



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

**Half Yearly Report to 31 March 2017**

**Strong revenue growth**  
**Delivering on contracts and commercial collaborations**

22 May 2017, IXICO plc (AIM: IXI), the digital technologies company serving neuroscience, announces its unaudited interim results for the six months ended 31 March 2017.

**Financial Highlights**

- Revenue increased by 31% to £2.0m (2016: £1.5m)
- Improved gross profit margin performance of 56% (2016: 49%)
- EBITDA loss reduced to £0.4m (2016: £1.0m)
- Operating loss reduced to £0.8m (2016: £1.1m)
- Loss per share reduced to 2.6p (2016: 4.6p)
- Cash balance of £2.8m (2016: £3.2m)

**Commercial and Operational Highlights**

**Board restructuring**

- Giulio Cerroni appointed as Chief Executive Officer, brings extensive experience in scaling operations to build businesses and supplying sophisticated products and services to pharmaceutical and research life science markets
- Derek Hill remains on the Board as President of Regulatory Science and External Relations with specific responsibility for deepening the Company's relationships with major pharmaceutical companies

**Further strengthening of IXICO's specialist digital services to pharmaceutical customers**

- Assessa®PML collaboration with Biogen expanded from pilot stage to planning production roll-out
- New sales wins demonstrate continued expansion and success in neurological disease areas
- New contract with existing top 10 pharmaceutical company reflects increasing adoption of technology platform

**Innovation remains a key pillar of our long term strategy**

- Participation in a leading research collaboration to assess  $\beta$ -amyloid for the prevention of Alzheimer's Disease as part of the EPAD consortium
- Participation in a new collaborative pan-European research effort focused on addressing the challenges of successfully delivering therapies to people with Alzheimer's Disease as part of the ROADMAP consortium

**Giulio Cerroni, Chief Executive Officer of IXICO, said:** "Our operational performance in the first half of this financial year has delivered a strong increase in revenue, improved gross profit margin performance and reduced losses. As we proceed into the second half I am excited to be executing plans that focus on accelerating our growth through optimising operational delivery and our integrated digital technologies to drive scale and commercial success."



## Enquiries:

|   |                  |
|---|------------------|
| <b>IXICO plc</b><br>Giulio Cerroni, Chief Executive Officer<br>Susan Lowther, Chief Financial Officer | +44 20 3763 7499 |
| <b>Shore Capital (Nominated Adviser and Broker)</b><br>Bidhi Bhoma / Edward Mansfield / James Wolfe   | +44 20 7408 4090 |
| <b>FTI Consulting Limited (Investor Relations)</b><br>Simon Conway/Mo Noonan                          | +44 20 3727 1000 |

## Notes to Editors

### About IXICO

IXICO is the digital technologies company serving neuroscience. Our mission is to transform the pursuit of improving brain health through the application of digital technologies to neuroscience. IXICO's specialist data analytics services are used by the global pharmaceutical industry to select participants for clinical trials, assess the safety and efficacy of new drugs in development and in post marketing surveillance. Our neurological disease focus includes Alzheimer's disease, Huntington's disease, Multiple Sclerosis, Parkinson's disease and our integrated digital platform encompasses the entire drug development lifecycle. It is a scalable and secure infrastructure for the capture and analysis of regulatory compliant clinical data to enable sponsors to make rapid, better informed decisions. IXICO is also collaborating with partners to develop new companion digital health products targeted at improving patient outcomes.

More information is available on [www.IXICO.com](http://www.IXICO.com)

## CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

We have continued to make good progress in the first six months of the year. We have delivered a significant operational and financial improvement over the prior period with both strong revenue growth and improved gross margin, driving reduced losses. This has been achieved by a customer-led focus and improvements in delivery whilst strengthening our operational base to drive scale to support consistent revenue growth.

On 6 February 2017, we strengthened the management team with Giulio Cerroni joining as Chief Executive Officer and Derek Hill taking on the new role of President of Regulatory Science and External Relations, reflecting the next phase of growth in the business. To support our mission of improving brain health and to realise our ambition of building a leading digital technologies company serving neuroscience, we have defined a commercially-led accelerated growth plan as a specialist services provider to the life sciences and pharma sector underpinned by our scientific expertise in brain diseases coupled with proprietary technology. This is focused on building on our trusted partnerships with our pharmaceutical customers who are seeking to develop and market effective therapies for neurological diseases. Here we have an established track record and a proprietary, scalable, digital platform that combines with our neurological disease expertise and knowhow in providing regulatory compliant data handling. In particular, our commercial partnership with Biogen demonstrates how IXICO's digital technology and specialist service capabilities are equally relevant in post-marketing applications, opening up wider market opportunities beyond clinical drug development.

In the period we progressed commercial collaborations and entered new contracts, both with existing and new customers:

- Our Assessa®PML collaboration with Biogen continues to make excellent progress as we work together through an expanded pilot stage as part of planning the commercial platform roll out, with IXICO providing specialist associated services. This is an important validation of our ability to leverage our data collection and analytics platform across all stages of drug development. In doing so we are introducing a unique, scalable integrated digital platform that provides mission critical services to the pharmaceutical industry.
- In October 2016, we entered into a new contract worth US\$1.2m with a top 15 global pharmaceutical company for advanced imaging clinical trial services in a rare neurodegenerative disease, progressive supranuclear palsy ("PSP"), a Parkinson's-like neurodegenerative condition caused by the premature loss of nerve cells in certain parts of the brain. The project is for a Phase IIa clinical study of patients in the early stages of PSP and will utilise IXICO's TrialTracker™ and Assessa® digital platforms to collect and analyse MRI data from specialist imaging centres across Europe and North America. The study is expected to complete in 2019 with the potential to be extended further.
- In March 2017, we entered into a new contract worth US\$1.5m with an existing top 10 pharmaceutical customer for the supply of services to a Phase IIb clinical trial of patients in PSP. IXICO will collect, manage and analyse MRI scans acquired at over 90 international specialist imaging centres utilising its proprietary TrialTracker™ platform. This data analytics technology has been specifically modified for quantifying drug effects in PSP patients. This current study is expected to complete in 2020 and there is potential for the scope to be extended further.

Innovation remains a key pillar of our long term strategy and future revenue growth plans. To support our recognised position as a leader in the broader digital health field, we actively participate in R&D collaborations funded by grants and partners. This environment also offers opportunities to engage with established pharmaceutical partners in a more strategic and collaborative way, as they look to integrate digital technologies in clinical trials and also consider how they might be deployed alongside marketed drugs as companion products.

- In October 2016, we joined an expert panel at The Coalition Against Major Diseases regulatory workshop, alongside representatives of the pharmaceutical industry and regulators from the FDA, EMA and PMDA. We presented how, through ongoing biosensor programmes, IXICO is addressing challenges such as ethics, privacy and security, data validation and clinical meaningfulness of data associated with the inclusion of wearable biosensors in pharmaceutical company sponsored clinical trials.
- In the period, we announced our participation in the Innovative Medicines Initiative focused on Amyloid Imaging to better understand  $\beta$ -amyloid for the prevention of Alzheimer's Disease (the AMYPAD consortium). Working in collaboration with leading academic, healthcare and pharmaceutical partners, including GE Healthcare, Piramal Imaging and Janssen Pharmaceutica JPNV, this research project aims to improve the diagnosis and management of the disease, understand the natural history in pre-symptomatic stage and select people for treatment or trials aimed at preventing Alzheimer's Disease. IXICO's TrialTracker® and Assessa® technology platforms will evaluate and enhance the way that amyloid PET scans can be used to support the development of new therapies for the treatment of patients with Alzheimer's Disease.
- In addition, we also entered into a new collaborative pan-European research effort under the Innovative Medicines Initiative's umbrella focused on addressing the challenges of successfully delivering therapies to people with Alzheimer's Disease (the ROADMAP consortium). In this collaboration with leading pharmaceutical companies and academics, IXICO's platforms will be used to devise clinically meaningful measurements from biosensors worn by patients, and to develop enhanced models of disease progression to help select the most appropriate treatment for an individual patient.

### **Current trading and outlook**

In summary, our financial year has started very well and, with strong growth and improved margins, we are making progress on our path to profitability with the Company well positioned to deliver double digit growth for the financial year, in line with market expectations. Profitability is an important target that we believe is within our reach without sacrificing appropriate investments in innovation, enhancing infrastructure and commercial capabilities.

We would like to thank our shareholders, customers, partners and staff for their continued support and enthusiasm and look forward to providing further updates as the Company enters its next phase as a public business.

## FINANCIAL REVIEW

The financial performance for the six-month period to 31 March 2017 was in line with expectations.

### **Revenue**

Revenue of £2.0million (H1 2016: £1.5million) represented a growth of over 30% compared to the prior period. This reflected the progression of clinical trials contracts (through the start-up and enrolment stages) and the Assessa®PML commercial collaboration with Biogen.

### **Other income**

Other income of £0.4million (H1 2016: £0.4million) was in line with the prior period. Further committed grant funding is expected to be received in the second half of the financial year.

### **Operating expenditure and loss after tax**

Operating expenditure of £2.4million (H1 2016: £2.3million) includes £0.4million intangible asset impairment charge.

EBITDA loss of £0.4million (H1 2016: £1.0million) reflected higher revenues, improved gross margin and lower operating expenditure as a result of strong operational delivery focus.

Accordingly, the Group's loss after tax for the six months was significantly improved. The loss reduced by over 30% to £0.7million (H1 2015: £1.1million).

### **Current assets**

Trade and other receivables of £1.6million (H1 2016: £1.8million) were in line with expectations, reflect agreed payment terms and are not impaired.

The tax asset of £0.7million (H1 2016: £0.4million) includes full year 2016 R&D tax credit claim of £0.6million. This is expected to be a cash receipt in the second half of the year of which £0.1million was received in early May.

Closing cash of £2.8million at 31 March 2017 (H1 2016: £3.2million) reflected a net cash outflow of £0.3million in the six month period. Net cash used in operations reduced to £0.3million (H1 2016: £1.6million).

### **Current liabilities**

Trade and other payables of £1.6million were in line with the prior period (H1 2016: £1.3million). The deferred consideration of £0.2million in respect of the acquisition of Optimal Medicine Limited was satisfied by an issue of shares in January 2017.

**Consolidated Statement of Comprehensive Income  
for the six months ended 31 March 2017 - unaudited**

|  | Note     | Six months<br>ended<br>31 March 2017<br>£'000<br>unaudited | Six months<br>ended<br>31 March 2016<br>£'000<br>unaudited | Year ended<br>30 September<br>2016<br>£'000<br>audited |
|--|----------|--|--|--|
| <b>Revenue</b>   |          | <b>2,015</b>   | 1,536  | 3,111  |
| Cost of sales  |          | <b>(880)</b>   | (789)  | (1,680)  |
| <b>Gross profit</b>  |          | <b>1,135</b>   | 747  | 1,431  |
| Other income   |          | <b>441</b>   | 446  | 752  |
| <b>Operating expenses</b>  |          |  |  |  |
| Research and development expenses  |          | <b>(697)</b>   | (776)  | (1,583)  |
| Sales and marketing expenses   |          | <b>(335)</b>   | (400)  | (759)  |
| General and administrative expenses  |          | <b>(909)</b>   | (1,086)  | (2,005)  |
| Non-recurring administrative expenses  | <b>3</b> | <b>(428)</b>   | (40)   | (706)  |
| <b>Total operating expenses</b>  |          | <b>(2,369)</b>   | (2,302)  | (5,053)  |
| <b>Operating loss</b>  |          | <b>(793)</b>   | (1,109)  | (2,870)  |
| Finance income   |          | —  | —  | 1  |
| <b>Loss on ordinary activities before taxation</b>                               |          | <b>(793)</b>   | (1,109)  | (2,869)  |
| Taxation   |          | <b>110</b>   | 82   | 750  |
| <b>Loss attributable to equity holders for the period</b>                        |          | <b>(683)</b>   | (1,027)  | (2,119)  |
| <b>Other comprehensive expense:</b>  |          |  |  |  |
| Foreign exchange translation differences   |          | <b>(26)</b>  | (16)   | (66)   |
| <b>Total other comprehensive expense</b>   |          | <b>(26)</b>  | (16)   | (66)   |
| <b>Total comprehensive expense attributable to equity holders for the period</b> |          | <b>(709)</b>   | (1,043)  | (2,185)  |
| <b>Loss earnings per share (pence)</b>   | <b>4</b> |  |  |  |
| Basic loss per share   |          | <b>(2.6)</b>   | (4.6)  | (8.7)  |
| Diluted loss per share   |          | <b>(2.6)</b>   | (4.6)  | (8.7)  |

**Consolidated Statement of Financial Position  
as at 31 March 2017 - unaudited**

|                                      | <b>As at<br/>31 March<br/>2017<br/>£'000<br/>unaudited</b> | <b>As at<br/>31 March<br/>2016<br/>£'000<br/>unaudited</b> | <b>As at 30<br/>September<br/>2016<br/>£'000<br/>audited</b> |
|--------------------------------------|--|--|--|
| <b>ASSETS</b>                        |  |  |  |
| <b>Non-current assets</b>            |  |  |  |
| Property, plant and equipment        | 77   | 113  | 88   |
| Intangible assets                    | 150  | 1,346  | 559  |
| <b>Total non-current assets</b>      | <b>227</b>   | <b>1,459</b>   | <b>647</b>   |
| <b>Current assets</b>                |  |  |  |
| Trade and other receivables          | 1,606  | 1,808  | 1,353  |
| Current tax receivable               | 664  | 409  | 562  |
| Cash and cash equivalents            | 2,800  | 3,181  | 3,120  |
| <b>Total current assets</b>          | <b>5,070</b>   | <b>5,398</b>   | <b>5,035</b>   |
| <b>Total assets</b>                  | <b>5,297</b>   | <b>6,857</b>   | <b>5,682</b>   |
| <b>LIABILITIES AND EQUITY</b>        |  |  |  |
| <b>Current liabilities</b>           |  |  |  |
| Trade and other payables             | 1,615  | 1,285  | 1,311  |
| Deferred consideration               | 5  | 174  | 174  |
| <b>Total current liabilities</b>     | <b>1,615</b>   | <b>1,459</b>   | <b>1,485</b>   |
| <b>Non-current liabilities</b>       |  |  |  |
| Deferred tax liabilities             | 29   | 269  | 112  |
| <b>Total non-current liabilities</b> | <b>29</b>  | <b>269</b>   | <b>112</b>   |
| <b>Equity</b>                        |  |  |  |
| Ordinary shares                      | 7,727  | 7,720  | 7,720  |
| Share premium                        | 79,421   | 79,421   | 79,421   |
| Merger relief reserve                | 1,480  | 1,312  | 1,312  |
| Reverse acquisition reserve          | (75,308)   | (75,307)   | (75,307)   |
| Translation reserve                  | (92)   | (16)   | (66)   |
| Accumulated losses                   | (9,575)  | (8,001)  | (8,995)  |
| <b>Total equity</b>                  | <b>3,653</b>   | <b>5,129</b>   | <b>4,085</b>   |
| <b>Total liabilities and equity</b>  | <b>5,297</b>   | <b>6,857</b>   | <b>5,682</b>   |

**Consolidated Statement of Changes in Equity  
for the six months ended 31 March 2017 - unaudited**

| <b>6 months ended<br/>31 March 2017</b>  | <b>Ordinary<br/>shares<br/>£'000<br/>unaudited</b> | <b>Share<br/>premium<br/>£'000<br/>unaudited</b> | <b>Merger<br/>relief<br/>reserve<br/>£'000<br/>unaudited</b> | <b>Reverse<br/>acquisition<br/>reserve<br/>£'000<br/>unaudited</b> | <b>Foreign<br/>exchange<br/>translation<br/>reserve<br/>£'000<br/>unaudited</b> | <b>Accumulated<br/>losses<br/>£'000<br/>unaudited</b> | <b>Total<br/>£'000<br/>unaudited</b> |
|--|--|--|--|--|---|---|--------------------------------------|
| <b>Balance at 1<br/>October 2016</b>   | <b>7,720</b>                                       | <b>79,421</b>                                    | <b>1,312</b>   | <b>(75,307)</b>  | <b>(66)</b>   | <b>(8,995)</b>  | <b>4,085</b>                         |
| <b>Total<br/>comprehensive<br/>expense</b>   |  |  |  |  |   |   |                                      |
| Loss for the period  | —  | —  | —  | —  | —   | (683)   | (683)                                |
| Other<br>comprehensive<br>expense:<br>Foreign exchange<br>translation<br>differences | —  | —  | —  | —  | (26)  | —   | (26)                                 |
| <b>Total<br/>comprehensive<br/>expense</b>   | <b>—</b>   | <b>—</b>   | <b>—</b>   | <b>—</b>   | <b>(26)</b>   | <b>(683)</b>  | <b>(709)</b>                         |
| <b>Transactions with<br/>owners</b>  |  |  |  |  |   |   |                                      |
| Charge in respect<br>of share options  | —  | —  | —  | —  | —   | 103   | 103                                  |
| Exercise of share<br>options   | 1  | —  | —  | (1)  | —   | —   | —                                    |
| Issue of deferred<br>consideration<br>shares   | 6  | —  | 168  | —  | —   | —   | 174                                  |
| <b>Total transactions<br/>with owners</b>  | <b>7</b>   | <b>—</b>   | <b>168</b>   | <b>(1)</b>   | <b>—</b>  | <b>103</b>  | <b>277</b>                           |
| <b>Balance at 31<br/>March 2017</b>  | <b>7,727</b>                                       | <b>79,421</b>                                    | <b>1,480</b>   | <b>(75,308)</b>  | <b>(92)</b>   | <b>(9,575)</b>  | <b>3,653</b>                         |



**Consolidated Statement of Changes in Equity**  
for the six months ended 31 March 2017 - unaudited (continued)

| 6 months ended<br>31 March 2016                | Ordinary<br>shares<br>£'000<br>unaudited | Share<br>premium<br>£'000<br>unaudited | Merger<br>relief<br>reserve<br>£'000<br>unaudited | Reverse<br>acquisition<br>reserve<br>£'000<br>unaudited | Foreign<br>exchange<br>translation<br>reserve<br>£'000<br>unaudited | Accumulated<br>losses<br>£'000<br>unaudited | Total<br>£'000<br>unaudited |
|--|--|--|---|---|---|---|-----------------------------|
| <b>Balance at 1<br/>October 2015</b>           | <b>7,529</b>                             | <b>76,804</b>                          | <b>641</b>  | <b>(75,229)</b>   | —   | <b>(7,036)</b>                              | <b>2,709</b>                |
| <b>Total<br/>comprehensive<br/>expense</b>     |  |  |   |   |   |   |                             |
| Loss for the period                            | —  | —                                      | —   | —   | —   | (1,027)                                     | (1,027)                     |
| Other<br>comprehensive<br>expense:             |  |  |   |   |   |   |                             |
| Foreign exchange<br>translation<br>differences | —  | —                                      | —   | —   | (16)  | —   | (16)                        |
| <b>Total<br/>comprehensive<br/>expense</b>     | <b>—</b>                                 | <b>—</b>                               | <b>—</b>  | <b>—</b>  | <b>(16)</b>   | <b>(1,027)</b>                              | <b>(1,043)</b>              |
| <b>Transactions with<br/>owners</b>            |  |  |   |   |   |   |                             |
| Charge in respect<br>of share options          | —  | —                                      | —   | —   | —   | 28  | 28                          |
| Exercise of share<br>options                   | 78                                       | —                                      | —   | (78)  | —   | —   | —                           |
| Proceeds from<br>shares issued                 | 89                                       | 2,617                                  | —   | —   | —   | —   | 2,706                       |
| Cost of acquisition                            | 24                                       | —                                      | 671   | —   | —   | 34  | 729                         |
| <b>Total transactions<br/>with owners</b>      | <b>191</b>                               | <b>2,617</b>                           | <b>671</b>  | <b>(78)</b>   | <b>—</b>  | <b>62</b>                                   | <b>3,463</b>                |
| <b>Balance at 31<br/>March 2016</b>            | <b>7,720</b>                             | <b>79,421</b>                          | <b>1,312</b>                                      | <b>(75,307)</b>   | <b>(16)</b>   | <b>(8,001)</b>                              | <b>5,129</b>                |

**Consolidated Statement of Changes in Equity**  
for the six months ended 31 March 2017 - unaudited (continued)

| <b>Year ended</b><br><b>30 September 2016</b> | <b>Ordinary</b><br><b>shares</b><br><b>£'000</b><br><b>audited</b> | <b>Share</b><br><b>premium</b><br><b>£'000</b><br><b>audited</b> | <b>Merger</b><br><b>relief</b><br><b>reserve</b><br><b>£'000</b><br><b>audited</b> | <b>Reverse</b><br><b>acquisition</b><br><b>reserve</b><br><b>£'000</b><br><b>audited</b> | <b>Foreign</b><br><b>exchange</b><br><b>translation</b><br><b>reserve</b><br><b>£'000</b><br><b>audited</b> | <b>Accumulated</b><br><b>losses</b><br><b>£'000</b><br><b>audited</b> | <b>Total</b><br><b>£'000</b><br><b>audited</b> |
|---|--|--|--|--|---|---|--|
| <b>Balance at 1 October 2015</b>              | <b>7,529</b>   | <b>76,804</b>  | <b>641</b>   | <b>(75,229)</b>  | <b>—</b>  | <b>(7,036)</b>  | <b>2,709</b>                                   |
| <b>Total comprehensive expense</b>            |  |  |  |  |   |   |  |
| Loss for the period                           | —  | —  | —  | —  | —   | (2,119)   | (2,119)  |
| Other comprehensive expense:                  |  |  |  |  |   |   |  |
| Foreign exchange translation differences      | —  | —  | —  | —  | (66)  | —   | (66)   |
| <b>Total comprehensive expense</b>            | <b>—</b>   | <b>—</b>   | <b>—</b>   | <b>—</b>   | <b>(66)</b>   | <b>(2,119)</b>  | <b>(2,185)</b>                                 |
| <b>Transactions with owners</b>               |  |  |  |  |   |   |  |
| Charge in respect of share options            | —  | —  | —  | —  | —   | 126   | 126  |
| Exercise of share options                     | 78   | —  | —  | (78)   | —   | —   | —  |
| Proceeds from shares issued                   | 89   | 2,617  | —  | —  | —   | —   | 2,706  |
| Cost of acquisition                           | 24   | —  | 671  | —  | —   | 34  | 729  |
| <b>Total transactions with owners</b>         | <b>191</b>   | <b>2,617</b>   | <b>671</b>   | <b>(78)</b>  | <b>—</b>  | <b>160</b>  | <b>3,561</b>                                   |
| <b>Balance at 30 September 2016</b>           | <b>7,720</b>   | <b>79,421</b>  | <b>1,312</b>   | <b>(75,307)</b>  | <b>(66)</b>   | <b>(8,995)</b>  | <b>4,085</b>                                   |

**Consolidated Statement of Cash Flows**  
**for the six months ended 31 March 2017 - unaudited**

|   | <b>Six months<br/>ended<br/>31 March 2017<br/>£'000<br/>unaudited</b> | Six months<br>ended<br>31 March 2016<br>£'000<br>unaudited | Year ended<br>30 September<br>2016<br>£'000<br>audited |
|---|---|--|--|
| <b>Cash flows from operating activities</b>                     |   |  |  |
| Loss for the period   | <b>(683)</b>  | (1,027)  | (2,119)  |
| Finance income  | —   | —  | (1)  |
| Taxation  | <b>(110)</b>  | (82)   | (750)  |
| Depreciation  | <b>25</b>   | 28   | 55   |
| Amortisation of acquired intangibles                            | <b>93</b>   | 108  | 292  |
| Impairment of acquired intangibles                              | <b>316</b>  | —  | 603  |
| Research and development expenditure credit                     | <b>(71)</b>   | (66)   | (135)  |
| Share option charge   | <b>103</b>  | 28   | 126  |
|   | <b>(327)</b>  | (1,011)  | (1,929)  |
| <b>Changes in working capital</b>                               |   |  |  |
| (Increase) / decrease in trade and other receivables            | <b>(250)</b>  | (178)  | 287  |
| Increase / (decrease) in trade and other payables               | <b>296</b>  | (338)  | (323)  |
| <b>Cash used in from operations</b>                             | <b>(281)</b>  | (1,527)  | (1,965)  |
| Taxation received   | —   | —  | 430  |
| <b>Net cash used in operating activities</b>                    | <b>(281)</b>  | (1,527)  | (1,535)  |
| <b>Cash flows from investing activities</b>                     |   |  |  |
| Cash and cash equivalents acquired                              | —   | 98   | 98   |
| Purchase of property, plant and equipment                       | <b>(14)</b>   | (18)   | (24)   |
| Finance income  | —   | —  | 1  |
| <b>Net cash (used in) / generated from investing activities</b> | <b>(14)</b>   | 80   | 75   |
| <b>Cash flows from financing activities</b>                     |   |  |  |
| Issue of shares   | —   | 2,706  | 2,706  |
| <b>Net cash generated from financing activities</b>             | <b>—</b>  | 2,706  | 2,706  |
| <b>Movements in cash and cash equivalents in the period</b>     |   |  |  |
| Cash and cash equivalents at start of period                    | <b>3,120</b>  | 1,934  | 1,934  |
| Effect of exchange rate fluctuations on cash held               | <b>(25)</b>   | (12)   | (60)   |
| <b>Cash and cash equivalents at end of period</b>               | <b>2,800</b>  | 3,181  | 3,120  |

## **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's integrated product offering covers every stage of clinical drug development and its proprietary technology includes clinical trials services, data analytics and companion products.

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation**

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 22 May 2017. The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The condensed consolidated interim financial statements together with the comparative information for the six months ended 31 March 2016 are unaudited.

The statutory accounts of the Company for the period ended 30 September 2016 were approved by the Board of Directors on 19 December 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

### **Going concern**

At the time of approving the condensed consolidated interim financial statements, and based on a review of the group's forecasts and business plan, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the condensed consolidated interim financial statements.

### **Accounting policies**

The accounting policies used in the condensed consolidated interim financial statements are consistent with those used in the consolidated financial statements for the period ended 30 September 2016 and are in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Significant management judgement in applying accounting policies and estimation uncertainty**

When preparing the condensed consolidated interim financial statements, the Directors make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

### ***Significant management judgements***

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the condensed consolidated interim financial statements.

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

### *Revenue recognition*

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

### *Capitalisation of internally developed software*

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. Expenditure on research is recognised as an expense as incurred. No development costs have been capitalised in the period.

### *Recovery of deferred tax assets*

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

### *Estimation uncertainty*

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

### *Impairment of intangible assets*

Amortised intangibles are tested for impairment where there are indications of impairment. These impairment tests require the Group to make an estimate of the expected cash flows and to select suitable discount rates. These require an estimation of the value in use of these assets. During the 6 months ended 31 March 2017, the behavioural health technology and marketing know-how intangible asset was fully written off resulting in an impairment charge of £316,000 (year ended 30 September 2016: £603,000).

### *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.

## 3. EXCEPTIONAL EXPENSES

Non-recurring administrative expenses of £316,000 are in respect of the behavioural health technology and marketing know-how intangible asset impairment charge and restructuring costs. In the year ended 30 September 2016, non-recurring administrative expenses included a £603,000 impairment charge.

#### 4. 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 the effect of the share options would be to reduce the loss per share, the diluted loss per share is the same as the basic loss per share.

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

|  | <b>Six months<br/>ended<br/>31 March 2017<br/>£'000<br/>unaudited</b> | Six months<br>ended<br>31 March 2016<br>£'000<br>unaudited | Year ended<br>30 September<br>2016<br>£'000<br>audited |
|--|---|--|--|
| Loss attributable to equity holders for the period | <b>(683)</b>  | (1,027)  | (2,119)  |

  

|   | <b>As at<br/>31 March 2017<br/>Number<br/>unaudited</b> | As at<br>31 March 2016<br>Number<br>unaudited | As at<br>30 September<br>2016<br>Number<br>audited |
|---|---|---|--|
| Weighted average number of ordinary shares                                    | <b>26,737,883</b>                                       | 22,248,537                                    | 24,350,856   |
| Shares held by Trustees in respect to the Company's Share Incentive Plan 2007 | <b>(1,740)</b>  | (1,740)                                       | (1,740)  |
| Weighted average number of ordinary shares used in basic loss per share       | <b>26,736,143</b>                                       | 22,246,797                                    | 24,349,116   |

#### 5. ISSUED CAPITAL AND RESERVES

On the 4 January 2017, the Company issued 590,093 new ordinary shares in respect of the deferred consideration for the acquisition of Optimal Medicine Limited. No claims were made against the warranties given by the sellers.

On 29 March 2017, 55,846 new ordinary shares were issued and allotted in the Company pursuant to the put and call arrangement in respect of the Optimal Medicine Limited unapproved share option instruments.

As at 31 March 2017, following the admission to trading of the new ordinary shares, the Company had 27,119,130 ordinary shares of 1 pence each in issue.

## 6. SHARE-BASED PAYMENTS

The Group operates the IXICO EMI Share Option Plan 2014 (the 'Plan'). Options granted under the Plan are exercisable at the market value of a share determined to the satisfaction of the Board in accordance with the applicable provisions of Part VIII of the Taxation of Chargeable Gains Act 1992.

During the period ended 31 March 2017 a share based payment of £103,000 was charged to the consolidated statement of comprehensive income.

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

|                                      | As at 31 March 2017 |              |
|--------------------------------------|---------------------|--------------|
|                                      | Number              | WAEP         |
| <b>Outstanding at 1 October 2016</b> | <b>2,293,753</b>    | <b>£0.33</b> |
| Granted                              | 1,044,698           | £0.37        |
| Exercised on 29 March 2017           | (55,846)            | £0.00        |
| Lapsed                               | (723,659)           | £0.36        |
| <b>Outstanding at 31 March 2017</b>  | <b>2,558,946</b>    | <b>£0.34</b> |
| <b>Exercisable at 31 March 2017</b>  | <b>441,895</b>      | <b>£0.27</b> |

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

|   | As at 31 March 2017 |           |       |
|---|---------------------|-----------|-------|
|   | Expiry date         | Number    | WAEP  |
| IXICO EMI Share Option 2014                       | 7 May 2024          | 2,513,600 | £0.35 |
| Optimal Medicine Limited share option instruments | 7 June 2017         | 45,346    | £0.00 |

Total share options outstanding have a range of exercise prices from £0.00 to £0.49 per option and the weighted average contractual life is 7.6 years.

### IXICO EMI Share Option Plan 2014 (the 'Plan')

On 7 February 2017, the Group granted 1,044,698 share options to employees of the Group under the Plan. The share options contain standard and enhanced vesting conditions which are subject to the achievement of individual employee and Group performance criteria as determined by the Remuneration Committee. Of the share options granted:

- 158,116 share options will vest and are exercisable in two equal tranches at the end of years one and two, and
- 886,582 share options granted have enhanced vesting conditions which have been assumed to vest at the end of year three.

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

## 6. SHARE-BASED PAYMENTS (continued)

The estimated fair value of the options granted is £151,000. The inputs used in the measurement of fair value at grant date of the share options issued are as follows:

|                                 | <b>As at 31 March 2017</b>                             |
|---------------------------------|--|
| Weighted average share price    | £0.365   |
| Weighted average exercise price | £0.365   |
| Expected volatility             | 58.0%  |
| Expected life                   | 7 years  |
| Expected dividends              | 0.0%   |
| Risk free interest rate         | 0.86%  |
| Model used                      | Monte Carlo followed by 'Hull White' trinomial lattice |

Note to assumptions:

### *Expected volatility*

- Expected volatility is based on historical performance of the share price using exponentially weighted moving average model function.

### *Expected life*

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

### *Expected dividends*

- The historical dividend yield is 0.0%.

### *Risk free interest rate*

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

During the six month period ended 31 March 2017, 235,921 and 477,529 share options granted in October 2014 and March 2016 respectively did not meet the vesting conditions, therefore were not exercisable and subsequently lapsed.

### **Optimal Medicine Limited share option instruments**

IXICO plc established a put and call arrangement to satisfy the exercise of outstanding Optimal Medicine Limited unapproved share option instruments, granting 111,401 restated ordinary shares (2,948 shares). The exercise of these options is at the option of the holder with a fixed conversion rate of 37.79 for the effective issue of new IXICO plc shares. IXICO plc issued a letter to each option holder committing to exchange all the shares in Optimal Medicine Limited arising from the exercise of such options for ordinary shares in IXICO plc at the acquisition price.

As at 7 December 2016, 10,209 restated share options instruments (273 share option instruments) were not exercised by their expiry date and subsequently lapsed.

On 29 March 2017, 55,846 restated new ordinary shares (1,475 shares) were issued and allotted in the Company pursuant to the put and call arrangement in respect of the Optimal Medicine Limited unapproved share option instruments. The options were exercised at a weighted average share price of £0.26.

The remaining 45,346 restated share option instruments (1,200 share option instruments) are exercisable and must be exercised by 7 June 2017 or they will lapse.