

4th December 2018

IXICO plc
(“IXICO” or the “Company”)

Financial results for the year ended 30 September 2018

Continued strong revenue growth, reduced operating losses and cash outflow, together with new contract wins.

Provides a solid foundation for continued growth momentum

IXICO plc (AIM: IXI), the data analytics company delivering insights in neuroscience, today announces its final results for the year ended 30 September 2018.

Highlights

Commercial and Operational

- Secured £15m of new and expanded multi-year client contracts across all phases of clinical development
- Concluded an over-subscribed placing of £5.5m to invest in new product and new market development
- A broadening base of expertise in neurological disease areas and diversification of biopharmaceutical clients
- Achievement of key milestones in the Assessa® PML programme
- Successful completion of the Cygnus project for wearable biosensors (funded by Innovate UK) and expansion of key scientific collaborations to develop new artificial intelligence (AI) algorithms for imaging and digital biomarkers
- Investment in increasing management bandwidth to drive growth, by strengthening leadership and operations team

Financial

- Reported record revenues of £5.4m (2017: £4.1m*) or 32% growth at actual exchange rates
- Revenue of £5.2m (2017: £3.7m*) or 41% underlying growth at Project Exchange Rates (PER)**
- Gross margin increased to 58.8% (2017: 56.4%*) an improvement of 240 base points over prior year
- Reduced EBITDA loss of £0.6m (2017: £1.4m*) from increased project volumes, improved productivity and cost control
- Reduced operating loss of £0.8m (2017: £1.9m*)
- Reduced loss per share of 2.0 pence (2017: 5.7 pence)
- Operating cash outflows significantly reduced in the year to £0.1m (2017: £1.2m)
- Closing cash balance of £7.9m (2017: £2.4m)

* Adjusted to reflect the early adoption of IFRS 15 ‘Revenue from Contracts with Customers’

**PER revenue is recognised from multi-year contracts with fixed Project Exchange Rates. PER revenue demonstrates the underlying performance of the business, excluding the impact of foreign exchange.

Post year-end Events

- Signed an extension to an existing contract which was awarded in January 2018 with a top 10 biopharmaceutical client. Contract value has increased from \$2.7m to \$5.1m over a six-year term, of which \$0.2m has been recognised to date.

Giulio Ceroni, CEO of IXICO, said: “2018 has been another year of significant progress in which we have delivered on our financial commitments, whilst continuing to invest in the long-term future of the company. We have reported record revenues with underlying growth of 41%, further improved gross profit performance and reduced operating losses. Consequently, operating cash outflows have been significantly reduced in the year to £0.1m. The combination of a strong orderbook and healthy pipeline, in conjunction with senior management hires to execute our strategy, provides a solid foundation for continued growth momentum. With a successful capital placing to invest in new market and product development, we go into the new financial year with increased commercial traction, ambitious growth plans and a strengthened organisation focused on delivering technology-driven data analytics to our global biopharmaceutical clients”.

Notice of AGM

IXICO also announces that its Annual General Meeting (AGM) will be held at 9.30am on 18 January 2019 at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD. The full annual report and accounts along with notice of AGM will be posted to shareholders on 14 December 2018.

For further information please contact:

IXICO plc

Giulio Cerroni, Chief Executive Officer

Tel: +44 20 3763 7499

Susan Lowther, Chief Financial Officer

Shore Capital (Nomad and Broker)

Edward Mansfield/Anita Ghanekar/Daniel Bush

Tel: +44 20 7408 4090

FTI Consulting Limited (Investor Relations)

Simon Conway/Mo Noonan

Tel: +44 20 3727 1000

About IXICO

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

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

More information is available on www.IXICO.com

Chairman's Statement

Increasing commercial traction

Overview

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

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

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

Strengthened management team and systems

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

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

Governance

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

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

Board

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

Shareholders

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

Outlook

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

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

Chief Executive's Statement

Delivering our strategy

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

Increasing commercial momentum

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

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

Commitment to continuous improvement

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

Investing in innovation

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

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

Strengthened management team and systems

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

A bright outlook

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

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

Risk Management

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

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

Financial controls

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

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

Non-financial controls

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

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

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

Principal Risks and Uncertainties

The following are the principal risks and uncertainties that the Board considers could have a material impact on the Group's operational results, financial condition and prospects.

These risks and uncertainties reflect the business environment within which the Group operates together with risks in the execution of our business strategy.

Financial

Principal Risk	Perceived Risk	Mitigation
We have a stated objective of a path to profitability, which depends upon the successful execution of our business strategy. Adverse events could affect profitability and our ability to meet financial targets.	Low	We have secured £15 million of new and expanded client contracts in the year, strengthening our existing orderbook. The placing of £5.5 million in May 2018 has strengthened our cash position. We carefully monitor working capital requirements to fund continued operational expenses and planned investments to ensure long term sustainability.

Management and employees

Principal Risk	Perceived Risk	Mitigation
The loss of key employees could weaken our scientific, technical and management capabilities and negatively impact our business.	Low	Key employees are on permanent employment contracts. Remuneration includes salary, pension performance-related bonus and share options. The Business Development team receive performance related sales commission.

Industry

Principal Risk	Perceived Risk	Mitigation
Clinical trials, and therefore our client contracts, can be stopped at any time if the drug is deemed not effective or unsafe. There is a risk of reduced revenue as a result of the timing or reduction of expenditure by our biopharmaceutical clients.	Medium	We aim to strengthen our market position and sustain our competitive advantage by building collaborative, commercial partnerships. We continue to diversify by expanding into new therapeutic areas which provides some mitigation against changing funding priorities within neurology. Most clinical studies for neurological conditions span multiple years and this is reflected in our client contracts. This mitigates the short-term risk of changes to funding priorities.

Competition

Principal Risk	Perceived Risk	Mitigation
We face competition in this sector from larger companies or from academic institutions, which may affect our ability to implement our commercially-led growth strategy. As a technology services provider there is always the risk of new disruptive technologies that could render IXICO's technology uncompetitive.	Medium	<p>We have invested in innovative technology and product development to broaden our therapeutic focus. This reduces our exposure to the inherent risk in clinical development.</p> <p>We continue to invest in our technology and scientific capabilities and market reach to create value for our clients and differentiate our portfolio of services and to remain competitive.</p>

BREXIT

Principal Risk	Perceived Risk	Mitigation
<p>While revenue from non-UK, European clients was less than 20% of the Group total in 2018, reducing our exposure to trading challenges due to BREXIT, there is considerable uncertainty in the macroeconomic outlook as a result of the UK's decision to leave the EU.</p> <p>We recruit staff who are not UK nationals.</p> <p>Post-BREXIT residency and work rights for non-UK nationals may affect our ability to attract and retain qualified staff in the future.</p> <p>We manage data across multinational territories, storing these on UK-based servers. Post-BREXIT, data management requirements may change.</p>	Medium	<p>Like many companies, we continue to monitor the impact of the United Kingdom's relationship with the European Union.</p> <p>Most of our current contracts are multi-year agreements with agreed terms and pricing. We do not expect these to be materially affected, other than the potential impact of forex. We closely monitor the movement of Sterling against other currencies in which we trade such as the US Dollar, Euro and Swiss Franc.</p> <p>We continue to monitor the reports of likely BREXIT outcomes. In the near-term, we plan to support our staff in securing the appropriate work permits.</p> <p>We may switch to EU-based data storage providers if data management requirements change post-BREXIT.</p>

Reliance on key customers

Principal Risk	Perceived Risk	Mitigation
We work closely with our clients to ensure that we deliver to their requirements. The biopharmaceutical industry has consolidated over the past 2 decades, leading to potential concentration of our revenue in a relatively small client base.	Medium	We continue to broaden our customer base to manage the risk of being overly dependent on any one client. This includes diversification in a broadening market with new entrants such as smaller biotechnology companies.

Regulatory and compliance

Principal Risk	Perceived Risk	Mitigation
We operate in a regulated environment and changes to regulations could negatively impact our ability to implement our strategy.	Low	We monitor potential regulatory changes and participate in industry bodies so that we can manage change accordingly. We have also invested in additional senior resource in our Quality & Compliance team as part of continuous improvement.

Intellectual property and proprietary technology

Principal Risk	Perceived Risk	Mitigation
<p>Our technologies are based on software and data algorithms, which may present a lower barrier to competition than other forms of intellectual property protection.</p>	<p>Low</p>	<p>Successful development and deployment of our technologies are reliant on considerable know-how in neuroscience, data analytics and image analysis.</p> <p>Copyright in the software incorporated into our products is a further form of potential protection.</p> <p>We maintain business know-how and knowledge in our Quality Management System and Standard Operating Procedures.</p> <p>We manage, develop and protect our intellectual property portfolio.</p>

Cybersecurity

Principal Risk	Perceived Risk	Mitigation
<p>We collect, manage and analyse clinical data from international trial sites.</p> <p>The introduction of the EU General Data Protection Regulation regulations has had a material impact on the requirements for the collection, storage, and management of personal data.</p>	<p>Medium</p>	<p>The Group's TrialTracker software is designed to anonymise patient data at the point of source, minimising the risk in the event of a cybersecurity breach. The Group continues to invest in its IT infrastructure and security and is working towards achieving accreditation to ISO27001.</p> <p>We have responded to the changes in data privacy regulations to ensure compliance. We conduct regular reviews to ensure our systems are robust.</p>

Financial Review

Ahead of expectations

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

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

KPIs

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

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

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

Revenue

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

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

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

Gross profit

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

Other income

Other income comprised income from grants of £0.5 million (2017: £0.5 million) and R&D expenditure credit of £0.1 million (2017: £0.1 million). The £0.1 million reduction in grant income reflected the completion of 2 projects which had been ongoing in the prior year.

EBITDA

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

Operating loss

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

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

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

Cash

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

Loss per share

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

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

Results and dividends

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

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

Placing

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

Financial risk management

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

Political donations

The Group made no political donations during the period (2017: £nil) as part of our corporate social responsibility activities.

Charitable donations

The Group made charitable donations of £2,000 during the period (2017: £nil).

**Consolidated Statement of Comprehensive Income
for the year ended 30 September 2018 and 30 September 2017**

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

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

Consolidated Statement of Financial Position
as at 30 September 2018, 30 September 2017 and 1 October 2016

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

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

Company Statement of Financial Position
as at 30 September 2018 and 30 September 2017

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

Parent Company Income Statement

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The Company's loss for the financial year was £1,296,000 (2017: £1,388,000).

**Consolidated Statement of Changes in Equity
for the year ended 30 September 2018, 30 September 2017 and 1 October 2016**

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

**Company Statement of Changes in Equity
for the year ended 30 September 2018 and 30 September 2017**

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

**Consolidated and Company Statements of Cash Flows
for the year ended 30 September 2018 and September 2017**

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

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

Notes to the Financial Statements

The Group controls a subsidiary when the Group is exposed or has rights, to variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over a subsidiary.

1. General information

IXICO plc (the 'Company') is a public limited company incorporated in England and Wales; and is admitted to trading on the AIM market of the London Stock Exchange under the symbol IXI. The address of its registered office is 4th Floor, Griffin Court, 15 Long Lane, London EC1A 9PN.

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

2. Significant accounting policies and basis of preparation

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies operating under IFRS.

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

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

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

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

Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and its subsidiary companies adjusted to eliminate intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Subsidiaries are entities controlled by the Group. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The results of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Sterling at exchange rates ruling at the end of the reporting period. Income statements and cash flows of foreign operations are translated into Sterling at average monthly exchange rates which approximate foreign exchange rates at the date of the transaction. Foreign exchange differences arising on retranslation are recognised directly in a separate translation reserve.

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

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

Going concern

At the time of approving the consolidated financial statements, the Directors have considered the expected future performance together with the Group's estimated future cash inflows from existing long-term contracts and sales pipeline. The Directors have also considered the Group's strategy following the placing during the year. Changes to the cost base are made in the normal course of business, so that operating expenditure and planned investment are in line with the Group's strategy and financial resources. After due consideration and taking into account management's estimate of future revenue and expenditure, the Directors have a reasonable expectation that the Company and the Group will have adequate financial resources to continue in operation for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the consolidated financial statements.

Significant management judgement in applying accounting policies and estimation uncertainty

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

Significant management judgements

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

Revenue recognition

The Group recognises revenue in accordance with amounts charged to customers under service contracts. All contracts include an agreed, detailed work order which defines the deliverables. The service contracts are typically multi-year and may be amended through a change order process. Change orders represent a contract modification because they represent a distinct performance obligation in addition to the obligations in the contract. This could include changes to data volumes (increased or decreased), different methods of data analysis or changes to the timing of providing the deliverables.

Revenue is recognised upon achievement of deliverables set out in the service contract. The recognition is expected to approximate to the timing of the physical performance of the contracts. The Group records the performance of the contractual obligations to determine that the deliverables and actual work performed is in accordance with the contract and agreed change orders. The scope of the project and contract terms are reviewed to determine whether the Group is acting as principal or agent in respect of the project, which depends on facts and circumstances and requires judgement.

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

Customer contracts include an agreed work order so the transaction price for a contract is allocated against distinct performance obligations based on their relative stand-alone selling prices. Management determines the fair value of individual components based on actual amounts charged by the Group on a stand-alone basis. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new software product and determining whether the requirements for the capitalisation of development costs are met requires judgement. During the year ended 30 September 2018, research and development expenses of £1,033,000 (2017: £1,256,000) have been recognised in the consolidated statement of comprehensive income.

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

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

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

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

Recovery of deferred tax assets

Deferred tax assets have not been recognised for deductible temporary differences and tax losses. The Directors consider that there is not sufficient certainty that future taxable profits will be available to utilise those temporary differences and tax losses. Further information of the Group's deferred tax asset can be found in note 17 of the consolidated financial statements.

Estimation uncertainty

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

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted, detailed in note 21 of the consolidated financial statements.

Useful lives of depreciable assets

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

Changes in accounting policies

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

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

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

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

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

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

Service revenue

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

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

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

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

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

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

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

License revenue

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

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

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

Transition to IFRS 15 'Revenue from Contracts with Customers'

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

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

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

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

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

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

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

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

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

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

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

Accounting developments

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

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

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

Revenue

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

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

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

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

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

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

The transaction price for a contract is allocated against distinct performance obligations based on their relative stand-alone selling prices. Management determines the fair value of individual components based on actual amounts charged by the Group on a stand-alone basis. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

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

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

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

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

Service revenue

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

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

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

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

Project set-up and management

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

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

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

Site set-up and management

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

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

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

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

TrialTracker configuration and access

TrialTracker platform delivers a robust and comprehensive set of centralised imaging services designed to efficiently manage the complex imaging workflow from: image upload, quality control, reading and analysis to reporting and data transfer.

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

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

Data reading and analysis

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

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

Data management

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

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

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

Scientific reports

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

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

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

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

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

License revenue

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

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

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

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

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

Other income

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received.

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. The Group recognises grant income as an item of other income.

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

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

The Group has elected to take advantage of the RDEC introduced in the Finance Act 2013. A company may surrender corporation tax losses on research and development expenditure incurred on or after 1 April 2013 for a corporation tax refund. Relief is given as a taxable credit on 12% of qualifying research and development expenditure. The Group recognises research and development expenditure credit as an item of other income, taking advantage of the 'above the line' presentation.

Research and development expenditure

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

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

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

Exceptional items

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

Share-based payments

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21 of the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions.

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

Employee benefits

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

As at 30 September 2018, all employees have been automatically enrolled into the Group's defined contribution plan. The assets of the Group scheme are held separately from those of the Group in independently administered funds. The Group does not offer any other post-retirement benefits.

Operating leases

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

Property, plant and equipment

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

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

The principal rates used for this purpose are:

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

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

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

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

Intangible assets

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

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

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

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

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

Impairment of assets

Non-current assets are reviewed for impairment both annually and when there is an indication that an asset may be impaired (when events or changes in circumstances indicate that carrying value may not be recoverable). An impairment loss is recognised in the consolidated statement of comprehensive income for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Non-financial assets, other than goodwill, which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Investments in Group undertakings

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (exceeding credit terms) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the consolidated statement of comprehensive income.

Current tax

Current tax represents United Kingdom tax recoverable and is provided at amounts expected to be recovered using the tax rates and laws that have been enacted at the statement of financial position date.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with original maturities at inception of 3 months or less.

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

Foreign currency translation

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

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Trade and other payables

Trade and other payables are non-interest bearing and are initially recognised at fair value and subsequently stated at amortised cost.

Equity instruments

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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

Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities; and their carrying amounts in the consolidated financial statements in accordance with IAS 12 'Income taxes'. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available in future years to utilise the temporary difference. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting, nor taxable profit or loss.

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Investments in Subsidiaries

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

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

4. Revenue

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

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

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

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

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

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

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

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

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

5. Segmental Information

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

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

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

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

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

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

6. Other Income

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

All grant income originates in the United Kingdom.

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

7. Exceptional expenses

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

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

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

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

8. Auditor's remuneration

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

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

9. Employees and Directors

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

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

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

Staff costs in respect of these employees were:

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

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The amounts outstanding at 30 September 2018 in respect of pension costs were £22,000 (2017: £21,000).

Key management remuneration:

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

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

The aggregate Directors' remuneration was £958,000 (2017: £665,000) and aggregate pension of £21,000 (2017: £28,000).

10. Operating loss

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

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

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

11. Taxation

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

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

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

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

11. Taxation (continued)

The Group has elected to take advantage of the RDEC, introduced in the Finance Act 2013 whereby a company may surrender corporation tax losses on research and development expenditure incurred on or after 1 April 2013 for a corporation tax refund.

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

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

The tax credit for each period can be reconciled to the current period credit recognised in tax receivable within the consolidated statement of financial position in each period as follows:

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

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

12. Loss per share

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

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

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

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

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

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

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

13. Property, plant and equipment

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

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

14. Intangible assets

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

14. Intangible assets (continued)

Computer software

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

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

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

Registered intellectual property

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

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

Neurodegenerative disease technology and marketing know-how

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

Behavioural health technology and marketing know-how

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

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

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

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

15. Investments in Group undertakings

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

15. Investments in Group undertakings (continued)

IXITech Limited

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

On 1 October 2017, the company became dormant.

IXICO Technologies Limited

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

Optimal Medicine Limited

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

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

On 1 October 2017, the company became dormant.

16. Trade and other receivables

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

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

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

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

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

16. Trade and other receivables (continued)

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

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

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.

17. Deferred tax asset (unrecognised)

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

The unrecognised deferred tax asset is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the latest balance date, currently 19% (2017: 19%).

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

18. Trade and other payables

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

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

18. Trade and other payables (continued)

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

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

19. Deferred tax liability

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

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

Behavioural health technology and marketing know-how

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

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

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

20. Issued capital and reserves

Ordinary shares and share premium

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

Share capital

Placing shares

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

20. Issued capital and reserves (continued)

Exercise of share options

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

Consolidation and sub-division

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

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

Merger relief reserve

In accordance with Section 612 of the Companies Act 2006 'Merger Relief', the Company issuing shares as consideration for a business combination, accounted at fair value, is obliged, once the necessary conditions are satisfied, to record the share premium to the merger relief reserve.

Reverse acquisition reserve

Reverse accounting under IFRS 3 'Business Combinations' requires the difference between the equity of the legal parent and the issued equity instruments of the legal subsidiary, pre-combination is recognised as a separate component of equity.

21. Share-based payments

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

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

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

IXICO EMI Share Option Plan 2014

This scheme is open, by invitation, to Executive Directors and key management personnel. Participants are granted share options in the Group which contain standard and enhanced vesting conditions. These are subject to the achievement of individual employee and Group performance criteria as determined by the Board. Vesting period varies by award and the conditions approved by the Board.

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

Long-Term Incentive Plan 2018

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

21. Share-based payments (continued)

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

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

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

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

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

Note to assumptions:

Expected volatility

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

Expected life

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

Expected dividends

The historical dividend yield is 0.0%.

Risk-free interest rate

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

21. Share-based payments (continued)

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

22. Operating lease arrangements

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

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

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

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

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

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

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

23. Financial risk management

In common with all other areas of the business, the Group is exposed to risks that arise from the use of financial instruments. The note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

The main risks arising from the Group's financial instruments are liquidity, interest rate, foreign currency and credit risk. The Group's financial instruments comprise cash and various items such as trade receivables and trade payables, which arise directly from its operations.

Liquidity risk management

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

23. Financial risk management (continued)

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

	Group		Company	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	Loans and receivables £'000	Loans and receivables £'000	Loans and receivables £'000	Loans and receivables £'000
Assets as per statement of financial position				
Trade and other receivables excluding prepayments	1,868	1,302	657	3,553
Cash and cash equivalents	7,861	2,414	7,229	396
	9,729	3,716	7,886	3,949
	Group		Company	
	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
Liabilities as per statement of financial position				
Trade and other payables excluding statutory liabilities	1,161	1,401	140	113
	1,161	1,401	140	113

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

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

Financial instruments are measured at amortised cost.

Market risk

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group operates an interest rate policy designed to optimise interest costs and reduce volatility in reported earnings.

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

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

Foreign currency risk management

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

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

23. Financial risk management (continued)

At present, the Group does not make use of financial instruments to minimise any foreign exchange gains or losses so any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities. However, the Group does seek to minimise the exposure to such risk by matching local currency income with local currency costs where possible. The Group will also use financial instruments to minimise foreign exchange fluctuations where it is appropriate to do so.

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

	Group		Company	
	As at 30 September 2018 USD'000	As at 30 September 2017 USD'000	As at 30 September 2018 USD'000	As at 30 September 2017 USD'000
US Dollar exposure				
Balance at end of period				
Monetary assets	535	894	—	—
Monetary liabilities	(101)	(28)	—	—
Total exposure	434	866	—	—

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

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

Foreign currency sensitivity analysis

As at 30 September 2018, the sensitivity analysis assumes a +/-10% change of the USD/GBP, EUR/GBP and CHF/GBP exchange rates which represents management's assessment of a reasonably possible change in foreign exchange rates (2017: 10%). The sensitivity analysis was applied on the fair value of financial assets and liabilities.

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

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

23. Financial risk management (continued)

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

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

Fair value of financial assets and liabilities

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets are cash and cash equivalents and trade and other receivables. The carrying value of these assets represents the Group's maximum exposure to credit risk in relation to financial assets. The Group makes appropriate enquiries of the counterparty and independent third parties to determine credit worthiness. The Group does not have any significant credit risk exposure to any single counterparty or Group of counterparties having similar characteristics.

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

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

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

Capital risk management

The Group considers capital to be shareholders' equity as shown in the consolidated statement of financial position, as the Group is primarily funded by equity finance and is not yet in a position to pay a dividend. The Group had no borrowings at 30 September 2018.

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders. In order to maintain or adjust the capital structure the Group may return capital to shareholders and issue new shares.

24. Related party transactions

Group

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

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

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

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

24. Related party transactions (continued)

Company

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

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