (2015: £1.9 million).

The Group holds all cash and cash equivalents in Sterling and US Dollar accounts with institutions with a recognised high rating (typically AA or above) or with one of the major clearing banks.

Current liabilities

Total current liabilities at 30 September 2016 were £1.5 million (2015: £1.5 million).

Equity

Total equity of £4.1 million at 30 September 2016 (2015: £2.7 million) reflected additional accumulated losses of £2.2 million and £2.7 million of new equity raised in the year.

Cash flow

Operating cash outflows of £1.5 million and investing cash inflows of £2.7 million in the year resulted in a closing cash balance of £3.1 million (2015: £1.9 million).

Directors' Report continued

for the year ended 30 September 2016

Results and dividends

The Group's results for the period ended 30 September 2016 are presented on page 19. The Group's net loss after tax for the year increased to £2.1 million (2015: £1.2 million).

The Directors do not recommend the payment of a dividend.

Financial risk management

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

Political donations

The Group made no political donations during the period (2015: £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
Professor Derek Hill	Chief Executive Officer	Appointed 15 October 2013
Mrs Susan Lowther	Chief Financial Officer and Company Secretary	Appointed 1 October 2014
Mr Charles Spicer(1)	Non-Executive Chairman	Appointed 15 October 2013
Mr Tim Sharpington(2)	Non-Executive and Senior Independent Director	
Mr John Bradshaw	Non-Executive Director	Appointed 15 October 2013
Dr Mark Warne	Non-Executive Director	Appointed 16 September 2016
Ms Maina Bhaman	Non-Executive Director	Resigned 8 December 2015
Dr Andrew Richards	Non-Executive Chairman	Resigned 16 September 2016
Mr David Brister	Non-Executive Director and Deputy Chairman	Appointed 8 December 2015 and resigned 16 September 2016

(1) Mr Charles Spicer was Vice President of Corporate Development from 15 October 2013 to 29 January 2016. From 29 January 2016, he was appointed as Non-Executive Director until his appointment as Non-Executive Chairman on 16 September 2016.
(2) Mr Tim Sharpington was Chief Executive Officer of the Company until completion of the acquisition of IXICO Technologies Limited on 15 October 2013.

Biographical details of IXICO plc's current Directors are shown on page 8.

Re-election of Directors

At the 2017 Annual General Meeting ("AGM"), in accordance with the Company's Articles of Association, Mr Charles Spicer, Professor Derek Hill and Dr Mark Warne will retire. Being eligible, and with the Board's recommendation, they will offer themselves for re-election.

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

Directors' 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							
	At 30 September 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2016	Exercise price	Date from which exercisable	Expiry date
Professor Derek Hill	29,773[1]	–	(29,773)	–	–	£0.000	14 October 2013	15 April 2016
	180,706	–	–	(120,471)	60,235	£0.490	28 October 2014	7 May 2024
	–	430,117	–	–	430,117	£0.305	29 March 2016	7 May 2024
	210,476	430,117	(29,773)	(120,471)	490,352			
Mrs Susan Lowther	150,588	–	–	(100,392)	50,196	£0.490	28 October 2014	7 May 2024
	–	385,098	–	–	385,098	£0.305	29 March 2016	7 May 2024
	150,588	385,098	–	(100,392)	435,294			
Mr Charles Spicer	150,588	–	–	(150,588)	–	£0.490	28 October 2014	7 May 2024
	150,588	–	–	(150,588)	–			
Dr Andrew Richards	104,352[1]	–	–	(104,352)	–	£0.380	14 October 2013	15 April 2016
	52,332[1]	–	–	(52,332)	–	£0.190	14 October 2013	15 April 2016
	156,684	–	–	(156,684)	–			
Aggregate	**668,336**	**815,215**	**(29,773)**	**(528,135)**	**925,646**			

(1) Re-stated following the reverse acquisition effected on 15 October 2013. The comparatives in respect of the capital structure of the legal subsidiary are re-stated using the exchange ratio of 15.67 established on acquisition.

Share options with an exercise price of £0.000 represents share options issued by IXICO Technologies Limited at the par value of £0.01. Based on the exchange ratio of 15.67 established on acquisition, the share option exercise price becomes £0.000638.

During the year ended 30 September 2016 the share price range was from £0.255 to £0.410.

Further details of the share option schemes are contained in note 21 of the consolidated Financial Statements.

Directors' interests

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 2016	Ordinary shares of 50 pence 2015
Professor Derek Hill	**571,253**	541,480
Mrs Susan Lowther	**28,366**	–
Mr Charles Spicer	**62,078**	62,078
Dr Andrew Richards	**30,200**	30,200
Mr Tim Sharpington	**15,150**	15,150
Mr John Bradshaw	**35,517**	35,517
Dr Mark Warne[2]	**5,353,687**	–
Mr David Brister	**36,277**	–
Ms Maina Bhaman[1]	**–**	1,714,743

(1) Interest in issued share capital due to her employment at Imperial Innovations Group.
(2) Interest in issued share capital due to 4,323 shares held by Dr Mark Warne and his employment at IP Group plc who hold 5,349,364 shares.

The Directors' interests are beneficially held by each Director unless otherwise stated.

Directors' Report continued

for the year ended 30 September 2016

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 have been no changes in the Directors' interests in the share capital of the Group since the year end.

Directors' indemnities

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

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 2016, 26,473,191 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 January 2016, shareholders authorised the Directors to allot relevant securities up to an aggregate nominal value of £88,144 representing one-third of the issued share capital, and to further allot equity securities up to an additional aggregate nominal value of £176,289 in connection with a fully pre-emptive rights issue, in accordance with ABI guidance, and to allot for cash equity securities having a nominal value not exceeding in aggregate £33,054 (being 12.5% of the issued share capital).

These authorities expire at the conclusion of the 2017 AGM or, if earlier, the close of business on 28 January 2017. At the 2017 AGM similar authorities will be sought from shareholders.

Substantial shareholdings

At 30 November 2016, the Company 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
Invesco Asset Management Limited	6,205,222	23.5
IP Group PLC(1)	5,353,687	20.3
Imperial Innovations Group plc	3,619,661	13.7
Professor Joseph Hajnal	870,821	3.3
Hardsteel Limited	847,148	3.2

(1) Excludes issue of deferred consideration. See note 3 of the consolidated financial statements for further information.

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 2017 AGM of the Company to be held at the offices of FTI Consulting LLP, 200 Aldersgate Street, London EC1A 4HD on 30 January 2017 has been sent to shareholders.

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 2016, the Group had cash and cash equivalents of £3.1 million. The company's business activities, together with the factors likely to affect its future performance and position, are set out on page 6. 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 revenues 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

Professor Derek Hill

Chief Executive Officer
19 December 2016

Directors' Remuneration Report

IXICO plc has elected voluntarily to disclose a Directors' Remuneration Report even though this is not a requirement of an AIM listed company.

Remuneration Committee

The remuneration policy is the responsibility of the Remuneration Committee which is a sub-committee of the Board. Details of the members and responsibilities of the Committee is set out in the Corporate Governance section of this report. The Committee met twice during the financial year and the Executive Directors attended part of each meeting by invitation. No Director is involved in discussions related to their own remuneration.

Overview of the remuneration policy

The remuneration policy set by the Remuneration Committee aims to align Executive Directors' remuneration with shareholders' interests to attract, retain and motivate individuals for the benefit of the Group. The policy seeks to strike an appropriate balance between i) fixed and ii) variable, performance-related remuneration to connect executive pay with performance.

The remuneration of the Executive Directors during the year ended 30 September 2016 comprised:

Base salary

The Committee sets the annual salaries for Executive Directors, having regard to the personal performance and responsibilities of each Executive Director and their expected future contribution. The Committee also reviews the basic pay structure for all other employees.

Group personal pension plan

All employees are invited to participate in a money purchase Group personal pension plan which has no defined benefits. The Group contributes to the scheme a maximum of 8% of base salary in respect of the Executive Directors.

Performance-related bonus

The Group may make bonus payments depending on the overall performance of the Group against objectives set by the Committee at the beginning of each financial year. These objectives relate to progress of the Group's business plan together with operational and corporate effectiveness. The level of any bonus payments is based on the Group's overall performance against these objectives. Bonus payments are not pensionable.

Long-term incentives

Share options granted to Executive Directors and key employees are in accordance with the rules of the IXICO EMI Share Option Plan 2014.

All option grants, together with performance criteria, are subject to the approval of the Remuneration Committee. Full details of options granted to Executive Directors are set out on page 11.

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
Professor Derek Hill	15 October 2013	12 months
Mrs Susan Lowther	13 August 2014	6 months

Non-Executive Directors

The Non-Executive Directors, have letters of appointment with the Group. 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 any bonus or pension contributions and do not participate in the IXICO EMI Share Option Plan 2014. Details of current contracts together with notice periods are as set out below:

	Date of contract	Notice period
Mr Charles Spicer	16 September 2016	3 months
Mr John Bradshaw	15 October 2013	3 months
Mr Tim Sharpington	15 October 2013	3 months
Dr Mark Warne	16 September 2016	3 months

Directors' remuneration for the year ended 30 September 2016

	Year ended 30 September 2016			Year ended 30 September 2015		
	Salary and fees £	Bonus £	Pension contributions £	Salary and fees £	Bonus £	Pension contributions £
Executive						
Professor Derek Hill	**171,369**	**60,600**	**14,257**	172,697	40,600	15,067
Mrs Susan Lowther	**171,080**	**63,976**	**13,686**	168,000	38,976	11,480
	342,449	**124,576**	**27,943**	340,697	79,576	26,547
Non-Executive						
Mr Charles Spicer(2)	**33,801**	**17,922**	**2,060**	77,250	17,922	6,635
Mr Tim Sharpington	**22,500**	**–**	**–**	22,500	–	–
Mr John Bradshaw	**22,500**	**–**	**–**	22,500	–	–
Dr Andrew Richards	**50,931**	**–**	**–**	42,000	–	–
Mr David Brister	**31,063**	**–**	**–**	–	–	–
Ms Maina Bhaman	**–**	**–**	**–**	–	–	–
Dr Mark Warne(1)	**–**	**–**	**–**	–	–	–
	160,795	**17,922**	**2,060**	164,250	17,922	6,635
Aggregate emoluments	**503,244**	**142,498**	**30,003**	504,947	97,498	33,182

(1) IP Group plc are remunerated for services rendered by Dr Mark Warne
(2) Mr Charles Spicer received bonus and pension in respect of his services as Vice President of Corporate Development

During the year ended 30 September 2016, Professor Derek Hill made gains of £7,572 on the exercise of share options. No share options were exercised during the year ended 30 September 2015.

Mr Charles Spicer was Vice President of Corporate Development from 15 October 2013 to 29 January 2016. He was appointed as a Non-Executive Director on 29 January 2016. On 16 September 2016, he was appointed Non-Executive Chairman.

Ms Maina Bhaman was appointed as a Director of IXICO plc on 15 October 2013. Maina resigned as a Director on 8 December 2015.

Dr Andrew Richards was appointed as a Director of IXICO plc on 15 October 2013. Andrew resigned as a Director on 16 September 2016.

Mr David Brister was appointed as a Director of IXICO plc on 8 December 2015. David resigned as a Director on 16 September 2016.

No Directors waived emoluments in the year ended 30 September 2016 (2015: £nil).

Corporate Governance

The Directors recognise the importance of sound corporate governance and acknowledge that although compliance with the UK Corporate Governance Code (the 'code') is not compulsory for AIM listed companies, the Board draws upon best practice available and seeks to comply with those aspects of the Code that are considered to be relevant to the extent appropriate and practical given the Group's size and stage of development.

Board structure

The Board is responsible to shareholders for the proper management of the Group. A statement of Directors responsibilities is set out on page 17.

The Board comprises 6 Directors, 4 of whom are non-executive. The Board is chaired by Charles Spicer who, together with John Bradshaw and Tim Sharpington, is considered to be independent of the Executive Directors and free from any relationship which could materially affect the exercise of their independent judgement.

Non-Executive Directors receive a fee for their services. Mark Warne's fees are paid to IP Group plc as his employer.

The Board has at least 6 scheduled meetings during the financial year and more if required. The Board has agreed items that are reserved for its consideration including the Group's strategy, budgets, financial reporting, internal controls together with the monitoring of the progress to achieve its goals.

Board Committees

The Board has established Audit and Remuneration Committees with agreed terms of reference which set out the delegated duties and responsibilities.

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.

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;
- 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.

Risk management and control

The Board 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.

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

Susan Lowther

Company Secretary
19 December 2016

Independent Auditor's Report to the Members of IXICO plc

We have audited the financial statements of IXICO plc for the year ended 30 September 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs)' as adopted by the European Union ('EU') and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2016 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

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

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

Alison Seekings

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

19 December 2016

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2016 and 30 September 2015

	Note	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Revenue	5	**3,111**	3,115
Cost of sales		**(1,680)**	(1,323)
Gross profit		**1,431**	1,792
Other income	6	**752**	1,067
Operating expenses			
Research and development expenses		**(1,583)**	(1,234)
Sales and marketing expenses		**(759)**	(584)
General and administrative expenses		**(2,005)**	(2,188)
Non-recurring administrative expenses	7	**(706)**	(247)
Total operating expenses	10	**(5,053)**	(4,253)
Operating loss		**(2,870)**	(1,394)
Finance income		**1**	1
Loss on ordinary activities before taxation		**(2,869)**	(1,393)
Taxation	11	**750**	199
Loss and total comprehensive expense attributable to equity holders for the period		**(2,119)**	(1,194)
Other comprehensive expense			
Foreign exchange translation differences		**(66)**	—
Total other comprehensive expense		**(66)**	—
Total comprehensive expense attributable to equity holders for the period		**(2,185)**	(1,194)
Loss per share (pence)	12		
Basic loss per share		**(8.7)**	(7.9)
Diluted loss per share		**(8.7)**	(7.9)

Consolidated and Company Statements of Financial Position

as at 30 September 2016 and 30 September 2015

		Group		Company	
	Note	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	**88**	116	**–**	–
Intangible assets	14	**559**	300	**–**	–
Investments in Group undertakings	15	**–**	–	**5,505**	4,979
Amounts due from subsidiary undertakings	16	**–**	–	**5,515**	3,535
Total non-current assets		**647**	416	**11,020**	8,514
Current assets					
Trade and other receivables	16	**1,353**	1,603	**22**	34
Current tax receivable	11	**562**	286	**–**	–
Cash and cash equivalents		**3,120**	1,934	**1,168**	551
Total current assets		**5,035**	3,823	**1,190**	585
Total assets		**5,682**	4,239	**12,210**	9,099
Liabilities and equity					
Current liabilities					
Trade and other payables	18	**1,311**	1,470	**73**	358
Deferred consideration	3	**174**	–	**174**	–
Total current liabilities		**1,485**	1,470	**247**	358
Non-current liabilities					
Deferred tax liabilities	19	**112**	60	**–**	–
Amounts due to subsidiary undertakings	18	**–**	–	**1,748**	1,339
Total non-current liabilities		**112**	60	**1,748**	1,339
Equity					
Ordinary shares	20	**7,720**	7,529	**7,720**	7,529
Share premium	20	**79,421**	76,804	**79,421**	76,804
Merger relief reserve	20	**1,312**	641	**1,312**	641
Reverse acquisition reserve	20	**(75,307)**	(75,229)	**–**	–
Foreign exchange translation reserve		**(66)**	–	**–**	–
Accumulated losses		**(8,995)**	(7,036)	**(78,238)**	(77,572)
Total equity		**4,085**	2,709	**10,215**	7,402
Total liabilities and equity		**5,682**	4,239	**12,210**	9,099

The Financial Statements on pages 19 to 48 were approved by the Board of Directors and authorised for issue on 19 December 2016 and were signed on its behalf by:

Professor Derek Hill

Chief Executive Officer
19 December 2016

IXICO plc, Registered number: 03131723

Consolidated Statement of Changes in Equity

for the year ended 30 September 2016 and 30 September 2015

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Foreign exchange translation reserve £'000	Accumulated losses £'000	Total £'000
Balance at 30 September 2014	**7,529**	**76,804**	**641**	**(75,229)**	**–**	**(5,933)**	**3,812**
Total comprehensive expense							
Loss for the period	–	–	–	–	–	(1,194)	(1,194)
Total comprehensive expense	**–**	**–**	**–**	**–**	**–**	**(1,194)**	**(1,194)**
Transactions with owners							
Charge in respect of share options	–	–	–	–	–	91	91
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**91**	**91**
Balance at 30 September 2015	**7,529**	**76,804**	**641**	**(75,229)**	**–**	**(7,036)**	**2,709**
Total comprehensive expense							
Loss for the period	–	–	–	–	–	(2,119)	(2,119)
Other comprehensive expense:							
Foreign exchange translation	–	–	–	–	(66)	–	(66)
Total comprehensive expense	**–**	**–**	**–**	**–**	**(66)**	**(2,119)**	**(2,185)**
Transactions with owners							
Charge in respect of share options	–	–	–	–	–	126	126
Exercise of share options	78	–	–	(78)	–	–	–
Proceeds from shares issued	89	2,617	–	–	–	–	2,706
Cost of acquisition	24	–	671	–	–	34	729
Total transactions with owners	**191**	**2,617**	**671**	**(78)**	**–**	**160**	**3,561**
Balance at 30 September 2016	**7,720**	**79,421**	**1,312**	**(75,301)**	**(66)**	**(8,995)**	**4,084**

Company Statement of Changes in Equity

for the year ended 30 September 2016 and 30 September 2015

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Accumulated losses £'000	Total £'000
Balance at 30 September 2014	**7,529**	**76,804**	**641**	**(77,057)**	**7,917**
Total comprehensive expense for the period	**–**	**–**	**–**	**(606)**	**(606)**
Transactions with owners					
Charge in respect of share options	–	–	–	91	91
Total transactions with owners	**–**	**–**	**–**	**91**	**91**
Balance at 30 September 2015	**7,529**	**76,804**	**641**	**(77,572)**	**7,402**
Total comprehensive expense for the period	**–**	**–**	**–**	**(802)**	**(802)**
Transactions with owners					
Charge in respect of share options	–	–	–	126	126
Exercise of share options	78	–	–	(24)	54
Proceeds from shares issued	89	2,617	–	–	2,706
Cost of acquisition	24	–	671	34	729
Total transactions with owners	**191**	**2,617**	**671**	**136**	**3,615**
Balance at 30 September 2016	**7,720**	**79,421**	**1,312**	**(78,238)**	**10,215**

Consolidated and Company Statements of Cash Flows

for the year ended 30 September 2016 and 30 September 2015

	Group		Company	
	As at 30 September 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Cash flows from operating activities				
Loss for the period	**(2,119)**	(1,194)	**(802)**	(606)
Finance income	**(1)**	(1)	**–**	–
Taxation	**(750)**	(199)	**–**	–
Depreciation	**55**	49	**–**	–
Amortisation of acquired intangibles	**292**	100	**–**	–
Impairment of acquired intangibles	**603**	120	**–**	–
Impairment of investment in subsidiary undertakings	**–**	–	**543**	–
Research and development expenditure credit	**(135)**	(131)	**–**	–
Premium on acquisition expensed	**–**	–	**–**	–
Share option charge	**126**	91	**14**	23
	(1,929)	(1,165)	**(245)**	(583)
Changes in working capital				
(Increase)/decrease in trade and other receivables	**287**	(442)	**(1,968)**	(1,493)
(Decrease)/increase in trade and other payables	**(323)**	(27)	**124**	573
Cash used in operations	**(1,965)**	(1,634)	**(2,089)**	(1,435)
Taxation received	**430**	318	**–**	–
Net cash used in operating activities	**(1,535)**	(1,316)	**(2,089)**	(1,435)
Cash flows from investing activities				
Cash and cash equivalents acquired	**98**	–	**–**	–
Purchase of property, plant and equipment	**(24)**	(45)	**–**	–
Finance income	**1**	1	**–**	–
Net cash (used in)/generated from investing activities	**75**	(44)	**–**	–
Cash flows from financing activities				
Issue of shares	**2,706**	–	**2,706**	–
Net cash generated from financing activities	**2,706**	–	**2,706**	–
Movements in cash and cash equivalents in the period	**1,246**	(1,360)	**617**	(1,435)
Cash and cash equivalents at start of period	**1,934**	3,294	**551**	1,986
Effect of exchange rate fluctuations on cash held	**(60)**	–	**–**	–
Cash and cash equivalents at end of period	**3,120**	1,934	**1,168**	551

Notes to the Financial Statements

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 clinical trials services to the global pharmaceutical industry. The Company provides its proprietary, innovative technologies to those involved in researching and treating serious diseases, especially dementia, to enable timely decision making and improve patient outcomes.

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.

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. Control exists when the Group has the control, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. 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 quarterly 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, 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 revenues 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.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

2. Significant accounting policies and basis of preparation (continued)

Revenue recognition

The Group recognises revenue with regard to amounts chargeable to customers under service contracts. The policy is to recognise testing services upon achievement of milestones set out in the related agreements. This is expected to approximate to the timing of the physical performance of the service activity on such contracts. Recognising revenue also requires significant judgement in determining actual work performed and the estimated costs to complete the work. Assessing whether the Group is acting as agent in respect of an agency relationship, depends on facts and circumstances and requires judgement. The Group identified 1 agency relationship in the year ended 30 September 2016 (2015: 1).

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. Expenditure on the research and development is recognised as an expense as incurred.

Recovery of deferred tax assets

Deferred tax assets have not been recognised for deductible temporary differences and tax losses as the Directors consider that there is not sufficient certainty that future taxable profits will be available to utilise those temporary differences and tax losses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Fair value measurements on business combinations

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate.

Impairment of intangible assets

Amortised intangibles are tested for impairment where there are indications of impairment. These impairment tests require the Group to make an estimate of the expected cash flows and to select suitable discount rates. These require an estimation of the value in use of these assets.

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.

Changes in accounting policies

The Group has not applied any new accounting policies or made other retrospective changes that have a material effect on the consolidated statement of financial position as at 1 October 2015.

Accounting developments

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

- IFRS 9 Financial Instruments(1)
- IFRS 15 Revenue from contracts with customers (effective date 1 January 2018)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective date 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective date 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective date 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception(1)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective date 1 January 2016)
- IFRS 16 Leases(1)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses(1)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions(1)
- Amendments to IAS 7: Disclosure Initiative(1)

(1) Not adopted by the EU as at 30 September 2016

2. Significant accounting policies and basis of preparation (continued)

Apart from IFRS 15 and IFRS 16 where the Group is currently assessing how significant the effect on the reported results and financial position will be, the Directors anticipate, based on the current business, that the future introduction of the standards, amendments and interpretations listed above 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.

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

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

Where longer-term contracts for services allows for the reimbursement for certain expense 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 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, revenues are recognised on a net basis after deducting revenue earned by the principal.

Revenue relating to licence income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

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

Other income

Government grants received relating to tangible fixed assets are treated as deferred income and released to the consolidated statement of comprehensive income over the expected useful lives of the assets concerned. Other grants received are recognised on a work done 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 11% 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

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

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

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.

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 balance sheet 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. The Group operates a defined contribution pension scheme. The assets of this scheme are held separately from those of the Group in independently administered funds. The Group does not offer any other post-retirement benefits.

Employee share trust

The Group recognises the assets and liabilities of the trust in its own accounts and shares held by the trust are recorded at cost as a deduction at arriving at total equity until such time as the shares vest unconditionally to employees. The trust is a separately administered trust, funded by contributions from employees and the Group.

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 balance sheet 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 of 5 years. Amortisation is disclosed under 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.

Notes to the Financial Statements continued

2. Significant accounting policies and basis of preparation (continued)

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 Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (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 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the 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 balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with original maturities at inception of three 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.

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 Group 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 when the Group 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 has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. Significant accounting policies and basis of preparation (continued)

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 balance sheet 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Business combination

On 8 December 2015 the Company acquired the entire issued share capital of Optimal Medicine Limited. The aggregate consideration for the acquisition was £1,498,000 in consideration shares at a consideration share price of 49 pence comprising;

- the initial issue of 2,355,295 new ordinary shares upon completion of the acquisition;
- the issue of 590,093 deferred consideration shares on 31 December 2016, subject to the satisfaction of any claims made against warranties given by the sellers; and
- call options over 111,401 shares which in substance reflect replacement awards issued by IXICO plc to satisfy outstanding share options under the Optimal Medicine Limited unapproved share option scheme.

Total consideration

The fair value of the new ordinary shares issued as consideration for the acquisition of Optimal Medicine Limited of £695,000 was determined on the basis of the Company's mid-market closing share price on 8 December 2015, being the date the Company acquired control of Optimal Medicine Limited.

The fair value of the deferred consideration shares issued as consideration for the acquisition of Optimal Medicine Limited of £174,000 was determined on the basis of the Company's mid-market closing share price on 8 December 2015, being the date the Company acquired control of Optimal Medicine Limited. The fair value of the deferred consideration shares has been recognised as a current liability as the warranty period expires on 31 December 2016.

There is a potential issue of 111,401 new ordinary shares in the Company to satisfy the exercise of outstanding share options under the Optimal Medicine Limited unapproved share option scheme. These share options must be exercised within 12 months or 18 months or they will lapse. The exercise of these options is at the option of the holder on completion of the acquisition with a proscribed conversion rate for the effective issue of new IXICO plc shares. The fair value of the share options of £33,000 was estimated using a Black-Scholes valuation model assuming a risk-free interest rate equivalent to the United Kingdom 2 year gilt yield on 8 December 2015 and a volatility equivalent to the historical volatility attributable to the IXICO plc share price. As at 30 September 2016, nil ordinary shares were issued following the exercise of share options relating to the replaced share option scheme.

The fair value of the assets and liabilities arising from the acquisition of £902,421 has been determined as follows:

	£'000
Property, plant and equipment	3
Cash and cash equivalents	98
Trade and other receivables	37
Intangible assets	1,153
Trade and other payables	(158)
Deferred tax liability	(231)
Total identifiable net assets	**902**
Total aggregate consideration (3,056,789 shares at 49 pence)	**1,498**
Difference between consideration share price and fair value (3,056,789 shares at 19.5 pence)	(596)
Total consideration (3,056,789 shares at 29.5 pence)	**(902)**

Notes to the Financial Statements continued

3. Business combination (continued)

Intangible assets

Intangible assets were acquired through the business combination and initially recognised at cost, their fair value at the date of acquisition. Intangible assets represent technology and marketing related intangibles associated with behavioural health arising from Optimal Medicine Limited's historic research and development activities.

The fair value of the intangible assets was determined using discounted cash flow models. The key assumptions for the valuation method are those regarding future cash flows and discount rates. Cash flow projections are based on management forecasts approved by the Board covering a 5 year period. Management considered it prudent to ignore cash flows beyond the 5 year period. Management applied sensitivity analysis on certain cash flows due to the nature of future opportunities. The pre-tax discount rate of 12% was applied to the cash flow projections to reflect current market assessment of the time value of money and the risks specific to the asset.

Deferred tax liability

A deferred tax liability was recognised due to the temporary difference arising from the recognition of the intangible assets acquired through the business combination. The deferred tax liability has been measured at 20%, the tax rate that is considered to apply at the date of acquisition.

From the date of acquisition to 30 September 2016, Optimal Medicine Limited contributed £81,000 to revenue and £678,000 to loss before taxation and deducted £327,000 from the Group's net operating cash flows. If Optimal Medicine had been acquired as of 1 October 2015, it would have contributed £94,000 to revenue and £650,000 to loss before taxation and deducted £212,000 from the Group's net operating cash flows.

4. Investments in subsidiaries

The consolidated Financial Statements of the Group as at 30 September 2016 include:

Name of subsidiary	Class of share	Place of incorporation	Principle activities	Proportion of ownership interest	Proportion of voting rights held
IXICO Technologies Limited	Ordinary	United Kingdom	Operations	100%	100%
IXITech Limited	Ordinary	United Kingdom	Operations	100%	100%
Phytodevelopments Limited	Ordinary	United Kingdom	Dormant	100%	100%
IXICO US LLC	Members interest	United States	Dormant	100%	100%
Optimal Medicine Limited	Ordinary	United Kingdom	Operations	100%	100%
IXICO Technologies Inc (formerly Optimal Medicine Inc)	Ordinary	United States	Operations	100%	100%
Optimal Medicine SARL	Ordinary	France	Operations	100%	100%

5. Segmental information

The Group's development and commercial functions operating across all the company's activities, are managed centrally and are reported internally as a single business. The chief operating decision maker has been identified as the Chief Executive Officer. The executive management review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. Accordingly, the Directors consider that there is only 1 reporting segment.

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

In the year ended 30 September 2016, the Group had three customers that exceeded 10% of total revenue, being 14%, 14% and 11%. In the period ended 30 September 2015, the Group had three customers that exceeded 10% of total revenue, being 35%, 17% and 13%.

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

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Service revenues	**2,924**	2,930
Licencing revenues	**187**	185
Revenue	**3,111**	3,115

5. Segmental information (continued)

An analysis of the Group's revenue by geographic location of its customers are as follows:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
United States	**1,708**	1,445
United Kingdom	**857**	1,377
Europe	**496**	240
China	**50**	53
Revenue	**3,111**	3,115

An analysis of the Group's non-current assets by geographic location are as follows:

	As at 30 September 2016 £'000	As at 30 September 2015 £'000
United Kingdom	**646**	416
United States	**1**	–
Non-current assets	**647**	416

6. Other income

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Grant income	**617**	936
RDEC	**135**	131
Other income	**752**	1,067

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 2016, exceptional expenses are the non-recurring costs in respect of the impairment of the acquired intangible asset, professional fees incurred in the acquisition of Optimal Medicine Limited and administrative expenses relating to costs of restructuring incurred by the Group post the acquisition of Optimal Medicine Limited.

During the year ended 30 September 2015, exceptional expenses are the non-recurring costs in respect of professional fees incurred in the acquisition of Optimal Medicine Limited on 8 December 2015, which is detailed in note 3 of the consolidated financial statements.

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 2016 £'000	Year ended 30 September 2015 £'000
Impairment of intangible asset	**603**	–
Professional fees	**64**	247
Restructuring costs	**39**	–
Non-recurring administrative expenses	**706**	247

8. Auditors' remuneration

The analysis of the auditors' remuneration is as follows:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Fees payable to the Group's auditors for the audit of the Company's annual accounts	**15**	12
Fees payable to the Group's auditors for other services:		
Audit of the subsidiaries' annual accounts	**21**	16
Audit related assurance services	**5**	6
Tax compliance services	**9**	7
Tax advisory services	**7**	6
Total auditors' remuneration	**57**	47

9. Employees and Directors

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

	Year ended 30 September 2016 Number	Year ended 30 September 2015 Number
Administration	**13**	8
Operations, research and development	**56**	48
Average total persons employed	**69**	56

As at 30 September 2016 the Group had 67 employees (2015: 61).

Staff costs in respect of these employees were:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Wages and salaries	**3,594**	2,816
Social security costs	**427**	319
Other pension costs	**186**	164
Share-based payments	**126**	91
Total remuneration	**4,333**	3,390

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 2016 in respect of pension costs are £43,000 (2015: £13,000).

Key management remuneration:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Short-term employee benefits	**1,428**	1,092
Post-employment benefits	**71**	68
Total remuneration	**1,499**	1,160

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

Directors' remuneration is disclosed in the Directors' Remuneration Report on page 14. The Aggregate directors' remuneration is £646,000 (2015: £602,000) and aggregate pension of £30,000 (2015: £33,000).

10. Operating loss

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

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Research and development expenses	**1,583**	1,234
Sales and marketing expenses	**759**	584
Operating lease charges: land and building	**131**	127
Depreciation of property, plant and equipment	**55**	49
Amortisation of intangible assets	**292**	100
Impairment of intangible assets(1)	**603**	120
Foreign exchange gain	**(299)**	(44)
Administrative expenses	**1,826**	1,836
Non-recurring administrative expenses excluding impairment of intangible assets(1)	**103**	247
Total operating expenses	**5,053**	4,253

(1) Impairment charge of £603,000 for the year ended 30 September 2016 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 2016 £'000	Year ended 30 September 2015 £'000
Loss on ordinary activities before taxation	**(2,869)**	(1,393)
Loss before tax at the effective rate of corporation tax in the United Kingdom of 20.00% (2015: 20.50%)	**(574)**	(286)
Effects of:		
Expenses not deductible for tax purposes	**96**	7
Temporary differences	**(2)**	(17)
Adjustment in respect of prior years	**(2)**	–
Adjustment in respect of prior years – Optimal Medicine Limited	**(142)**	–
Tax rates other than the UK standard rate	**27**	–
Research and development uplifts net of losses surrendered for tax credits	**(153)**	97
Tax credit for the period	**(750)**	(199)

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

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Small or medium enterprise research and development credit	**(455)**	(182)
Deduction for corporation tax on RDEC	**27**	27
Adjustment in respect of prior years	**(2)**	–
Adjustment in respect of prior years – Optimal Medicine Limited	**(142)**	–
Tax due by foreign subsidiary undertakings	**1**	–
Deferred tax movement on amortisation	**(179)**	(44)
Tax credit for the period	**(750)**	(199)

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. RDEC replaced the large company research and development scheme which the Group has previously claimed, which ceased on 31 March 2016.

Notes to the Financial Statements continued

11. Taxation (continued)

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

	As at 30 September 2016 £'000	As at 30 September 2015 £'000
Current tax receivable at start of period	**286**	318
Current period credit	**706**	286
Corporation tax repayment	**(430)**	(318)
Current tax receivable at end of period	**562**	286

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 2016 £'000	As at 30 September 2015 £'000
Tax credit for the year	**750**	199
Deferred tax movement on amortisation	**(179)**	(44)
RDEC gross of corporation tax deduction	**135**	131
Current period credit	**706**	286

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 after the deduction of the weighted average number of the ordinary shares held by the employee benefit trust 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.

The potential issue of 590,093 new ordinary shares in respect of the deferred consideration as consideration for the acquisition of Optimal Medicine Limited on 8 December 2015 has been excluded from the weighted average number of ordinary shares as the warranty period expires on 31 December 2016. See note 3 of the consolidated financial statements for further information.

As at 30 September 2016 and 30 September 2015, 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 2016 £'000	Year ended 30 September 2015 £'000
Loss for the period attributable to equity holders for basic loss and adjusted for the effects of dilution	**(2,119)**	(1,194)

	As at 30 September 2016 Number	As at 30 September 2015 Number
Weighted ordinary shares in issue	**24,350,856**	15,058,982
Shares held by Trustees in respect to the Company's Share Incentive Plan 2007	**(1,740)**	(1,740)
Weighted average number of ordinary shares for basis loss per share	**24,349,116**	15,057,242

13. Property, plant and equipment

	Leasehold improvement £'000	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost				
At 31 May 2014	62	7	232	301
Additions	–	–	45	45
At 30 September 2015	62	7	277	346
Additions – other	–	7	17	24
Additions – business combination	–	–	7	7
At 30 September 2016	**62**	**14**	**301**	**377**
Accumulated depreciation				
At 31 May 2014	4	7	170	181
Charge for the period	13	–	36	49
At 30 September 2015	17	7	206	230
Additions – business combinations	–	–	4	4
Charge for the period	12	3	40	55
At 30 September 2016	**29**	**10**	**250**	**289**
Net book value				
At 30 September 2015	45	–	71	116
At 30 September 2016	**33**	**4**	**51**	**88**

As at 30 September 2016 and 30 September 2015, the Company had no property, plant and equipment.

14. Intangible assets

	Registered intellectual property £'000	Neurodegenerative disease technology and marketing know-how £'000	Behavioural health technology and marketing know-how £'000	Total £'000
Cost				
At 30 September 2014 and 30 September 2015	150	500	–	650
Additions – business combination	–	–	1,154	1,154
At 30 September 2016	**150**	**500**	**1,154**	**1,804**
Amortisation and impairment				
At 30 September 2014	30	100	–	130
Amortisation	–	100	–	100
Impairment	120	–	–	120
At 30 September 2015	150	200	–	350
Amortisation	–	100	192	292
Impairment	–	–	603	603
At 30 September 2016	**150**	**300**	**795**	**1,245**
Net book value				
At 30 September 2015	–	300	–	300
At 30 September 2016	**–**	**200**	**359**	**559**

Notes to the Financial Statements continued

14. Intangible assets (continued)

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

Intangible assets were acquired through the reverse acquisition on 14 October 2013 and initially recognised at cost, their fair value at the date of acquisition. 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 Technologies Limited's historic research and development activities.

Behavioural health technology and marketing know-how

Intangible assets were acquired through the business combination on 8 December 2015 and initially recognised at cost, their fair value at the date of acquisition. Intangible assets represent technology and marketing related intangibles associated with behavioural health arising from Optimal Medicine Limited's historic research and development activities.

The Group reviewed the amortisation period and the amortisation method for the intangible assets at the end of the reporting period.

The Group continually monitors events and changes in circumstances that could indicate that the intangible assets may be impaired.

Registered intellectual property

The Group identified that the value of the registered intellectual property had diminished as the estimated future cash flows were £nil following the licensor's notification that the study was terminated. Following this termination there would be no further clinical development and therefore the intellectual property will not generate future cash flows from milestones or commercialisation. The Group recognised an impairment loss of £120,000 in the year ended 30 September 2015.

Neurodegenerative disease technology and marketing know-how

During the reporting period, 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

The Group has identified that the value of the behavioural health technology and marketing know-how has diminished in value in light of events post acquisition and subsequent change in commercial strategy. As at 30 September 2016, the recoverable amount is estimated to be £359,000, resulting in an impairment loss of £603,000 being recognised for the year ended 30 September 2016. Management have maintained the pre-tax discount rate and forecast period as at acquisition.

As at 30 September 2016 and 30 September 2015, the Company had no intangible assets.

15. Investments in group undertakings

	Company	
	As at 30 September 2016 £'000	As at 30 September 2015 £'000
IXITech Limited		
At 1 October	**2**	2
At 30 September	**2**	2
IXICO Technologies Limited		
At 1 October	**4,977**	4,909
Issue of 142,581 shares on 2 October 2015 for the exercise of share options at an average share price of £0.302	**44**	–
Issue of 14,101 shares on 12 October 2015 for the exercise of share options at an average share price of £0.306	**4**	–
Issue of 29,773 shares on 30 September 2016 for the exercise of share options at a share price of £0.24	**7**	–
Increase in capital contribution relating to share option charge	**112**	68
At 30 September	**5,144**	4,977
Optimal Medicine Limited		
At 1 October	**–**	–
Consideration shares: 2,355,295 new ordinary shares at £0.295 per share	**695**	–
Deferred consideration shares: 590,093 new ordinary shares at £0.295 per share	**174**	–
Replacement share option scheme: 113,668 new ordinary shares at £0.295 per share	**33**	
Impairment charge	**(543)**	–
Total investments in Group undertakings	**359**	–

IXITech Limited

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

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. Further information of the Groups share option schemes can be found in note 21 of the consolidated Financial Statements.

Optimal Medicine Limited

On 8 December 2015 the Company acquired the entire issued share capital of Optimal Medicine Limited. The aggregate consideration for the acquisition was £1,498,000 in consideration shares at a consideration share price of 49 pence comprising:

- the initial issue of 2,355,295 new ordinary shares upon completion of the acquisition;
- the issue of 590,093 deferred consideration shares on 31 December 2016, subject to the satisfaction of any claims made against warranties given by the sellers; and
- call options over 111,401 shares which in substance reflect replacement awards issued by IXICO plc to satisfy outstanding share options under the Optimal Medicine Limited unapproved share option scheme.

The fair value of the new ordinary shares issued as consideration for the acquisition of Optimal Medicine Limited of £695,000 was determined on the basis of the Company's mid-market closing share price on 8 December 2015, being the date the Company acquired control of Optimal Medicine Limited.

The fair value of the deferred consideration shares issued as consideration for the acquisition of Optimal Medicine Limited of £174,000 was determined on the basis of the Company's mid-market closing share price on 8 December 2015, being the date the Company acquired control of Optimal Medicine Limited. The fair value of the deferred consideration shares has been recognised as a current liability as the warranty period expires on 31 December 2016.

Notes to the Financial Statements continued

15. Investments in group undertakings (continued)

There is a potential issue of 111,401 new ordinary shares in the Company to satisfy the exercise of outstanding share options under the Optimal Medicine Limited unapproved share option scheme. These share options must be exercised within 12 months or 18 months or they will lapse. The exercise of these options is at the option of the holder on completion of the acquisition with a proscribed conversion rate for the effective issue of new IXICO plc shares. The fair value of the share options of £33,000 was estimated using a Black-Scholes valuation model assuming a risk-free interest rate equivalent to the United Kingdom 2 year gilt yield on 8 December 2015 and a volatility equivalent to the historical volatility attributable to the IXICO plc share price. As at 30 September 2016, nil ordinary shares were issued following the exercise of share options relating to the replaced share option scheme.

IXICO plc has identified that the cost of investment in Optimal Medicine Limited has diminished in value in light of events post acquisition and subsequent change in commercial strategy. As at 30 September 2016, the recoverable amount is estimated to be £359,000, resulting in an impairment loss of £543,000 being recognised for the year ended 30 September 2016.

16. Trade and other receivables

	Group		Company	
	As at 30 September 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Amounts receivable within 1 year				
Trade receivables	**1,014**	846	**–**	–
Other receivables	**151**	558	**–**	–
Other taxation and social security	**–**	23	**1**	4
Prepayments	**188**	176	**21**	30
Trade and other receivables	**1,353**	1,603	**22**	34
Amounts receivable after more than 1 year				
Amounts due from subsidiary undertakings	**–**	–	**5,515**	3,535
Amounts due from subsidiary undertakings	**–**	–	**5,515**	3,535

The average credit period offered on sales of goods varies amongst customers with payment terms ranging from 30 to 95 days.

As at 30 September 2015, the Group had recognised an allowance for doubtful debts which are estimated to be irrecoverable amounts based on previous experience with one customer.

As at the year end, the provision for impairment of trade receivables is as follows:

	Group		Company	
	As at 30 September 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Provision for impairment at start of period	**6**	16	**–**	–
Increase in provision	**–**	–	**–**	–
Release of provision	**(6)**	(10)	**–**	–
Provision for impairment at end of period	**–**	6	**–**	–

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 2016, the average age of the receivables is 120 days (2015: 98 days).

16. Trade and other receivables (continued)

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 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Less than 30 days	**25**	4	**–**	–
31–60 days	**–**	1	**–**	–
61–90 days	**–**	33	**–**	–
More than 90 days	**–**	3	**–**	–
Total trade receivables past due but not impaired	**25**	41	**–**	–

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.

Amounts due from subsidiary undertakings are interest bearing (2015: interest bearing), unsecured and have no fixed date of repayment but are not anticipated to be receivable until after more than one year.

17. Deferred tax asset (unrecognised)

	Group		Company	
	As at 30 September 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Tax effect of temporary differences:				
Depreciation in excess of tax allowances	**(101)**	(137)	**(2)**	(3)
Accumulated losses	**(11,542)**	(12,261)	**(1,442)**	(1,450)
Deductible temporary differences	**(56)**	(4)	**(3)**	(7)
Deferred tax asset (unrecognised)	**(11,699)**	(12,402)	**(1,447)**	(1,460)

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 18% (2015: 20%).

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

18. Trade and other payables

	Group		Company	
	As at 30 September 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Amounts falling due within 1 year				
Trade payables	**216**	370	**12**	97
Other taxation and social security	**130**	113	**–**	–
Accrued expenses	**922**	973	**61**	261
Other payables	**43**	14	**–**	–
Trade and other payables	**1,311**	1,470	**73**	358
Amounts falling due after more than 1 year				
Amounts due to subsidiary undertakings	**–**	–	**1,748**	1,339
Amounts due to subsidiary undertakings	**–**	–	**1,748**	1,339

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. As at 30 September 2016, the average credit period taken for trade purchases is 47 days (2015: 100 days). For all suppliers no interest is charged on the trade payables. The Company's policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments.

Notes to the Financial Statements continued

18. Trade and other payables (continued)

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

Amounts due to subsidiary undertakings are interest bearing (2015: interest bearing), unsecured and have no fixed date of repayment but are not anticipated to be payable until after more than one year.

19. Deferred tax liability

	Group		Company	
	As at 30 September 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Balance at start of period	**60**	104	**–**	–
Deferred tax liability resulting from the business combination	**231**	–	**–**	–
Amortisation	**(58)**	(20)	**–**	–
Impairment	**(121)**	(24)	**–**	–
Balance at end of period	**112**	60	**–**	–

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 initially measured at 20%. The deferred tax liability is being amortised using the straight-line method over five years, reflecting the estimated useful economic life of the intangible asset. Amortisation is disclosed under administrative expenses in the consolidated statement of comprehensive income.

Registered intellectual property

As at 30 September 2015, the Group identified that the value of the registered intellectual property intangible asset was impaired and recognised an impairment loss of £120,000 in the year ended 30 September 2015. This resulted in a £24,000 reduction in the associated deferred tax liability.

Neurodegenerative disease technology and marketing know-how

During the reporting period, the Group identified no evidence that indicates the neurodegenerative disease technology and marketing know-how intangible asset may be impaired.

Behavioural health technology and marketing know-how

As at 30 September 2016, the Group recognised an impairment loss of £603,000 in the year ended 30 September 2016. This results in a £121,000 reduction in the associated deferred tax liability.

Further information of the Groups 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 2014 and 30 September 2015	15,058,982	7,529	76,804
Issued on 2 October 2015 for the exercise of share options	142,581	71	–
Issued on 12 October 2015 for the exercise of share options	14,101	7	–
Issued on 8 December 2015 for placement	8,872,459	89	2,617
Issued on 8 December 2015 for the cost of acquisition	2,355,295	24	–
Issued on 30 September 2016 for the exercise of share options	29,773	–	7
At 30 September 2016	**26,473,191**	**7,720**	**79,421**

20. Issued capital and reserves (continued)

Exercise of share options

On 2 October 2015, 142,581 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme. The difference between the cash amount received by IXICO Technologies Limited in respect of the shares issued by the Company and the market value of the subsequent issue of replacement shares in IXICO plc has been booked in ordinary share and reverse acquisition reserve accounts.

Exercise of share options

On 12 October 2015, 14,101 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme. The difference between the cash amount received by IXICO Technologies Limited in respect of the shares issued by the Company and the market value of the subsequent issue of replacement shares in IXICO plc has been booked in ordinary share and reverse acquisition reserve accounts.

Share capital restructuring

On 8 December 2015, the Company effected a restructuring of the share capital of the Company whereby each existing ordinary share was sub-divided and redesignated each into 1 ordinary share of 1 pence and 1 deferred share of 49 pence.

The ordinary shares retain all the rights currently attaching to the existing ordinary shares in respect of dividends, voting and any return on capital. Other than the change in nominal value therefore, the ordinary shares are identical to the existing ordinary shares.

The deferred shares carry minimal rights thereby rendering them effectively valueless. The rights attaching to the deferred shares can be summarised as follows:

- the holders thereof do not have any right to participate in the profits or income or reserves of the Company;
- on a return of capital on a winding up the holders thereof will only be entitled to an amount equal to the nominal value of the deferred shares but only after the holders of ordinary shares have received £10,000,000 in respect of each ordinary share;
- the holders thereof have no right to receive notice of or attend or vote at any general meeting of the Company; and
- the Company may acquire the deferred shares for a nominal consideration at any time.

No application will be made to the London Stock Exchange for the deferred shares to be admitted to trading on the AIM market or any other stock exchange.

On completion of the share capital restructuring the nominal value of each ordinary share is 1 pence.

Placing

On the 8 December 2015 the Company raised approximately £2,706,000 before expenses, comprising a placing of 8,852,459 ordinary shares and 20,000 ordinary shares pursuant to the exercise of a broker option, at a price of 30.5 pence.

Business combination: Optimal Medicine Limited

On 8 December 2015 the Company acquired the entire issued share capital of Optimal Medicine Limited. The aggregate consideration for the acquisition was £1,498,000 in consideration shares at a consideration share price of 49 pence comprising:

- the initial issue of 2,355,295 new ordinary shares upon completion of the acquisition;
- the issue of 590,093 deferred consideration shares on 31 December 2016, subject to the satisfaction of any claims made against warranties given by the sellers; and
- call options over 111,401 shares which in substance reflect replacement awards issued by IXICO plc to satisfy outstanding share options under the Optimal Medicine Limited unapproved share option scheme.

In accordance with IAS 27 the Company has valued the investment in Optimal Medicine Limited at cost and the share price of 29.5 pence on 8 December 2015 has been applied to determine the fair value.

20. Issued capital and reserves (continued)

Exercise of share options

On 30 September 2016, 29,773 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme. The difference between the cash amount received by IXICO Technologies Limited in respect of the shares issued by the Company and the market value of the subsequent issue of replacement shares in IXICO plc has been booked in ordinary share and reverse acquisition reserve accounts.

The Group and Company does not have an authorised share capital as provided by the Companies Act 2006.

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.

IXICO Share Incentive Plan 2007

Netted against the accumulated loss is the share based payment reserve including the purchases of shares in IXICO plc, which relate to the IXICO Share Incentive Plan 2007, under which the Company issued 1 'Matching Share' for every one 'Partnership Share' purchased by the employee. All shares are held by the scheme Trustees until the shares vest unconditionally with the employee. As at 30 September 2016 and 30 September 2015, 1,740 ordinary shares of 1 pence were held by the scheme Trustees. The IXICO Share Incentive Plan 2007 was closed on 15 November 2013.

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 3 share option schemes (2015: 2). Options granted under the schemes are for £nil consideration and are exercisable at a price determined at the date of the grant.

IXICO plc replacement share option scheme: IXICO Technologies Limited

In the prior period, IXICO plc established a replacement share option scheme to satisfy the exercise of outstanding share options under the IXICO Technologies Limited unapproved share option scheme granting 465,350 restated ordinary shares (29,700 shares). These share options must be exercised by 14 October 2015 or they will lapse. The exercise of these options is at the option of the holder with a proscribed conversion rate for the effective issue of new IXICO plc shares.

As part of the reverse acquisition the following took place:

- by a deed of variation dated 20 September 2013, the period in which the unapproved option holders can exercise their options following the acquisition was extended from 6 months to 2 years from 14 October 2015, and
- at the same time IXICO plc issued a letter to each such option holder committing to exchange all the shares in IXICO Technologies Limited arising from the exercise of such options for ordinary shares in IXICO plc at the acquisition price.

In the consolidated Financial Statements, IXICO Technologies Limited share options have been restated based on the exchange ratio of 15:67 established on acquisition to reflect the number of shares of the legal parent issued in the reverse acquisition.

As at 2 October 2015, 142,581 restated ordinary shares (9,100 shares) were issued following the exercise of share options relating to the replaced share option scheme.

As at 12 October 2015, 14,101 restated ordinary shares (900 shares) were issued following the exercise of share options relating to the replaced share option scheme.

As at 30 September 2016, 29,773 restated ordinary shares (1,900 shares) were issued following the exercise of share options relating to the replaced share option scheme.

21. Share-based payments (continued)

As at 30 September 2016, the remaining 172,350 restated ordinary shares (11,000 shares) in respect of the IXICO plc replacement share option scheme were not exercised and subsequently lapsed.

As at 30 September 2015, 106,545 restated ordinary shares (6,800 shares) were issued following the exercise of share options relating to the replaced share option scheme.

IXICO EMI Share Option Plan 2014

On 1 October 2014, the Group granted 662,588 share options to employees of the Group under the IXICO EMI Share Option Plan 2014. On 28 October 2014, the Group granted 481,882 share options to the Directors of the Group under the IXICO EMI Share Option Plan 2014. In total, 1,144,470 share options where granted under the IXICO EMI Share Option Plan 2014. The granted share options will vest and are exercisable in 3 equal tranches at the end of years 1, 2 and 3. Vesting is conditional on achievement of individual employee and Group performance criteria determined by the Board.

On 29 March 2016, the Group granted 1,778,274 share options to employees of the Group under the IXICO EMI Share Option Plan 2014. The granted share options contain standard and enhanced vesting conditions which are subject to the achievement of individual employee and Group performance criteria as determined by the Board. Of the share options granted:

- 838,274 share options will vest and are exercisable in 2 equal tranches at the end of years 1 and 2;
- 470,000 share options granted have enhanced vesting conditions which have been assumed to vest at the end of year 1; and
- 470,000 share options granted have enhanced vesting conditions which have been assumed to vest at the end of year 3.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The options lapse if an employee leaves the Company before the options vest.

During the year ended 30 September 2016, 710,277 share options granted under the IXICO EMI Share Option Plan 2014 did not meet the vesting condition, therefore were not exercisable and subsequently lapsed.

IXICO plc replacement share option scheme: Optimal Medicine Limited

IXICO plc established a replacement share option scheme to satisfy the exercise of outstanding share options under the Optimal Medicine Limited unapproved share option scheme granting 111,401 restated ordinary shares (2,948 shares). These share options must be exercised by either 7 December 2016 or 7 June 2017 or they will lapse. The exercise of these options is at the option of the holder with a proscribed conversion rate for the effective issue of new IXICO plc shares. IXICO plc issued a letter to each option holder committing to exchange all the shares in Optimal Medicine Limited arising from the exercise of such options for ordinary shares in IXICO plc at the acquisition price.

In the consolidated financial statements, Optimal Medicine Limited share options have been restated based on the exchange ratio of 37:79 established on acquisition to reflect the number of shares of the legal parent issued in the business combination.

As at the year end, the reconciliation of share option scheme movements is as follows:

	As at 30 September 2016		As at 30 September 2015	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at start of period	**1,473,159**	**£0.94**	358,806	£2.32
Granted	**1,889,675**	**£0.29**	1,144,470	£0.49
Exercised	**(186,454)**	**£0.01**	–	–
Lapsed	**(882,627)**	**£1.33**	(30,117)	£0.49
Outstanding at end of period	**2,293,753**	**£0.33**	1,473,159	£0.94
Exercisable at end of period	**111,401**	**£0.00**	358,806	£2.32

During the year ended September 2016, the options were exercised at a weighted average share price of £0.30. No share options were exercised during the year ended 30 September 2015.

Notes to the Financial Statements continued

21. Share-based payments (continued)

As at the year end, the share options outstanding have the following expiry dates and exercise price:

Share option scheme	Expiry date	Weighted average exercise price	Number of shares outstanding as at 30 September 2016	Number of shares outstanding as at 30 September 2015
IXICO plc replacement share option scheme:				
IXICO Technologies Limited	14 October 2015	**–**	**–**	358,806
IXICO EMI Share Option Plan 2014	7 May 2024	**£0.33**	**2,182,352**	1,114,353
IXICO plc replacement share option scheme:	7 December 2016			
Optimal Medicine Limited	and 7 June 2017	**£0.00**	**111,401**	–
Outstanding at end of period		**£0.33**	**2,293,753**	1,473,159

During the year ended 30 September 2016, 1,778,274 options were granted under the IXICO EMI Share Option Plan 2014 (2015: 1,144,470). The estimated fair value of the options granted is £244,000 (2015: £247,000). The inputs used in the measurement of fair value at grant date of the share options issued are as follows:

	IXICO plc As at 30 September 2016	IXICO plc As at 30 September 2015
Weighted average share price	**£0.39**	£0.49
Weighted average exercise price	**£0.31**	£0.49
Expected volatility	**42.8%**	89.1%
Expected life	**10 years**	10 years
Expected dividends	**0%**	0%
Risk free interest rate	**1.5%**	2.8%
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 model function.

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

- 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 £0.00 to £0.49 per option and the weighted average contractual life is 7.3 years (2015: 5.8 years).

The total charge for each period relating to employee share-based payments plans for continuing operations is disclosed in note 9 of the consolidated Financial Statements.

22. Operating lease arrangements

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Minimum lease payments under operating leases recognised as an expense in the period	**131**	127

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 2016 £'000	As at 30 September 2015 £'000	**As at 30 September 2016 £'000**	As at 30 September 2015 £'000
Within 1 year	**130**	130	**130**	130
In the 2nd to 5th years inclusive	**192**	321	**192**	321
After 5 years	**–**	–	**–**	–

Operating lease payments represent rentals payable by the Group for its registered office. As at 30 September 2016, the lease has 2.5 years to run.

23. Financial risk management

The main risks arising from the Group's financial instruments are cash flow and 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.

Cash flow and liquidity risk

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

	Group		Company	
	As at 30 September 2016	As at 30 September 2015	**As at 30 September 2016**	As at 30 September 2015
	Loans and receivables £'000	Loans and receivables £'000	**Loans and receivables £'000**	Loans and receivables £'000
Assets as per statement of financial position				
Trade and other receivables excluding prepayments	**1,165**	1,404	**5,515**	3,535
Cash and cash equivalents	**3,120**	1,934	**1,168**	551
	4,285	3,338	**6,683**	4,086

	Group		Company	
	As at 30 September 2016	As at 30 September 2015	**As at 30 September 2016**	As at 30 September 2015
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	**Financial liabilities at amortised cost £'000**	Financial liabilities at amortised cost £'000
Liabilities as per statement of financial position				
Trade and other payables excluding statutory liabilities	**1,181**	1,357	**1,821**	1,697
Deferred consideration	**174**	—	**174**	—
	1,355	1,357	**1,995**	1,697

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

Notes to the Financial Statements continued

23. Financial risk management (continued)

Interest rate risk

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

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. The Group's exposure to foreign currency changes for all other currencies is not material.

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

	Group		Company	
US Dollar exposure	**As at 30 September 2016 USD'000**	As at 30 September 2015 USD'000	**As at 30 September 2016 USD'000**	As at 30 September 2015 USD'000
Balance at end of period				
Monetary assets	**1,124**	1,250	**–**	–
Monetary liabilities	**(53)**	(11)	**–**	–
Total exposure	**1,071**	1,239	**–**	–

	Group		Company	
Euro exposure	**As at 30 September 2016 EUR'000**	As at 30 September 2015 EUR'000	**As at 30 September 2016 EUR'000**	As at 30 September 2015 EUR'000
Balance at end of period				
Monetary assets	**353**	57	**–**	–
Monetary liabilities	**(7)**	(17)	**–**	–
Total exposure	**346**	40	**–**	–

	Group		Company	
Swiss Franc exposure	**As at 30 September 2016 CHF'000**	As at 30 September 2015 CHF'000	**As at 30 September 2016 CHF'000**	As at 30 September 2015 CHF'000
Balance at end of period				
Monetary assets	**79**	58	**–**	–
Monetary liabilities	**(47)**	–	**–**	–
Total exposure	**32**	58	**–**	–

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.

23. Financial risk management (continued)

Foreign currency sensitivity analysis

As at 30 September 2016, 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 (2015: 10%).

If Sterling had been 10% (2015: 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 2016	**(75)**	**(27)**	**(2)**	**(104)**
Year ended 30 September 2015	(75)	(3)	(4)	(82)

If Sterling had been 10% (30 September 2015: 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 2016	**92**	**33**	**3**	**128**
Year ended 30 September 2015	91	3	4	98

Fair value of financial assets and liabilities

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

Credit risk

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

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 balance sheet 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. The Group is not yet in a position to pay a dividend.

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.

Notes to the Financial Statements continued

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' Report.

During the year ended 30 September 2016, the Group sold project management services totalling £39,000 (2015: £62,000) to University College London Business plc, a shareholder. The amount owed by University College London Business plc at 30 September 2016 was £5,700 (2015: £11,000).

During the year ended 30 September 2016, the Group also purchased services totalling £34,000 (2015: £161,000) from University College London Business plc, a shareholder. The amount owed to University College Lon don Business plc at 30 September 2016 was £2,000 (2015: £50,000).

During the year ended 30 September 2016, the Group also purchased services totalling £nil (2015: £5,000) from King's College London, a shareholder. The amount owed to King's College London at 30 September 2016 was £nil (2015: £nil).

During the year ended 30 September 2016, the Group was charged £10,000 (2015: £nil) from Imperial Innovations Businesses LLP, a shareholder in respect of a joint intellectual property licence agreement. The amount owed to Imperial Innovations Businesses LLP at 30 September 2016 was £nil (2015: £nil).

During the year ended 30 September 2016, the Group was charged monitoring fees totalling £1,000 from IP Group plc, a shareholder. The amount owed to IP Group plc at 30 September 2016 was £nil. IP Group plc became a shareholder of the Group on 8 December 2015.

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 Parent Company.

During the year ended 30 September 2016, the Company has been charged £260,000 (2015: £299,000) 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.

25. Post balance sheet events

On 28 October 2016, 220,863 share options granted under the IXICO EMI Share Option Plan 2014 did not meet the vesting condition and therefore lapsed.

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Domiciled in the United Kingdom
Registered in England and Wales

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