7 January 2016

Financial Results for the year ended 30 September 2015

Executing the digital healthcare strategy

IXICO plc (AIM: IXI) ("IXICO" or the "Company"), the brain health company, today announces its final results for the year ended 30 September 2015.

Highlights

- Long term contract award of Phase II/III global study in neurodegenerative disease
  - Contract from leading global pharmaceutical company
  - Highlights growing position in neuroscience clinical trial market
  - Expected to run over at least seven years with a revenue value of c. $1 million per year
  - Utilising TrialTracker™ and Assessa® digital technology platforms

- Huntington's disease is a growing specialism
  - Two existing contracts significantly expanded to c.£2.5 million
  - Third contract awarded in April 2015

- VirtualScopics Inc. alliance achieving commercial traction
  - Two new contract awards in the year using TrialTracker™
  - Implementation of TrialTracker™ into VirtualScopics platform completed

- Financial performance underpinned by strong revenue growth*
  - Revenues increased in the year to £3.1 million
  - Other income increased to £1.1 million (2014: £1.0 million) giving a combined total income of £4.2 million
  - Loss after tax reduced to £1.2 million (2014: £2.3 million) and loss per share reduced to 7.9p/share (2014: 10.4p/share)
  - Cash of £1.9 million at 30 September 2015

**2014 figures refer to the 16 months ended 30 September 2014*

Post year end highlights

- Strategic collaboration with a leading pharmaceutical company to develop and pilot Assessa® for the clinical management of Multiple Sclerosis
- Acquisition of Optimal Medicine Limited and placing of £2.7m before expenses

Derek Hill, IXICO's CEO, said:

'*I am delighted to report growth in our clinical trials service business and excellent progress in developing strategic partnerships with pharmaceutical companies using our digital technology platform, generating new and larger contracts.*

We believe that our digital technologies are aligned with the aims of healthcare providers and payors to improve patient outcomes and the pharmaceutical industry's focus on demonstrating the broader health and pharmoeconomic benefit of its treatment.

Our experience of working in the regulatory environment in which a pharmaceutical company operates, combined with our relationships and products developed to support both clinical trials and clinical practice, represents a significant growth opportunity moving forward. The acquisition of Optimal Medicine is part of our strategy to be a leader in digital healthcare, to take initial steps into the US digital healthcare market, and is in line with the Company's stated strategy to broaden IXICO's product offering through acquisition.

We believe that the commercial opportunity for the enlarged group is gathering momentum that will take us forward in 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."

IXICO also announces that its Annual Report has now been posted to shareholders and is also available online at www.ixico.com. Additionally, the Company announces that its AGM will be held on 29 January 2016. The AGM will take place from 09:30am at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD.

About IXICO

IXICO, the brain health company, uses its innovative and proprietary digital platform technologies to help those involved in researching and treating serious diseases to make rapid, informed decisions targeted at improving patient outcomes. IXICO has significant experience working with global pharmaceutical and biotechnology companies supporting clinical studies in the field of neuro-degenerative disorders including dementia, Alzheimer's disease, Huntington's disease and Multiple Sclerosis.

More information is available on www.ixico.com

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Introduction and Overview

We are very pleased to report a strong performance in the year ended 30 September 2015 which, together with the announcements made post the year end, demonstrate excellent progress in the business and particularly in the execution of our digital healthcare strategy.

Please note that the comparatives refer to the sixteen months ended 30 September 2014.

Revenue increased in the year to £3.1 million which together with income from grants and above the line tax credit (reported as other income) of £1.1 million resulted in a combined total income of £4.2 million (2014: £4.3 million). Revenue was generated from clinical trials services provided to our pharmaceutical customers and licensing revenues from our alliance partner, VirtualScopics.

Total operating expenses (including non-recurring administrative expenses of £0.2 million) of £4.3 million for the year (2014:£5.6 million) reflect continued, planned investment in product development.

Losses after tax and non-recurring administrative expenses reduced in the year to £1.2 million (2014: £2.3 million).

Operational Review

OUR VISION

Our mission is to be a leader in digital healthcare for brain health delivering products and high value data solutions to key stakeholders in pharmaceutical companies, healthcare providers (clinicians and hospitals) and payers. We are making demonstrable progress with this business objective with the acquisition of Optimal Medicine providing additional products and a US salesforce and also continue to achieve growth in the provision of clinical trials services.

CLINICAL TRIALS SERVICES

Whilst the market remains highly competitive and the development of new pharmaceutical therapies remains highly challenging, we have seen increased interest in the year from the pharmaceutical industry in potential treatments for dementia and other neurodegenerative conditions, which has translated into increased revenues from TrialTracker™. Our longstanding expertise and reputation in dementia has been enhanced by our expansion into other disease areas. New contract wins in Huntington's disease demonstrate success in broadening our brain health expertise.

Our clinical trials services revenue continues to grow and we were pleased to be awarded new, long term contracts during the year. These contracts provide a strong foundation from which we are extending our business reach. We are particularly encouraged by the interest from our existing pharmaceutical customer base in our ability to provide clinical decision support solutions.

Long term contract award

On 28 August 2015 we announced the award of a long term contract from a leading global pharmaceutical company with a revenue value of c. $1 million per year. The project is for a large Phase II/III global clinical study in neurodegenerative disease which is expected to run over at least seven years and involves the collection and manipulation of MRI data including data from advanced MRI techniques. This significant project recognises our experience working with specialist imaging centres at multiple global sites and also utilises our digital technology platforms TrialTracker™ and Assessa® to collect imaging data and measure and monitor changes in disease pathology in subjects enrolled in the study.

Huntington's disease – an important disease area

On 26 November 2014 we announced that contracts for two separate clinical trials in Huntington's disease with two top 15 pharmaceutical companies had been extended and that the revenue from these two contracts would be significantly enhanced to a potential £2.5 million over approximately three years. This increase in scope and revenue occurred within six months of the initial award which we believe is a clear endorsement of our decision to move into this important disease area. This view was further supported on 23 April 2015 when we announced a contract for a third clinical trial in Huntington's disease with a new US based speciality pharmaceutical drug development customer. IXICO will be providing a battery of advanced MRI imaging techniques generating clinical trial endpoints. We believe that this contract demonstrates the success of our developing specialism in both the disease area and also our capabilities in advanced MRI imaging techniques.

VirtualScopics alliance – continuing to deliver value and increasing commercial traction

Our international commercial alliance with VirtualScopics (NASDAQ:VSCP), a leading provider of quantitative medical imaging based in Rochester, New York demonstrates the value of partnering as we are delivering enhanced and broader services to pharmaceutical customers on a global basis. On 29 June 2015 we announced that, together with VirtualScopics, we had been awarded contracts with two top 15 pharmaceutical companies, one in metastatic solid tumours and one in a rare neurodegenerative disease. TrialTracker™ is being used in both studies to collect and manage imaging data and MRI data.

On 16 December 2014, we announced that VirtualScopics had purchased a license to IXICO's TrialTracker™ platform together with maintenance and support. We were delighted that VirtualScopics had decided to make TrialTracker™ their business platform of choice after a detailed review of existing technology solutions. The implementation was completed in early 2015 and was the first time that TrialTracker™ had been deployed by another company as part of their business systems and processes. The technical support provided to VirtualScopics following the implementation has been an important part of our transition to setting up and supporting an independent user base.

Active engagement and collaborations

IXICO actively engages in collaborative consortia that include pharmaceutical companies and leading academics. This enables us to strengthen relationships with customers, potential customers and thought leaders, to develop and showcase our capabilities, to meet the evolving needs of the pharmaceutical industry in both drug development and support of marketed drugs. We are actively involved in both the executive and steering committees of the Dementia

Platform UK where we are deploying our digital technology, and working collaboratively with pharmaceutical companies to develop new technologies to support future clinical trials.

We continue to work at the forefront of the regulatory agenda to improve the tools available to support the development of new treatments for brain diseases including Alzheimer's disease and Parkinson's disease. In particular, we work with the Critical Path Institute Coalition Against Major Diseases (CAMD) and engage with the European Medicines Agency (EMA) and Food and Drug Administration (FDA) to advance technologies for identifying the most appropriate patient groups for testing experimental drugs. This work also has implications for the identification of patients who will receive the drugs in the clinic, once they are approved.

DIGITAL HEALTHCARE

The brain health market

Brain health represents a major societal challenge with 6.3% of the US healthcare budget spent on brain health and a $600billion global cost of dementia. The Central Nervous System (CNS) drug market is estimated to be worth approximately $80billion with the potential, wider digital therapies market size in the order of $32billion. Growth in the relevant digital healthcare market sector is expected to have a compound annual growth rate of 36-40% from 2013 to 2020.

Our increased presence in the digital brain health market represents a natural progression for IXICO and an opportunity to build upon both our existing relationships with pharmaceutical companies and our digital technologies for assessing and monitoring CNS disorders.

IXICO's experience and sector knowledge

IXICO has experience providing pharmaceutical companies with TrialTracker™ and associated services for electronic data capture and analysis in clinical trials. As a result we are familiar with the pharmaceutical industry's requirement for an evidence based approach to drug development and the wider regulatory environment in which a pharmaceutical company operates. The directors believe that this experience provides the Group with strong foundations for commercial success as its technology is being translated into products to support clinical practice, a market that they believe offers significant growth opportunities.

Digital healthcare companion products

We believe that digital technologies are increasingly aligned with both healthcare providers' aims to improve patient outcomes and the pharmaceutical industry's clearly articulated focus on demonstrating the broader health and pharmaeconomic benefit of its treatments. We also believe that the successful aggregation of data to optimise patient outcomes and cost effectiveness represents a significant business opportunity for the Group and therefore we continue to invest in our digital products outside of clinical trials services and in business development opportunities to leverage value from already collected data. These digital technologies include:

TrialTracker™ our proprietary image data and query management platform that supports and underpins our clinical trials business;

Assessa® our proprietary CE marked class 2a medical device providing clinical decision support for dementia diagnosis; and

MyBrainBook® which is a web application that provides personalised care of people living with cognitive impairment, including those with dementia.

Further information about the commercial development of our two newest products, Assessa® and MyBrainBook® is set out below.

Assessa®

Assessa® was developed to be used in the diagnosis and management of patients with a possible neurological or psychiatric disorder and combines imaging, demographic, cognitive and functional information with sophisticated analytics, to provide clinical decision support. It can also be used to assist in the stratification, differential diagnosis and prediction of the likely progression of dementia. Assessa® has regulatory approval to be sold as a decision support tool in the EU and Canada.

During the last twelve months we have seen growing interest from our pharmaceutical collaborators and customers in utilising Assessa® as a companion digital platform with specific functionality being developed, implemented and supported by IXICO to be used alongside drugs that are either in development or are already being prescribed in clinical practice.

On 9 October 2015 we announced the award of a strategic collaboration with a leading pharmaceutical company to develop and pilot an adapted version of Assessa® for the clinical management of multiple sclerosis. The purpose of the collaboration is to develop a digital platform to assist in the clinical monitoring and management of a side effect known as PML. We expect this collaboration to make a material contribution to revenue in the next 12-18 months, with the opportunity for this project to subsequently expand.

We believe that this collaboration, together with the pipeline of other comparable opportunities represents a key growth area for the company.

In January 2015 the first patients were enrolled in a clinical pilot study in a community setting (in collaboration with InHealth, Cambridge Cognition Holdings plc, Imperial College London and the Alzheimer's Society). IXICO is providing an adapted version of Assessa®. The results and data from the pilot study are part of our plan to continue to add real world data to our platform.

MyBrainBook®

We have identified early opportunities to deploy our digital technologies in a healthcare setting and an example of this is the MyBrainBook® pilot with NHS healthcare providers, social care commissioners and third sector organisations such as charities commissioned by the NHS to provide to support following diagnosis. We believe that this pilot study will provide validation of MyBrainBook in a clinical setting. Such validation is important as we position MyBrainBook as a technology which can generate revenue from healthcare providers who provide care and support to patients with cognitive problems and that other market segments can be accessed through commercial partnerships.

OTHER INCOME

Development and evaluation of new products Income from grants and above the line tax credit (reported as other income) increased to £1.1 million in the year (2014: £0.9 million) in support of our partnering activities whilst also providing early evaluation and pilot opportunities for the new products that we are bringing to the market. In the year we were awarded new grant funding of £1.2 million from UK and European sources and at 30 September 2015, £1.9 million (2014: £1.6 million) remained to be drawn down in the next five years. These projects generate income but also support our business development through enabling us to work closely with current and potential customer partners, and to develop and evaluate new products and services jointly with those partners.

On 16 January 2015 we announced our involvement in the European Prevention of Alzheimer's dementia Initiative (EPAD) project of 35 partners including European pharmaceutical partners (EFPIA) and leading universities and academic institutions. We are providing TrialTracker™ to collect and manage imaging data and Assessa® to identify subjects who are most likely to benefit from treatment.

On 12 May 2015 we announced an Innovate UK grant funded project to quantify vascular disease burden in patients with CNS diseases to support more accurate differential diagnosis of CNS diseases in the clinic, enabling the design and execution of better targeted clinical trials. IXICO as the lead partner will incorporate vascular disease biomarkers in to the Assessa® platform, working with Imperial College London and the University of Edinburgh.

Intellectual Property

In the year we continued to invest in the maintenance of our existing patent portfolio and new filings related to our digital health products. We continue to identify opportunities to enhance our proprietary database of clinical and biomarker data, which supports the application of our platform across multiple brain disease areas and provides value for both IXICO and its partners.

CORPORATE DEVELOPMENT

Acquisition of Optimal Medicine and placing

On 8 December 2015 we completed the acquisition of Optimal Medicine Limited and a placing and broker option of £2.7m, before expenses. Optimal Medicine develops digital healthcare products for clinical decision support with its first product mehealth®, a decision support technology for physicians diagnosing and treating patients with Attention Deficit Hyperactivity Disorder (ADHD).

The directors believe that Optimal Medicine's products, initial revenue and patient data will provide additional potential revenue streams in the field of brain health and further opportunities to partner with pharmaceutical and healthcare companies.

The net proceeds of the placing will be used to support and fund general working capital, recruitment of US and European business development employees and further development of the enlarged group's IT, delivery and deployment infrastructure.

CONCLUSION AND OUTLOOK

For the year ended 30 September 2015, we have delivered growth in our clinical trials services business and excellent progress in developing strategic partnerships with pharmaceutical companies using our digital technology platform.

The acquisition of Optimal Medicine and the associated placing are part of our growth strategy and we believe that the commercial opportunity for the enlarged group is gathering momentum that we will take forward in 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.

Financial Review

The financial performance for the year ended 30 September 2015 includes revenues generated from the Group's clinical trials services business, preliminary revenues from its digital healthcare products together with investment in people and product development. The comparatives refer to the sixteen months ended 30 September 2014.

Revenue

Revenue for the period of £3.1 million (2014: £3.4 million) was generated from services provided to pharmaceutical customers and licensing revenues from our alliance partner, VirtualScopics.

Other income

Other income for the period comprised income from grants of £0.9 million (2014: £0.8 million) and RDEC of £0.1 million (2014: £0.1 million).

Research and development

Research and development expenses of £1.2 million (2014: £1.4 million) were in line with expectations and the Group's plans to invest in new product development.

Sales and marketing expenses

Sales and marketing expenses of £0.6 million (2014: £0.9 million) were in line with expectations.

Administrative expenses

Administrative expenses of £2.2 million (2014: £2.3 million) were in line with expectations.

Non recurring administrative expenses of £0.2 million comprised transaction fees whilst the 2014: £0.9 million comparatives comprised transaction fees and dilapidation costs following the reverse acquisition listing of the business in October 2013.

Finance income and expense

Finance income represents interest received and receivable from the Group's cash balances and money market investments.

Taxation

The Group has elected to take advantage of the research and development expenditure credit (‘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 is £0.3 million (2014: £0.3 million) has been recognised as a current tax receivable.

Non-current assets

Non-current assets at 30 September 2015, included property, plant and equipment of £0.1 million (2014: £0.1 million) and Intangible assets of £0.3 million (2013: £0.5 million). The Group has identified that the value of the registered intellectual property has diminished as the estimated future cash flows will be £nil following the licensor’s notification that the study has been terminated. Following this termination there will be no further clinical development and therefore the intellectual property will not generate future cash flows from milestones or commercialisation. The Group has recognised an impairment loss of £120,000 in the year ended 30 September 2015.

Current assets

Current assets at 30 September 2015 of £3.8 million (2014: £4.8 million) reflected an increase in trade and other receivables to £1.6 million (2014: £1.2 million) and reduced cash and cash equivalents of £1.9 million (2014: £3.3 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 2015 were £1.5 million (2014: £1.5 million).

Equity

Total equity of £2.7 million at 30 September 2015 (2014: £3.8 million) reflected additional accumulated losses of £1.1 million.

Cash flow

Operating cash outflows in the year were £1.3 million and resulted in a closing cash balance of £1.9 million (2014: £3.3 million).

Results and dividends

The Group’s net loss after tax for the year reduced to £1.2 million (2014: £2.3 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.

Political donations

The Group made no political donations during the period (2014: £nil).

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2015 and 16 months ended 30 September 2014

	Note	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Revenue		**3,115**	3,413
Cost of sales		**(1,323)**	(1,300)
Gross profit		**1,792**	2,113
Other income	6	**1,067**	942
Operating expenses			
Research and development expenses		**(1,234)**	(1,369)
Sales and marketing expenses		**(584)**	(922)
General and administrative expenses		**(2,188)**	(2,342)
Non-recurring administrative expenses	7	**(247)**	(938)
Total operating expenses	10	**(4,253)**	(5,571)
Operating loss		**(1,394)**	(2,516)
Finance income		**1**	18
Loss on ordinary activities before taxation		**(1,393)**	(2,498)
Taxation	11	**199**	206
Loss and total comprehensive expense attributable to equity holders for the period		**(1,194)**	(2,292)
Loss per share (pence)	12		
Basic loss per share		**(7.9)**	(15.2)
Diluted loss per share		**(7.9)**	(15.2)

Consolidated and Company Statements of Financial Position

as at 30 September 2015 and 30 September 2014

	Note	Group As at 30 September 2015 £'000	Group As at 30 September 2014 £'000	Company As at 30 September 2015 £'000	Company As at 30 September 2014 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**116**	120	**—**	—
Intangible assets	14	**300**	520	**—**	—
Investments in group undertakings	15	**—**	—	**4,979**	4,911
Amounts due from subsidiary undertakings	16	**—**	—	**3,535**	2,062
Total non-current assets		**416**	640	**8,514**	6,973
Current assets					
Trade and other receivables	16	**1,603**	1,161	**34**	80
Current tax receivable	11	**286**	318	**—**	—
Cash and cash equivalents		**1,934**	3,294	**551**	1,986
Total current assets		**3,823**	4,773	**585**	2,066
Total assets		**4,239**	5,413	**9,099**	9,039
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	18	**1,470**	1,497	**358**	153
Total current liabilities		**1,470**	1,497	**358**	153
Non-current liabilities					
Deferred tax liabilities	19	**60**	104	**—**	—
Amounts due to subsidiary undertakings	18	**—**	—	**1,339**	969
Total non-current liabilities		**60**	104	**1,339**	969
Equity					
Ordinary shares	20	**7,529**	7,529	**7,529**	7,529
Share premium	20	**76,804**	76,804	**76,804**	76,804
Merger relief reserve	20	**641**	641	**641**	641
Reverse acquisition reserve	20	**(75,229)**	(75,229)	**—**	—
Accumulated losses		**(7,036)**	(5,933)	**(77,572)**	(77,057)
Total equity		**2,709**	3,812	**7,402**	7,917
Total liabilities and equity		**4,239**	5,413	**9,099**	9,039

Consolidated Statement of Changes in Equity

for the year ended 30 September 2015

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Accumulated losses £'000	Total £'000
Balance at 31 May 2013 and 1 June 2013	**2,608**	**76,791**	**—**	**(75,935)**	**(3,743)**	**(279)**
Total comprehensive expense for the period	—	—	—	—	(2,292)	(2,292)
Transactions with owners						
Charge in respect of share options	—	—	—	—	102	102
Exercise of share options	464	13	—	(261)	—	216
Conversion of loan note	988	—	—	234	—	1,222
Cost of acquisition	3,469	—	641	733	—	4,843
Total transactions with owners	**4,921**	**13**	**641**	**706**	**102**	**6,383**
Balance at 30 September 2014	**7,529**	**76,804**	**641**	**(75,229)**	**(5,933)**	**3,812**
Total comprehensive expense for the period	—	—	—	—	(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**

Company Statement of Changes in Equity

for the year ended 30 September 2015

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Accumulated losses £'000	Total £'000
Balance at 30 September 2013 and 1 October 2013	**3,469**	**76,791**	**—**	**(76,443)**	**3,817**
Total comprehensive expense for the period	—	—	—	(808)	(808)
Transactions with owners					
Charge in respect of share options	—	—	—	194	194
Exercise of share options	53	13	—	—	66
Cost of acquisition	4,007	—	641	—	4,648
Total transactions with owners	**4,060**	**13**	**641**	**194**	**4,908**
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**

Consolidated and Company Statements of Cash Flows

for the year ended 30 September 2015, 16 months ended 30 September 2014 and 12 months ended September 2014

	Group		Company	
	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000	**Year ended 30 September 2015 £'000**	12 months ended 30 September 2014 £'000
Cash flows from operating activities				
Loss for the period	**(1,194)**	(2,292)	**(606)**	(808)
Finance income	**(1)**	(18)	**—**	(18)
Finance income accrued but not yet paid by subsidiary undertakings	**—**	—	**(214)**	—
Taxation	**(199)**	(206)	**—**	—
Depreciation	**49**	51	**—**	—
Amortisation of acquired intangibles	**100**	130	**—**	—
Impairment of acquired intangibles	**120**	—	**—**	—
Research and development expenditure credit	**(131)**	(116)	**—**	—
Premium on acquisition expensed	**—**	657	**—**	—
Investment in subsidiary undertaking	**—**	—	**(68)**	—
Share option charge	**91**	102	**91**	—
	(1,165)	(1,692)	**(797)**	(826)
Changes in working capital				
(Increase)/decrease in trade and other receivables	**(442)**	44	**(1,427)**	(2,063)
(Decrease)/increase in trade and other payables	**(27)**	(1,223)	**575**	439
Cash used in operations	**(1,634)**	(2,871)	**(1,649)**	(2,450)
Taxation received	**318**	597	**—**	—
Net cash used in operating activities	**(1,316)**	(2,274)	**(1,649)**	(2,450)
Cash flows from investing activities				
Cash and cash equivalents acquired	**—**	4,497	**—**	—
Purchase of property, plant and equipment	**(45)**	(125)	**—**	—
Finance income	**1**	18	**—**	18
Finance income accrued but not yet paid by subsidiary undertakings	**—**	—	**214**	—
Net cash (used in)/generated from investing activities	**(44)**	4,390	**214**	18
Cash flows from financing activities	**—**	216	**—**	—
Issue of shares	**—**	103	**—**	—
Movement in money market investments				
Net cash generated from financing activities	**—**	319	**—**	—
Movements in cash and cash equivalents in the period	**(1,360)**	2,435	**(1,435)**	(2,432)
Cash and cash equivalents at start of period	**3,294**	859	**1,986**	4,418
Cash and cash equivalents at end of period	**1,934**	3,294	**551**	1,986

Notes to the Financial Statements

1. GENERAL INFORMATION

IXICO plc ('the Company') is a public limited company incorporated in England & 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.

On 14 October 2013 the Company, then named Phytopharm plc, became the legal parent of IXICO Technologies Limited. Reverse acquisition accounting was adopted since the substance of that transaction is that IXICO Technologies Limited is the accounting parent. IXICO Technologies Limited produced its previous annual statutory financial statements for the year ended 31 May 2013 and, following the transaction changed its accounting period end to 30 September. Accordingly, the accounting period was extended for the sixteen month period commencing 1 June 2013 through 30 September 2014.

The comparative financial information consolidate the results of IXICO Technologies Limited for the sixteen month period commencing 1 June 2013 through 30 September 2014 together with the results of IXICO plc and its subsidiaries from the acquisition date of 14 October 2013 through 30 September 2014.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, 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 results of IXICO plc and of its subsidiaries (together 'the Group'). Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

Going concern

At the time of approving the consolidated financial statements, and based on a review of the group's forecasts and business plan, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence 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 financial statements.

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 judgment 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

Reverse acquisition and intangible assets

The Group applied the principles of IFRS 3's reverse acquisition accounting in respect of the Phytopharm plc transaction, modified to record the excess of the fair value of consideration transferred over the fair value of net identifiable assets as a listing expense.

The key judgements involved were the identification and valuation of intangible assets which required the estimation of future cash flows and the selection of a suitable discount rate and the determination that the difference between the fair value of the consideration effectively given and the aggregate of the fair values of the separable net assets acquired effectively represents the cost of acquiring the public listing, and has been treated as an administrative expense.

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 adopted IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 27, 'Separate financial statements' on 1 October 2014. This resulted in the Group changing its accounting policy for the basis of consolidation and definition of control but has had no further impact on the 2015 consolidated financial statements.

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 (IASB effective date 1 January 2018)(i)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)(i)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)(i)
- Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 February 2015)
- Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)(i)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)(i)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)(i)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)(i)

(i) Not adopted by the EU as at 16 June 2015.

Where relevant, the Group is still evaluating the effect of these Standards issued but not yet effective, on the presentation of its consolidated financial statements.

Reverse acquisition

Although the legal form of this transaction is an acquisition of IXICO Technologies Limited by IXICO plc the substance is the reverse of this. Accordingly the business combination has been prepared using reverse acquisition accounting, modified to record the excess of the fair value of consideration transferred over the fair value of net identifiable assets as a listing expense.

Under the specific requirements of the Companies Act 2006 and IFRS 3 'Business Combinations', reverse acquisition accounting has been adopted for the period ended 30 September 2014. The key features of this basis of consolidation are:

- consolidated financial statements are a continuation of the results and balances of the legal subsidiary, IXICO Technologies Limited,
- the reserves of the Group are those of the legal subsidiary pre-combination together with the results of the whole Group post transaction date,
- the equity of the Group represent the equity structure of the legal parent, IXICO plc with comparatives re-stated using the exchange ratio of 15.67 established on acquisition,
- where the legal parent issues shares as consideration for the reverse acquisition, the company is obliged once the necessary conditions are satisfied, to record the share premium to the merger relief reserve,
- 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, and
- the IXICO plc Group will be brought into the consolidation from the date of its reverse acquisition at fair values at that date.

Where an acquiree's existing share-based payment awards are replaced by the acquirer, the exchange of share-based payment awards in conjunction with a reverse acquisition are accounted for as modifications of share-based payment awards in accordance with IFRS 2 'Share-based Payment'. When the legal acquirer voluntarily replaces the acquiree's share-based payment awards with its own awards either all or a portion of the value of the replacement awards forms part of the consideration transferred. The value of the replacement share-based payment awards relating to pre-combination service is included in consideration transferred and post-combination service is accounted for as compensation expense in the post-combination consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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 when risk and reward have passed to the customer and there is no significant ongoing obligation upon the Group.

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 research and development expenditure credit ('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 10% of qualifying R&D 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

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. REVERSE ACQUISITION

With effect from 14 October 2013 the Company, then named Phytopharm plc, became the legal parent of IXICO Technologies Limited. The aggregate consideration for the acquisition was £4,843,000 satisfied by the initial issue of 8,014,403 new ordinary shares and put and call options over 465,350 shares which in substance reflect replacement awards issued by IXICO plc to satisfy outstanding share options under the IXICO Technologies Limited unapproved share option scheme.

Due to the relative values of the companies, the former IXICO Technologies Limited shareholders became the majority shareholders with approximately 55% of the share capital of the enlarged Group.

The fair value of the assets and liabilities acquired were as follows:

	£'000
Cash and cash equivalents	4,497
Money market investments	103
Trade and other receivables	600
Intangible fixed assets	650
Trade and other payables	(1,534)
Deferred tax liability	(130)
Total identifiable net assets	**4,186**
Excess treated as the cost of acquiring the public listing	657
Total consideration	**4,843**

3. REVERSE ACQUISITION (continued)

Total consideration

The fair value of the new ordinary shares issued as consideration for the acquisition of IXICO Technologies Limited £4,648,000 was determined on the basis of the Company's mid-market closing share price on 14 October 2013, being the date the Company acquired control of IXICO Technologies Limited.

There is a potential issue of 465,350 new ordinary shares in the Company to satisfy the exercise of outstanding share options under the IXICO Technologies Limited unapproved share option scheme. 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. The fair value of the share options of £195,000 was estimated using a Black-Scholes valuation model assuming a risk-free interest rate equivalent to the United Kingdom 2 year gilt yield on 14 October 2013 and a volatility equivalent to the historical volatility attributable to the IXICO Technologies Limited share price. As at 30 September 2015, 106,545 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme.

Cost of acquiring the public listing

The cost of acquiring the public listing being the excess of the fair value of consideration transferred over the fair value of net identifiable assets, has been recognised in the consolidated statement of comprehensive income.

Intangible assets

Intangible assets were acquired through the reverse acquisition 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) and technology and marketing related intangibles associated with neurodegenerative disease conditions arising from the Company'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 five year period. Management considered it prudent to ignore cash flows beyond the five year period. Management applied sensitivity analysis on certain cash flows due to the nature of the clinical trial process. 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 reverse acquisition. The deferred tax liability has been measured at 20%, the tax rate that is expected to apply over the useful economic life of the intangible asset.

Money market investments

Money market investments represented deposits placed with a range of banks with notice periods exceeding three months. These investments reached maturity during the period and were placed on deposit, with maturities no longer than three months.

4. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements of the Group as at 30 September 2015 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%

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 one reporting segment.

The Group is domiciled in the United Kingdom with all sales originating in the United Kingdom. All non-current assets are located in the United Kingdom.

In the year ended 30 September 2015, the Group had three customers that exceeded 10% of total revenue, being 35%, 17% and 13%. In the period ended 30 September 2014, the Group had three customers that exceeded 10% of total revenue, being 49%, 15% and 14%.

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

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
United States	1,445	984
United Kingdom	1,377	1,959
Europe	240	411
China	53	59
Revenue	3,115	3,413

6. OTHER INCOME

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Grant income	936	826
Research and development expenditure credit	131	116
Other income	1,067	942

All grant income originates in the United Kingdom.

The Group recognised research and development expenditure credit as an item of other income, taking advantage of the above the line presentation.

7. EXCEPTIONAL EXPENSES

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 25 of the consolidated financial statements.

Exceptional expenses in the 16 months ended 30 September 2014, include the non-recurring costs of acquiring the public listing, transaction costs and dilapidations relating to premises previously occupied by the Phytopharm group.

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 2015 £'000	16 months ended 30 September 2014 £'000
Professional fees	247	—
Cost of acquiring the public listing	—	657
Restructuring costs	—	281
Non-recurring administrative expenses	247	938

8. AUDITOR'S REMUNERATION

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

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Fees payable to the Group's auditors for the audit of:		
the Company's annual accounts	12	12
the subsidiaries' annual accounts	16	16
Total audit fees	**28**	28
Tax compliance services	7	13
Other services	12	14
Total non-audit fees	**19**	27

9. EMPLOYEES AND DIRECTORS

The average monthly number of persons (including executive directors) employed by the Group was:

	Year ended 30 September 2015 Number	16 months ended 30 September 2014 Number
Administration	8	10
Operations, research and development	48	35
Average total persons employed	**56**	45

As at 30 September 2015 the Group had 61 employees (2014: 52).

Staff costs in respect of these employees were:

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Wages and salaries	2,816	2,989[(i)]
Social security costs	319	335
Other pension costs	164	157
Share-based payments	91	102
Total remuneration	**3,390**	3,583

(i) Comparative wages and salaries is restated to include wages and salaries charged to cost of sales. Consolidated financial statements for the period ended 30 September 2014 disclosed wages and salaries of £1,959,000, with inclusion of wages and salaries charged to cost of sales, the balance was £2,989,000.

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 2015 in respect of pension costs are £13,000 (2014: £nil).

The share-based payment during the year ended 30 September 2015 included £nil (2014: £4,000) related to options issued to former directors of the Group who are no longer employees.

Key management remuneration:

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Short-term employee benefits	1,092	1,208
Post-employment benefits	68	59
Total remuneration	**1,160**	1,267

9. EMPLOYEES AND DIRECTORS (continued)

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.

The aggregate directors' remuneration is £602,000 (2014: £502,000) and aggregate pension is £33,000 (2014: £24,000).

10. OPERATING (LOSS)/PROFIT

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

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Research and development expenses	1,234	1,369
Sales and marketing expenses	584	922
Operating lease charges: land and building	127	269
Depreciation of property, plant and equipment	49	51
Amortisation of intangible asset	100	130
Impairment of intangible asset	120	—
Foreign exchange (gain)/loss	(44)	101
Administrative expenses	1,836	1,791
Non-recurring administrative expenses	247	938
Total operating expenses	**4,253**	5,571

11. TAXATION

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

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
(Loss)/profit on ordinary activities before taxation	(1,393)	(2,498)
(Loss)/profit before tax at the effective rate of corporation tax in the United Kingdom of 20.50% (2014: 22.25%)	(286)	(556)
Effects of:		
Expenses not deductible for tax purposes	7	(163)
Capital allowances in excess of depreciation	(33)	(10)
Trading losses carried forward	—	(69)
Other temporary differences	16	(9)
Adjustment in respect of prior years	—	23
R&D uplifts net of losses surrendered for tax credits	97	578
	(199)	(206)

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

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Small or medium enterprise research and development credit	(182)	(228)
Deduction for corporation tax on research and development expenditure credit	27	27
Adjustment in respect of prior years	—	21
Deferred tax movement on amortisation	(44)	(26)
Tax credit for the period	**(199)**	(206)

11. TAXATION (continued)

The Group has elected to take advantage of the research and development expenditure credit ('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 will run in parallel to the large company research and development scheme which the Group has previously claimed, which will now cease on 31 March 2016.

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

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Current tax receivable at start of period	**318**	297
Current tax receivable acquired in reverse acquisition	**—**	323
Current period credit	**286**	295
Corporation tax repayment	**(318)**	(597)
Current tax receivable at end of period	**286**	318

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:

	Year ended 30 September 2015 £'000	16 months ended 30 September 2014 £'000
Tax credit for the year	**199**	206
Deferred tax movement on amortisation	**(44)**	(26)
Research and development expenditure credit gross of corporation tax deduction	**131**	116
Current tax receivable in the period	**286**	295

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.

As at 30 September 2015 and 30 September 2014, 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 2015 £'000	16 months ended 30 September 2014 £'000
Loss for the period attributable to equity holders for basic loss and adjusted for the effects of dilution	**(1,194)**	(2,292)

	As at 30 September 2015 Number	As at 30 September 2014 Number
Ordinary shares in issue	**15,058,982**	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	**15,057,242**	15,057,242
Effects of dilution:		
Share options	**358,806**	358,806
Weighted average number of ordinary shares adjusted for the effects of dilution	**15,416,048**	15,416,048

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement £'000	Fixtures & fittings £'000	Equipment £'000	Total £'000
Cost				
At 31 May 2013	—	6	172	178
Additions	62	1	62	125
Disposals	—	—	(2)	(2)
At 30 September 2014	62	7	232	301
Additions	—	—	45	45
At 30 September 2015	**62**	**7**	**277**	**346**
Accumulated Depreciation				
At 31 May 2013	—	6	126	132
Charge for the period	4	1	46	51
Disposals	—	—	(2)	(2)
At 30 September 2014	4	7	170	181
Charge for the period	13	—	36	49
At 30 September 2015	**17**	**7**	**206**	**230**
Net Book Value				
At 30 September 2014	58	—	62	120
At 30 September 2015	**45**	**—**	**71**	**116**

As at 30 September 2015 and 30 September 2014, the Company had no property, plant and equipment.

14. INTANGIBLE ASSETS

	Registered intellectual property £'000	Technology & marketing know-how £'000	Total £'000
Cost			
At 31 May 2013	—	—	—
Additions – reverse acquisition	150	500	650
At 30 September 2014 and 30 September 2015	**150**	**500**	**650**
Amortisation and Impairment			
At 31 May 2013	—	—	—
Amortisation	30	100	130
At 30 September 2014	30	100	130
Amortisation	—	100	100
Impairment	120	—	120
At 30 September 2015	**150**	**200**	**350**
Net Book Value			
At 30 September 2014	120	400	520
At 30 September 2015	**—**	**300**	**300**

14. INTANGIBLE ASSETS (continued)

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

Technology and marketing know-how

During the reporting period, the Group identified no evidence that indicate the 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.

As at 30 September 2015 and 30 September 2014, the Company had no intangible assets.

15. INVESTMENTS IN GROUP UNDERTAKINGS

	Company	
	As at 30 September 2015 £'000	As at 30 September 2014 £'000
IXITech Limited		
At 1 October	**2**	2
At 30 September	**2**	2
IXICO Technologies Limited		
At 1 October	**4,909**	—
Initial issue of 8,014,403 new ordinary shares at £0.58 per share	**—**	4,648
Fair value of the exchanged share-based payment awards	**—**	195
Issue of 106,545 shares for the exercise of share options at £0.625 per share	**—**	66
Increase in capital contribution relating to share option charge	**68**	—
At 30 September	**4,977**	4,909
Total investments in group undertakings	**4,979**	4,911

IXITech Limited

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

IXICO Technologies Limited

On 14 October 2013 the Company, then named Phytopharm plc, became the legal parent of IXICO Technologies Limited. The aggregate consideration for the acquisition was £4,843,000 satisfied by the initial issue of 8,014,403 new ordinary shares and put and call options over 465,350 shares which in substance reflect replacement awards issued by IXICO plc to satisfy outstanding share options under the IXICO Technologies Limited unapproved share option scheme.

The fair value of the new ordinary shares issued as consideration for the acquisition of IXICO Technologies Limited (£4,648,000) was determined on the basis of the Company's mid-market closing share price on 14 October 2013, being the date the Company acquired control of IXICO Technologies Limited.

There is a potential issue of 465,350 new ordinary shares in the Company to satisfy the exercise of outstanding share options under the IXICO Technologies Limited unapproved share option scheme. 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. The fair value of the share options of £195,000 was estimated using a Black-Scholes valuation model assuming a risk-free interest rate equivalent to the United Kingdom 2 year gilt yield on 14 October 2013 and a volatility equivalent to the historical volatility attributable to the IXICO Technologies Limited share price. As at 30 September 2015, 106,545 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme.

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.

16. TRADE AND OTHER RECEIVABLES

	Group As at 30 September 2015 £'000	As at 30 September 2014 £'000	Company As at 30 September 2015 £'000	As at 30 September 2014 £'000
Amounts receivable within one year				
Trade receivables	**846**	600	**—**	—
Other receivables	**558**	344	**—**	—
Other taxation and social security	**23**	—	**4**	33
Prepayments	**176**	217	**30**	47
Trade and other receivables	**1,603**	1,161	**34**	80
Amounts receivable after more than one year				
Amounts due from subsidiary undertakings	**—**	—	**3,535**	2,062
Amounts due from subsidiary undertakings	**—**	—	**3,535**	2,062

The average credit period offered on sales of goods varies amongst customers with payment terms ranging from 30 to 75 days.

The Group has 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 As at 30 September 2015 £'000	As at 30 September 2014 £'000	Company As at 30 September 2015 £'000	As at 30 September 2014 £'000
Provision for impairment at start of period	**16**	—	**—**	—
Increase in provision	**—**	16	**—**	—
Release of provision	**(10)**	—	**—**	—
Provision for impairment at end of period	**6**	16	**—**	—

Trade receivables include amounts which are past due at the yearend 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 are considered recoverable. As at 30 September 2015, the average age of the receivables is 98 days (2014: 64 days).

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

	Group As at 30 September 2015 £'000	As at 30 September 2014 £'000	Company As at 30 September 2015 £'000	As at 30 September 2014 £'000
Less than 30 days	**4**	—	**—**	—
31-60 Days	**1**	—	**—**	—
61-90 Days	**33**	—	**—**	—
More than 90 days	**3**	11	**—**	—
Total trade receivables past due but not impaired	**41**	11	**—**	—

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 (2014: interest free), unsecured and have no fixed date of repayment.

17. DEFERRED TAX ASSET (UNRECOGNISED)

	Group As at 30 September 2015 £'000	Group As at 30 September 2014 £'000	Company As at 30 September 2015 £'000	Company As at 30 September 2014 £'000
Tax effect of timing differences:				
Depreciation in excess of tax allowances	**(137)**	21	**(3)**	(4)
Accumulated losses	**(12,261)**	(12,715)	**(1,450)**	(1,452)
Temporary differences	**(4)**	(14	**(7)**	—
Deferred tax asset (unrecognised)	**(12,402)**	(12,708)	**(1,460)**	(1,456)

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 timing differences reverse, based on tax rates and laws enacted or substantively enacted at the latest balance date, currently 20% (2014: 21%).

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 As at 30 September 2015 £'000	Group As at 30 September 2014 £'000	Company As at 30 September 2015 £'000	Company As at 30 September 2014 £'000
Amounts falling due within one year				
Trade payables	**370**	398	**97**	55
Other taxation and social security	**113**	66	**—**	—
Accrued expenses	**973**	976	**261**	98
Other payables	**14**	57	**—**	—
Trade and other payables	**1,470**	1,497	**358**	153
Amounts falling due after more than one year				
Amounts due to subsidiary undertakings	**—**	—	**1,339**	969
Amounts due to subsidiary undertakings	**—**	—	**1,339**	969

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. As at 30 September 2015, the average credit period taken for trade purchases is 100 days (2014: 111 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.

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

Amounts due to subsidiary undertakings are interest bearing (2014: interest free), unsecured and have no fixed date of repayment.

19. DEFERRED TAX LIABILITY

	Group As at 30 September 2015 £'000	As at 30 September 2014 £'000	Company As at 30 September 2015 £'000	As at 30 September 2014 £'000
Balance at start of period	104	—	—	—
Deferred tax liability resulting from the reverse acquisition	—	130	—	—
Amortisation	(20)	(26)	—	—
Impairment	(24)	—	—	—
Balance at end of period	**60**	104	—	—

The deferred tax liability was recognised due to the temporary difference arising from the recognition of the intangible assets acquired through the reverse acquisition. The deferred tax liability has been measured at 20%, the tax rate that is expected to apply over the useful economic life of the intangible asset. 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.

The Group has identified that the value of the registered intellectual property intangible asset has been impaired and recognised an impairment loss of £120,000 in the year ended 30 September 2015. This results in a £24,000 reduction in the associated deferred tax liability. During the reporting period, the Group identified no evidence that indicate the technology and marketing know-how intangible asset may be impaired.

20. ISSUED CAPITAL AND RESERVES

Ordinary shares and share premium

	Ordinary share of 50 pence Number	Group Share Capital £'000	Share Premium £'000
At 31 May 2013	5,216,324	2,608	76,791
Issued on 20 September 2013 for the conversion of loan note	1,976,271	988	—
Issued on 14 October 2013 for the exercise of share options	821,808	411	—
Issued on 14 October 2013 for the cost of acquisition	6,938,034	3,469	—
Issued on 12 August 2014 for the exercise of share options	106,545	53	13
At 30 September 2014 and 30 September 2015	**15,058,982**	**7,529**	**76,804**

	Ordinary share of 50 pence Number	Group Share Capital £'000	Share Premium £'000
At 30 September 2013	6,938,034	3,469	76,791
Issued on 14 October 2013 for the cost of acquisition	8,014,403	4,007	—
Issued on 12 August 2014 for the exercise of share options	106,545	53	13
At 30 September 2014 and 30 September 2015	**15,058,982**	**7,529**	**76,804**

In a reverse acquisition under IFRS 3 'Business Combinations', the presentation of the financial statements represents the continuation of the legal subsidiary, IXICO Technologies Limited, except for the legal capital structure. The equity of the Group represents the capital structure of the legal parent, IXICO plc. The comparatives reflect the capital structure of the legal subsidiary re-stated using the exchange ratio of 15.67 which was established on acquisition to reflect the number of shares of the legal parent issued in the reverse acquisition. The capital structure of the legal subsidiary was also re-stated to reflect the share capital consolidation on 4 September 2013. After accounting for these adjustments, the comparative share capital of the legal subsidiary was 5,216,324 ordinary shares in issue.

On 4 September 2013 the Company effected a share capital consolidation whereby the Company issued one ordinary share of 50 pence for every fifty existing ordinary shares of one pence. On completion of the share capital consolidation the Company had 6,938,034 ordinary shares in issue.

On 20 September 2013, the entire outstanding balance of the convertible loan notes was converted into 126,131 ordinary shares of IXICO Technologies Limited. The shares issued on conversion equate to 1,976,271 shares based on the exchange ratio of 15.67 established on acquisition.

20. ISSUED CAPITAL AND RESERVES (continued)

On 14 October 2013, 52,450 ordinary shares of IXICO Technologies Limited were issued following the exercise of the approved share options as part of the reverse acquisition. The shares exercised equate to 821,808 shares based on the exchange ratio of 15.67 established on acquisition.

With effect from 14 October 2013 the Company, then named Phytopharm plc, became the legal parent of IXICO Technologies Limited. The aggregate consideration for the acquisition was £4,843,000 satisfied by the initial issue of 8,014,403 new ordinary shares and put and call options over 465,350 shares which in substance reflect replacement awards issued by IXICO plc to satisfy outstanding share options under the IXICO Technologies Limited unapproved share option scheme. For the Group ordinary share and share premium reconciliation, the cost of acquisition relates to the ordinary share capital and share premium of the legal parent.

On 12 August 2014, 106,545 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 share premium 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 Companies Act 2006 S.612 '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 are purchases of shares in IXICO plc, which relate to the IXICO Share Incentive Plan 2007, under which the Company issued one "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. During the year ended 30 September 2015, the Group purchased nil ordinary shares of 50 pence (2014: nil ordinary shares of 50 pence) at a total cost of £nil (2014: £nil). As at 30 September 2015 and 30 September 2014, 1,740 ordinary shares of 50 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 two share option schemes (2014: one). 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

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 re-stated 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 six months to two 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.

As part of the reverse acquisition, all outstanding approved share options in IXICO Technologies Limited, 781,853 re-stated options (49,900 share options), were exercised on the date of acquisition.

In the consolidated financial statements, IXICO Technologies Limited share options have been re-stated 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 30 September 2015, 106,545 re-stated ordinary shares (6,800 shares) were issued following the exercise of share options relating to the replaced share option scheme.

21. SHARE-BASED PAYMENTS (continued)

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 three equal tranches at the end of years one, two and three. Vesting is conditional on achievement of individual employee and Group performance criteria determined by the Board.

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

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

	As at 30 September 2015		As at 30 September 2014	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of period: IXICO plc	—	—	255	£2.07
Outstanding at start of period: IXICO Technologies Limited	358,806	£2.32	1,247,205	£3.46
Granted	1,144,470	£0.49	—	—
Exercised	—	—	(888,399)	£3.65
Lapsed	(30,117)	£0.49	(255)	£2.07
Outstanding at end of period	1,473,159	£0.94	358,806	£2.32
Exercisable at end of period	358,806	£2.32	358,806	£2.32

During the 16 months ended September 2014, the options were exercised at a weighted average share price of £0.58.

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 2015	Number of shares Outstanding As at 30 September 2014
IXICO plc replacement share option scheme	14 October 2015	£2.32	358,806	358,806
IXICO EMI Share Option Plan 2014	7 May 2024	£0.49	1,114,353	—
Outstanding at end of period		£0.94	1,473,159	358,806

As at 30 September 2015 and 30 September 2014, there were 358,806 re-stated options outstanding under the IXICO plc replacement share option scheme which represented 22,900 shares of the replaced scheme.

During the year ended 30 September 2015, 1,144,470 options were granted under the IXICO EMI Share Option Plan 2014 (2014: nil). The estimated fair value of the options granted is £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 2015
Weighted average share price	£0.49
Weighted average exercise price	£0.49
Expected volatility	89.1%
Expected life	10 years
Expected dividends	0%
Risk free interest rate	2.8%
Model used	Monte Carlo followed by ‘Hull White’ trinomial lattice

21. SHARE-BASED PAYMENTS (continued)

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 par to £6 per option and the weighted average contractual life is 5.8 years (2014: 1 year).

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

	As at 30 September 2015 £'000	As at 30 September 2014 £'000
Minimum lease payments under operating leases recognised as an expense in the period	127	269

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 2015 £'000	As at 30 September 2014 £'000	As at 30 September 2015 £'000	As at 30 September 2014 £'000
Within one year	130	127	130	127
In the second to fifth years inclusive	321	498	321	498
After five years	—	—	—	—

Operating lease payments represent rentals payable by the Group for its registered office. As at 30 September 2015, the lease has 3.5 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 2015 £'000	As at 30 September 2014 £'000	**As at 30 September 2015 £'000**	As at 30 September 2014 £'000
	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	**1,404**	944	**3,535**	2,062
Cash and cash equivalents	**1,934**	3,294	**551**	1,986
	3,338	4,238	**4,086**	4,048

	Group		Company	
	As at 30 September 2015 £'000	As at 30 September 2014 £'000	**As at 30 September 2015 £'000**	As at 30 September 2014 £'000
	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	**1,357**	1,431	**1,697**	1,122

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

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.

23. FINANCIAL RISK MANAGEMENT (continued)

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 2015 are as follows:

	Group		Company	
US Dollar exposure	As at 30 September 2015 USD'000	As at 30 September 2014 USD'000	As at 30 September 2015 USD'000	As at 30 September 2014 USD'000
Balance at end of period				
Monetary assets	1,250	427	—	—
Monetary liabilities	(11)	(51)	—	—
Total exposure	1,239	376	—	—

	Group		Company	
Euro exposure	As at 30 September 2015 EUR'000	As at 30 September 2014 EUR'000	As at 30 September 2015 EUR'000	As at 30 September 2014 EUR'000
Balance at end of period				
Monetary assets	57	127	—	—
Monetary liabilities	(17)	(30)	—	(4)
Total exposure	40	97	—	(4)

	Group		Company	
Swiss Franc exposure	As at 30 September 2015 CHF'000	As at 30 September 2014 CHF'000	As at 30 September 2015 CHF'000	As at 30 September 2014 CHF'000
Balance at end of period				
Monetary assets	58	—	—	—
Monetary liabilities	—	—	—	—
Total exposure	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 2015, 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 (2014: 10%).

If sterling had been 10% (2014: 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 2015	(75)	(3)	(4)	(82)
16 months ended 30 September 2014	(27)	(11)	—	(38)

If sterling had been 10% (2014: 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 2015	91	3	4	98
16 months ended 30 September 2014	33	13	—	46

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.

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 2015, the Group sold project management services totalling £62,000 (2014: £96,000) to University College London Business Plc, a shareholder. The amount owed by University College London Business Plc at 30 September 2015 was £11,000 (2014: £23,000).

During the year ended 30 September 2015, the Group purchased services totalling £161,000 (2014: £66,000) from University College London Business Plc, a shareholder. The amount owed to University College London Business Plc at 30 September 2015 was £50,000 (2014: £nil).

During the year ended 30 September 2015, the Group purchased services totalling £5,000 (2014: £3,000) from King's College London, a shareholder. The amount owed to King's College London at 30 September 2015 was £nil (2014: £nil).

During the year ended 30 September 2015, the Group purchased consultancy services totalling £nil (2014: £19,000) from Croggan Limited, a company owned by Dr A. J. M. Richards, a director. The amount owed to Croggan Limited at 30 September 2015 was £nil (2014: £nil).

During the year ended 30 September 2015, the Group was charged monitoring fees totalling £nil (2014: £8,000) from Imperial Innovations Businesses LLP, a shareholder. The amount owed to Imperial Innovations Business LLP at 30 September 2015 was £nil (2014: £nil).

During the year ended 30 September 2015, the Group was charged monitoring fees totalling £nil (2014: £7,000) from YFM Venture Finance Limited, a shareholder. The amount owed to YFM Venture Finance Limited at 30 September 2015 was £nil (2014: £nil).

Company

The Company is responsible for financing and setting Group strategy. The Company's subsidiaries carried out the Group's research and development strategy, employed all the staff including the executive directors and managed the Group's intellectual property. The Company provides interest free 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 2015, the Company has been charged £299,000 (2014: £530,000) 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

Exercise of share options: IXICO plc replacement share option scheme

On 2 October 2015 and 12 October 2015, 142,581 and 14,101 new ordinary shares of 50 pence each in the Company have been issued and allotted pursuant to the exercise of options under the IXICO plc replacement share option scheme. Under the terms of the scheme the new shares issued and allotted in IXICO Technologies Limited are subject to a put and call arrangement resulting in the new ordinary shares being issued and allotted in IXICO plc.

As at 12 October 2015, the Company was in a close period therefore two directors were unable to exercise their options and purchase the shares as they intended. A deed of variation dated 12 October 2015 extended the exercise date of 186,455 share options held by such directors to 15 April 2016.

The remaining 15,669 share options in respect of the IXICO plc replacement share option scheme were not exercised by the expiry date of 14 October 2015 and have lapsed.

Following the admission to trading of the new ordinary shares, the Company had 15,215,664 ordinary shares of 50 pence each in issue.

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 re-designated each into one ordinary share of 1 pence and one 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.

25. POST BALANCE SHEET EVENTS (continued)

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

On completion of the share capital restructuring the nominal value of each ordinary share is 1 pence. The number of ordinary shares before and subsequent to the share capital restructuring remained at 15,215,664.

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.

Following the admission to trading of the new ordinary shares, the Company had 24,088,123 ordinary shares of 1 pence each in issue.

Business combination: Optimal Medicine Limited

Consideration

On 8 December 2015 the Company acquired the entire issued share capital of Optimal Medicine Limited. The aggregate consideration for the acquisition was £1,500,000 in consideration shares at a consideration share price of 49 pence comprising;

- the initial issue of 2,355,295 new ordinary shares,
- the issue of 590,093 deferred consideration shares on 31 December 2016, on which the period for warranty claims has expired and provided that no such claims have been made. Deferred consideration shares shall both rank pari passu in all respects with the ordinary shares of the Company, and
- the possible issue of a further 113,668 new ordinary shares as a result of the exercise of outstanding share options under the Optimal Medicine Limited share option scheme.

Representations and warranties

The Optimal Medicine Limited shareholders have each given certain warranties under the Acquisition Agreement to IXICO plc. in respect of the business and operations of Optimal Medicine and a tax covenant.

The liability of the Optimal Medicine shareholders under the Acquisition Agreement is subject to limitations, including:

- the liability shall not arise unless an individual claim exceeds £5,000 and the amount of all claims exceeds £30,000, and
- the liability of the Optimal Medicine Limited shareholders shall not exceed £300,000.

The time limit for bringing claims is the 31 December 2016, provided that legal proceedings in respect of such a claim shall be validly served within six months.

Optimal Medicine share option scheme

Under the Acquisition Agreement, IXICO plc has issued replacement share option awards to satisfy outstanding share options under the Optimal Medicine Limited share option scheme. These share options are exit-only options and therefore will be exercisable on completion of the acquisition, with the exercise date extended for 12 months from the acquisition date. The exercise date has been extended for Mr David Brister in respect of his share options for 18 months from the acquisition date. Put and call option letters will be entered into with each option holder to acquire the shares issued in Optimal Medicine Limited in consideration for ordinary shares in IXICO plc at a fixed exchange ratio.

Transaction costs of £247,000 have been included as a non-recurring administrative expense as detailed in note 7 of the consolidated financial statements.

On 8 December 2015 following the admission to trading of the new ordinary shares, the Company had 26,443,418 ordinary shares of 1 pence each in issue. The opening share price on 8 December 2015 was 29.5 pence.