

## Directors' Report for the 16 month period ended 30 September 2014

The Directors of IXICO plc (registered in England and Wales 03131723) present their report together with the audited consolidated and Company financial statements for the period ended 30 September 2014. The Company changed its name from Phytopharm plc following shareholder approval at a General Meeting on 14 October 2013.

### Principal activities

The Group is an established provider of clinical trials services to pharmaceutical companies and has significant expertise in dementia clinical studies. More recently it has expanded its clinical trials services in to other neuro-degenerative disorders including Huntington's disease and Multiple Sclerosis.

IXICO's proprietary TrialTracker™ platform underpins the clinical trials services and when combined with Assessa® and MyBrainBook™ products represents a key part of the Group's digital healthcare technology offering to both the pharmaceutical and clinical healthcare markets.

### Key Performance Indicators

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

### Corporate Governance

The Directors of IXICO plc are responsible for the long term financial success of the business. We do not comply with the UK Corporate Governance Code ("the Code") however we draw upon best practice available, including those aspects of the Code we consider to be relevant to the company and best practice given the Group's size and stage of development.

### Financial Review

The financial performance for the sixteen month period ended 30 September 2014 includes revenues generated from the Group's clinical trials services business, together with investment in people and product development following completion of the reverse acquisition of Phytopharm plc on 14 October 2013. The prior year comparison refers to the performance of IXICO Technologies Limited (formerly IXICO Limited) for the twelve months ended 31 May 2013.

#### Revenue

Revenue for the period of £3.4million (2013: £3.6million) was generated from services provided to pharmaceutical customers.

#### Other income

Other income for the period comprised income from grants of £0.8million (2013: £0.1million) and RDEC of £0.1million (2013: £Nil).

#### Research and development

Research and development expenses of £1.4million (2013: £0.7million) were in line with expectations and the Group's plans to invest in new product development. Research and development is a key part of the Group's strategy with further expenditure planned in the forthcoming financial year.

#### Sales and marketing expenses

Sales and marketing expenses of £0.9million (2013: £0.6million) in the period reflected planned headcount growth and increased external marketing expenditure.

#### Administrative expenses

Administrative expenses of £3.3million (2013: £0.8million) in the period, reflected planned headcount growth together with the fit out and relocation to larger premises in Long Lane, London, EC1A 9PN. Administrative expenses included non-recurring administrative expenses of £0.9million (2013: £Nil) included the cost of acquiring the public listing, transaction fees and dilapidation costs of the premises previously occupied by Phytopharm plc.

#### Finance income and expense

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

Finance credit of £Nil (2013: £0.1million) refers to the fair value movement and interest on a loan converted to equity on 20 September 2013.

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### *Taxation*

For the period ended 30 September 2014, the Group has elected to take advantage of the research and development expenditure credit ('RDEC'), in the first year of the transitional phase introduced in the Finance Act 2013, whereby a company may surrender corporation tax losses incurred on qualifying research and development expenditure incurred on or after 1 April 2013 for a corporation tax refund. RDEC will run in parallel to the large company research and development scheme which the Group has previously claimed, which will now cease on 31 March 2016.

As a result the corporation tax refund expected for the period increased to £0.3million (2013: £0.1million).

### *Non-current assets*

Non-current assets at 30 September 2014, included property, plant and equipment of £0.1million (2013: £0.05million) and Intangible assets of £0.5million (2013: £Nil). Intangible assets include registered intellectual property and technology associated with neurodegenerative disease conditions acquired through the reverse acquisition and recognised at their fair value at the date of acquisition. The Group reviewed the amortisation period and the amortisation method for the intangible assets at the end of the reporting period and confirmed the assumptions in respect of the future cash flows and discount rate. Further details are set out in note 15 to the consolidated financial statements.

### *Current assets*

Current assets at 30 September 2014 of £4.8million (2013: £2.1million) reflected an increase in trade and other receivables to £1.2million (2013: £0.9million) together with increased cash and cash equivalents of £3.3million (2013: £0.9million).

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

### *Current liabilities*

Total current liabilities at 30 September 2014 of £1.5million (2013: £2.4million) were £0.9million lower than the prior period due to the conversion of loan notes to equity during the period resulting in convertible loan notes of £Nil (2013: £1.2million), offset by increased trade and other payables of £1.5million (2013: £1.2million).

### *Equity*

Share capital at 30 September 2014 increased to £7.5million (2013: £2.6million) due to i) the conversion of the loan note (£1.0million), ii) ordinary shares issued as part of the reverse acquisition (£3.5million) and iii) the exercise of share options in the period (£0.4million).

### *Cash flow*

During the period £4.5million of cash was acquired. Cash resources were used to pay costs associated with the transaction, plc costs and operating expenses.

### **Future developments**

Future developments are discussed in the Strategic Report.

### **Results and dividends**

The Group's results for the period ended 30 September 2014 are presented on page 14. The Group's net loss after taxation for the period was £2.3million compared to a net profit after tax of £0.5million for the year ended 31 May 2013.

The Directors do not recommend the payment of a dividend.

### **Financial risk management**

The financial risk management and objectives of the Group are set out in note 25 to the consolidated financial statements.

### **Political donations**

The Group made no political donations during the period (2013: £nil).

## Directors

The Directors of the Company who served during the period and up to the date of this report, unless otherwise indicated, are as follows

	Capacity	
Professor Derek Hill	Chief Executive Officer	Appointed 15 October 2013
Mr Charles Spicer	Vice President of Corporate Development	Appointed 15 October 2013
Mrs Susan Lowther	Chief Financial Officer	Appointed 1 October 2014
Dr Andrew Richards	Non-Executive Chairman	Appointed 15 October 2013
Mr Tim Sharpington <sup>(1)</sup>	Non-Executive and Senior Independent Director	
Mr John Bradshaw	Non-Executive Director	Appointed 15 October 2013
Ms Maina Bhaman	Non-Executive Director	Appointed 15 October 2013
Mr Roger Hickling	Research and Development Director	Resigned 15 October 2013
Mr Alistair Taylor	Non-Executive Chairman	Resigned 15 October 2013
Dr Peter Blower	Non-Executive Director	Resigned 15 October 2013
Dr Ian Tulloch	Non-Executive Director	Resigned 15 October 2013

(1) Mr Tim Sharpington was Chief Executive Officer of the Company until completion of the acquisition of IXICO Technologies Limited (formerly IXICO Limited) on 15 October 2013

Biographical details of IXICO's current directors are shown on page 6

### Re-election of Directors

At the 2015 Annual General Meeting ("AGM"), in accordance with the Company's Articles of Association, Dr Andrew Richards, Ms Maina Bhaman, Mr Charles Spicer and Professor Derek Hill will retire. Being eligible, and with the Board's recommendation, they will offer themselves for re-election.

Dr Andrew Richards, Mr Tim Sharpington, Mr John Bradshaw and Ms Maina Bhaman, as non-executive directors, have letters of appointment which provide for three months' notice from either party.

The service contracts of the executive directors and the letters of appointment for the non-executive directors are available for inspection at the registered office of the Company and will be available at the 2015 AGM as specified in the notice of meeting.

In accordance with Section 992 of the Companies Act 2006, the Directors disclose that the rules regarding the appointment and replacement of Directors are contained in the Company's Articles of Association, which may be amended with shareholder approval in accordance with relevant legislation. The powers of the Directors are contained in the Company's Articles of Association or in accordance with the provisions of the Companies Act 2006. The Companies Act 2006 provides that directors may issue and buy back the Company's shares on behalf of the Company, subject to authority being given to the directors by shareholders in a general meeting. No authority to buy back the Company's ordinary shares of 50 pence has been sought.

Purchases of shares in IXICO plc in the prior year relate to the IXICO Share Incentive Plan whereby the Company issued one "Matching Share" for every one "Partnership Share" purchased by the employee. The IXICO Share Incentive Plan was closed on 15 November 2013.

## Directors' emoluments

	16 months ended 30 September 2014		12 months ended 31 May 2013	
	IXICO plc		IXICO Technologies Limited (formerly IXICO Limited)	
	Salary and fees £	Pension contributions £	Salary and fees £	Pension contributions £
<b>Executive</b>				
Professor Derek Hill	254,819	16,178	185,775	10,260
Mr Charles Spicer	123,277	4,000	—	—
Professor Jo Hajnal	4,506	—	12,623	—
Mr Tim Sharpington	10,131	2,519	—	—
Mr Roger Hickling	6,428	965	—	—
	<b>399,161</b>	<b>23,662</b>	<b>198,398</b>	<b>10,260</b>
<b>Non-Executive</b>				
Dr Andrew Richards	45,036	—	13,239	—
Mr John Bradshaw	21,746	—	—	—
Mr Tim Sharpington	21,746	—	—	—
Ms Maima Bhaman	—	—	—	—
Mr Peter Ellis	4,506	—	12,623	—
Sir Colin Dollery	4,506	—	12,623	—
Ms Helen Reynolds	—	—	—	—
Dr Peter Blower	1,446	—	—	—
Mr Alistair Taylor	1,965	—	—	—
Dr Ian Tulloch	1,446	—	—	—
	<b>102,397</b>	<b>—</b>	<b>38,485</b>	<b>—</b>
<b>Aggregate emoluments</b>	<b>501,558</b>	<b>23,662</b>	<b>236,883</b>	<b>10,260</b>

During the 16 months ended 30 September 2014 Professor Derek Hill and Professor Jo Hajnal made gains of £73,901 and £53,068 respectively on the exercise of share options. No share options were exercised in the 12 months ended 31 May 2013.

The emoluments paid to the directors in the 12 months ended 31 May 2013 were received in the performance of their duties as directors of IXICO Technologies Limited (formerly IXICO Limited).

Helen Reynolds resigned as a non-executive director of IXICO Technologies Limited (formerly IXICO Limited) on 4 July 2013.

Professor Jo Hajnal, Peter Ellis and Sir Colin Dollery resigned as directors of IXICO Technologies Limited (formerly IXICO Limited) on admission to the AIM market of the London Stock Exchange on 15 October 2013.

Roger Hickling, Dr Peter Blower, Alistair Taylor and Dr Ian Tulloch resigned as directors of Phytopharm plc on the acquisition of IXICO Technologies Limited (formerly IXICO Limited) on 15 October 2013.

Tim Sharpington resigned as an executive director of Phytopharm plc on the acquisition of IXICO Technologies Limited (formerly IXICO Limited) on 15 October 2013.

Dr Andrew Richards, Professor Derek Hill, Charles Spicer, Tim Sharpington, John Bradshaw and Maima Bhaman were appointed as directors of IXICO plc on 15 October 2013.

No directors waived emoluments in the period ended 30 September 2014 (2013: £nil).

## Directors' options

Details of options over shares of the Company held by directors who served during the period all of which have been granted at no cost to the directors are set out below

### Number of options<sup>(1)</sup>

	At 1 June 2013	Exercised during the 16 month period	At 30 September 2014	Exercise Price	Date from which exercisable	Expiry date
Professor Derek Hill	125,927	(125,927)	—	£0 38	4 Nov 2009	—
	24,490	(24,490)	—	£0 19	30 Sep 2011	—
	101,845	(101,845)	—	£0 19	4 Nov 2011	—
	29,770	—	29,770	£0 00	14 Oct 2013	14 Oct 2015
	282,032	(252,262)	29,770			
Dr Andrew Richards	104,352	—	104,352	£0 38	14 Oct 2013	14 Oct 2015
	52,332	—	52,332	£0 19	14 Oct 2013	14 Oct 2015
	156,684	—	156,684			
Professor Jo Hajnal	70,508	(70,508)	—	£0 19	14 Oct 2013	14 Oct 2015
	36,037	(36,037)	—	£0 00	14 Oct 2013	14 Oct 2015
	106,545	(106,545)	—			
Mr Peter Ellis	31,337	—	31,337	£0 00	14 Oct 2013	14 Oct 2015
	25,069	—	25,069	£0 00	14 Oct 2013	14 Oct 2015
	56,406	—	56,406			
Sir Colin Dollery	6,267	—	6,267	£0 00	14 Oct 2013	14 Oct 2015
Aggregate	607,934	(358,807)	249,127			

(1) Re-stated following the reverse acquisition effected on 15 October 2013. The comparatives in respect of the capital structure of the legal subsidiary are re-stated using the exchange ratio of 15.67 established on acquisition. See note 22 to the financial statements for further information.

Share options with an exercise price of £0.00 represents share options issued by IXICO Technologies Limited (formerly IXICO Limited) at the par value of £0.01. Based on the exchange ratio of 15.67 established on acquisition, the share option exercise price becomes £0.000638.

Further details of the share option schemes are contained in note 23 to the consolidated financial statements.

## Directors' interests

The table below sets out the interests in the Company's shares of directors who served during the period and their connected persons.

	Ordinary shares of 50 pence	
	2014	2013
Professor Derek Hill	541,480	—
Mr Charles Spicer	62,078	—
Dr Andrew Richards	30,200	—
Mr Tim Sharpington	15,150	2,400
Mr John Bradshaw	35,517	—
Ms Maina Bhaman <sup>(1)</sup>	1,722,273	—

(1) Interest in issued share capital due to her employment at Imperial Innovations Group.

The directors' interests of all other directors are beneficially held by each director.

Apart from the interests and share options disclosed above, no director had any interest in the period in the share capital of the Company or other Group companies. There have been no changes in the Directors' interests in the share capital of the Group since the period end.

## Directors' indemnities

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

### Structure of the Company's capital

The Company's share capital comprises a single class of ordinary shares of 50 pence each, each carrying one voting right and all ranking equally with each other. At 30 September 2014, 15,058,982 shares were allotted and fully paid. Note 22 to the consolidated financial statements provides full details of movements in the Company's share capital.

Holders of ordinary shares are entitled to receive all shareholder documents, to attend, speak and exercise voting rights, either in person or by proxy, on resolutions proposed at General Meetings and participate in any distribution of income or capital. There are no restrictions on the transfer of shares in the Company or in respect of voting rights attached to the shares. None of the shares carry any special rights with regard to the control of the Company.

Participants in employee share option schemes have no voting or other rights in respect of the shares subject to their awards until the options are exercised, at which time the shares rank *pari passu* in all respects with shares already in issue. Details of employee share option schemes are set out in note 23 to the consolidated financial statements.

There are no restrictions on the transfer of securities in the Group.

### Authority to issue shares

At the General Meeting held on 14 October 2013, shareholders authorised the Directors to allot relevant securities up to an aggregate nominal value of £2,492,073, representing one-third of the issued share capital, and to further allot equity securities up to an additional aggregate nominal value of £4,984,146 in connection with a fully pre-emptive rights issue, in accordance with ABI guidance, and to allot for cash equity securities having a nominal value not exceeding in aggregate £747,622 (being 10% of the issued share capital).

These authorities expire at the conclusion of the 2015 AGM or, if earlier, the close of business on 14 January 2015. At the 2015 AGM similar authorities will be sought from shareholders.

### Purchase of own shares

Purchases in shares of IXICO plc in the prior year relate to the IXICO Share Incentive Plan (formerly the Phytopharm Share Incentive Plan) whereby the Company issued one "Matching Share" for every one "Partnership Share" purchased by the employee. All shares are held by the scheme trustees until the shares vest unconditionally with the employee.

During the period ended 30 September 2014, the Group purchased nil ordinary shares of 1 pence (2013: 17,827) at a total cost of £nil (2013: £1,750). All ordinary shares purchased under the IXICO Share Incentive Plan were prior to the share capital consolidation on 4 September 2013.

### Substantial shareholdings

At 30 January 2015, the Company had received notification from the following financial institutions of their and their clients' interest in the following disclosable holdings, which represent 3% or more of the voting rights of the issued share capital of the Company.

<b>Shareholders having a major interest</b>	<b>Number of shares held</b>	<b>% of issued shares</b>
Invesco Asset Management Limited	3,536,370	23.48
Imperial Innovations Group plc	1,714,743	11.39
Hardsteel Limited	847,148	5.63
Marcus Sarnier	626,159	4.16
Joseph Hajnal	550,621	3.66
Derek Hill	477,169	3.17

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

### Annual General Meeting

The notice convening and giving details of the 2015 AGM of the Company to be held at the offices of FTI Consulting LLP, 200 Aldersgate Street, London EC1A 4HD on 6 March 2015 has been sent to shareholders.

**Disclosure of information to auditors**

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

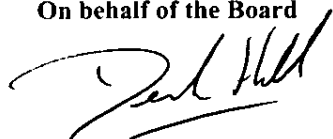
- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and
- each of the Directors has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant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

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

**Going concern**

At 30 September 2014, the Group had cash and cash equivalents of £3.3 million. After making enquiries and taking into account management's estimate of future revenues and expenditure, the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future.

**On behalf of the Board**



**Professor Derek Hill**  
Chief Executive Officer  
30 January 2015

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

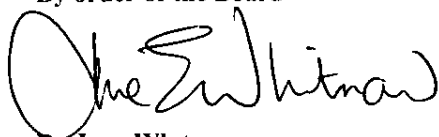
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**Dr Jane Whitrow**  
Company Secretary  
30 January 2015

## **Independent auditors' report to the members of IXICO plc**

We have audited the financial statements of IXICO plc for the period ended 30 September 2014 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statement of cashflow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2014 and of the Group's loss for the period then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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

*Grant Thornton UK LLP*

### **Alison Seekings**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

30 January 2015

**Consolidated Statement of Comprehensive Income**  
for the 16 months ended 30 September 2014 and 12 months ended 31 May 2013

	Note	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
<b>Revenue</b>		<b>3,413</b>	3,646
Cost of sales		(1,300)	(1,304)
<b>Gross profit</b>		<b>2,113</b>	2,342
Other income	6	942	70
<b>Operating expenses</b>			
Research and development expenses		(1,369)	(694)
Sales and marketing expenses		(922)	(570)
General and administrative expenses		(2,342)	(769)
Non-recurring administrative expenses	7	(938)	—
<b>Total operating expenses</b>		<b>(5,571)</b>	(2,033)
<b>Operating (loss)/profit</b>	10	<b>(2,516)</b>	379
Finance income		18	—
Finance (expense)/credit	11	—	97
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(2,498)</b>	476
Taxation	12	206	64
<b>(Loss)/profit and total comprehensive (expense)/income attributable to equity holders for the period</b>		<b>(2,292)</b>	540
<b>(Loss)/earnings per share (pence)</b>	13		
Basic (loss)/earnings per share		(15 2)	10 4
Diluted (loss)/earnings per share		(15 2)	7 7

**Consolidated and Company Statements of Financial Position**  
as at 30 September 2014, 31 May 2013 and 30 September 2013,

	Note	Group		Company	
		As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	120	46	—	—
Intangible assets	15	520	—	—	—
Investments in group undertakings	16	—	—	4,911	2
Amounts due from subsidiary undertakings	17	—	—	2,062	—
<b>Total non-current assets</b>		<b>640</b>	<b>46</b>	<b>6,973</b>	<b>2</b>
<b>Current assets</b>					
Trade and other receivables	17	1,161	927	80	79
Current tax receivable	12	318	297	—	—
Cash and cash equivalents		3,294	859	1,986	4,418
<b>Total current assets</b>		<b>4,773</b>	<b>2,083</b>	<b>2,066</b>	<b>4,497</b>
<b>Total assets</b>		<b>5,413</b>	<b>2,129</b>	<b>9,039</b>	<b>4,499</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade and other payables	19	1,497	1,186	153	682
Convertible loan notes	20	—	1,222	—	—
<b>Total current liabilities</b>		<b>1,497</b>	<b>2,408</b>	<b>153</b>	<b>682</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	21	104	—	—	—
Amounts due to subsidiary undertakings	19	—	—	969	—
<b>Total non-current liabilities</b>		<b>104</b>	<b>—</b>	<b>969</b>	<b>—</b>
<b>Equity</b>					
Ordinary shares	22	7,529	2,608	7,529	3,469
Share premium	22	76,804	76,791	76,804	76,791
Merger relief reserve	22	641	—	641	—
Reverse acquisition reserve	22	(75,229)	(75,935)	—	—
Accumulated losses		(5,933)	(3,743)	(77,057)	(76,443)
<b>Total equity</b>		<b>3,812</b>	<b>(279)</b>	<b>7,917</b>	<b>3,817</b>
<b>Total liabilities and equity</b>		<b>5,413</b>	<b>2,129</b>	<b>9,039</b>	<b>4,499</b>

The financial statements on pages 14 to 41 were approved by the Board of Directors and authorised for issue on 30 January 2015 and were signed on its behalf by



**Professor Derek Hill**  
Chief Executive Officer  
30 January 2015

**IXICO plc, Registered number 03131723**

**Consolidated Statement of Changes in Equity**  
for the 16 months ended 30 September 2014

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Accumulated losses £'000	Total £'000
<b>Balance at 1 June 2012</b>	2,608	76,791	—	(75,935)	(4,390)	(926)
Total comprehensive income for the period	—	—	—	—	540	540
<b>Transactions with owners</b>						
Credit in respect of share options	—	—	—	—	107	107
<b>Balance at 31 May 2013 and 1 June 2013</b>	2,608	76,791	—	(75,935)	(3,743)	(279)
Total comprehensive expense for the period	—	—	—	—	(2,292)	(2 292)
<b>Transactions with owners</b>						
Charge in respect of share options	—	—	—	—	102	102
Exercise of share options	464	13	—	(261)	—	216
Conversion of loan note	988	—	—	234	—	1,222
Cost of acquisition	3,469	—	641	733	—	4,843
<b>Total transactions with owners</b>	4,921	13	641	706	102	6,383
<b>Balance at 30 September 2014</b>	7,529	76,804	641	(75,229)	(5,933)	3,812

**Company Statement of Changes in Equity**  
for the 12 months ended 30 September 2014

	Ordinary shares £'000	Share premium £'000	Merger relief reserve £'000	Accumulated losses £'000	Total £'000
<b>Balance at 1 October 2012</b>	<b>3,469</b>	<b>76,791</b>	<b>—</b>	<b>(39,853)</b>	<b>40,407</b>
Total comprehensive expense for the period	—	—	—	(36,577)	(36,577)
<b>Transactions with owners</b>					
Charge in respect of share options	—	—	—	(13)	(13)
<b>Balance at 30 September 2013 and 1 October 2013</b>	<b>3,469</b>	<b>76,791</b>	<b>—</b>	<b>(76,443)</b>	<b>3,817</b>
Total comprehensive expense for the period	—	—	—	(808)	(808)
<b>Transactions with owners</b>					
Charge in respect of share options	—	—	—	194	194
Exercise of share options	53	13	—	—	66
Cost of acquisition	4,007	—	641	—	4,648
<b>Total transactions with owners</b>	<b>4,060</b>	<b>13</b>	<b>641</b>	<b>194</b>	<b>4,908</b>
<b>Balance at 30 September 2014</b>	<b>7,529</b>	<b>76,804</b>	<b>641</b>	<b>(77,057)</b>	<b>7,917</b>

**Consolidated and Company Statements of Cash Flows**  
for the 16 months ended 30 September 2014, 12 months ended 31 May 2013,  
12 months ended 30 September 2014 and 12 months ended 30 September 2013

	Group		Company	
	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000	12 months ended 30 September 2014 £'000	12 months ended 30 September 2013 £'000
<b>Cash flows from operating activities</b>				
(Loss)/profit for the period	(2,292)	540	(726)	(36,577)
Finance income	(18)	—	(18)	(88)
Finance expense/(credit)	—	(97)	—	—
Taxation	(206)	(64)	—	—
Depreciation	51	22	—	—
Amortisation of acquired intangibles	130	—	—	—
Provision for doubtful debts	16	—	—	—
Research and development expenditure credit	(116)	—	—	—
Premium on acquisition expensed	657	—	—	—
Impairment of investment in subsidiary undertaking	—	—	—	1,800
Waiver of loan to subsidiary undertaking	—	—	—	33,098
Share option charge	102	107	—	—
	(1,676)	508	(744)	(1 767)
<b>Changes in working capital</b>				
Decrease/(increase) in trade and other receivables	28	(313)	(2,063)	(61)
(Decrease)/increase in trade and other payables	(1,223)	131	357	633
<b>Cash generated from/(used in) operations</b>	(2,871)	326	(2,450)	(1,195)
Taxation received	597	—	—	—
<b>Net cash generated from/(used in) operating activities</b>	(2,274)	326	(2,450)	(1,195)
<b>Cash flows from investing activities</b>				
Cash and cash equivalents acquired	4,497	—	—	—
Purchase of property, plant and equipment	(125)	(19)	—	—
Finance income	18	—	18	147
Loan to subsidiary undertaking	—	—	—	(3,162)
<b>Net cash generated from/(used in) investing activities</b>	4,390	(19)	18	(3 015)
<b>Cash flows from financing activities</b>				
Issue of shares	216	—	—	—
Movement in money market investments	103	—	—	8,500
<b>Net cash generated from/(used in) financing activities</b>	319	—	—	8,500
<b>Movements in cash and cash equivalents in the period</b>	2,435	307	(2,432)	4,290
Cash and cash equivalents at start of period	859	552	4,418	128
<b>Cash and cash equivalents at end of period</b>	3,294	859	1,986	4,418

## Notes to the Financial Statements

### 1 GENERAL INFORMATION

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

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

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

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

The comparative financial information is that of IXICO Technologies Limited (formerly IXICO Limited). The comparative figures for the financial year ended 31 May 2013 are included in the AIM admission document published by the Company on 23 September 2013. The AIM admission document is available on the Company's website [www.ixico.com](http://www.ixico.com). Those figures have been reported on by IXICO Technology Limited's (formerly IXICO Limited) auditors and their report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies operating under IFRS. The accounting policies adopted are consistent with those followed in the preparation of IXICO Technologies Limited (formerly IXICO Limited) annual financial statements for the year ended 31 May 2013 contained in the AIM admission document, which have been prepared in accordance with IFRSs as adopted by the European Union.

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

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

#### Basis of consolidation

The consolidated financial statements incorporate the results of IXICO plc and of its subsidiaries (together 'the Group'). Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

#### Going concern

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

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

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

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

### **Significant management judgements**

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

#### *Revenue recognition*

The Group recognises revenue with regard to amounts chargeable to customers under service contracts. The policy is to recognise testing services upon achievement of milestones set out in the related agreements. This is expected to approximate to the timing of the physical performance of the service activity on such contracts. Recognising revenue also requires significant judgment in determining actual work performed and the estimated costs to complete the work.

#### *Recovery of deferred tax assets*

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

#### **Estimation uncertainty**

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

#### *Reverse acquisition and intangible assets*

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

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

#### *Share-based payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model with the assumptions detailed in note 23 of the consolidated financial statements.

#### **Changes in accounting policies**

The Group has adopted the following amendment to IFRS issued by the IASB, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 June 2013:

- IFRS 13 Fair value measurement. IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'. The Group has applied IFRS 13 for the first time in the current year.

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

### Accounting developments

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

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)(i)
  - IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)(i)
  - Defined Benefit Plans Employee Contributions (Amendments to IAS 19) (effective 1 February 2015)
  - Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)(i)
  - Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)(i)
  - Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 February 2015)
  - Annual Improvements to IFRSs 2011-2013 Cycle (effective date 1 January 2015)
  - Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)(i)
  - Amendments to IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016)(i)
  - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)(i)
- (i) Not adopted by the EU (as at 9 January 2015)

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

### Reverse acquisition

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

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

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

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

### Revenue

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

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

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

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

### Revenue (continued)

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

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

### Other income

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

The Group has elected to take advantage of the research and development expenditure credit ('RDEC'), in the first year of the transitional phase introduced in the Finance Act 2013. A company may surrender corporation tax losses on research and development expenditure incurred on or after 1 April 2013 for a corporation tax refund. Relief is given as a taxable credit on 10% of qualifying R&D expenditure. The Group recognises research and development expenditure credit as an item of other income, taking advantage of the 'above the line' presentation.

### Research and development expenditure

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

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

### Exceptional items

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

### Share-based payments

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23 of the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions.

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

### Employee benefits

All employee benefit costs, notably holiday pay and contributions to the Group or personal defined contribution plans, are recognised in the statement of comprehensive income as they are incurred. The Group operates a defined contribution pension scheme. The assets of this scheme are held separately from those of the Group in independently administered funds. The Group does not offer any other post-retirement benefits.

### Employee share trust

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

### Operating leases

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

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

### Property, plant and equipment

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

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

The principal rates used for this purpose are

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

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date.

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

### Intangible assets

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

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

Intangible assets are amortised using the straight-line method over their estimated useful economic life of 5 years. Amortisation is disclosed under administrative expenses in the consolidated statement of comprehensive income.

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

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

### Impairment of assets

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

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

### Investments in group undertakings

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

### Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

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

### Current tax

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

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

### **Cash and cash equivalents**

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

### **Foreign currency translation**

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

### **Trade and other payables**

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

### **Equity instruments**

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

### **Financial instruments**

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

The component parts of compound instruments (convertible loan notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. The embedded derivative is recorded at fair value through profit and loss and fair valued at each reporting date.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, to the net carrying amount on initial recognition.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **Deferred taxation**

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

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

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

### 3 REVERSE ACQUISITION

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

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

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

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

#### Total consideration

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

There is a potential issue of 465,350 new ordinary shares in the Company to satisfy the exercise of outstanding share options under the IXICO Technologies Limited (formerly IXICO Limited) unapproved share option scheme. These share options must be exercised by 14 October 2015 or they will lapse. The exercise of these options is at the option of the holder with a proscribed conversion rate for the effective issue of new IXICO plc shares. The fair value of the share options of £195,000 was estimated using a Black-Scholes valuation model assuming a risk-free interest rate equivalent to the United Kingdom 2 year gilt yield on 14 October 2013 and a volatility equivalent to the historical volatility attributable to the IXICO Technologies Limited (formerly IXICO Limited) share price. As at 30 September 2014, 106,545 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme.

#### Cost of acquiring the public listing

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

#### Intangible assets

Intangible assets were acquired through the reverse acquisition and initially recognised at cost, their fair value at the date of acquisition. Intangible assets include, registered intellectual property (royalty income from a third party) and technology and marketing related intangibles associated with neurodegenerative disease conditions arising from the Company's historic research and development activities.

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

#### Deferred tax liability

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

#### Money market investments

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

#### 4. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements of the Group as at 30 September 2014 include

Name of subsidiary	Class of share	Place of incorporation	Principle activities	Proportion of ownership interest	Proportion of voting rights held
IXICO Technologies Limited (formerly IXICO Limited)	Ordinary	United Kingdom	Operations	100%	100%
IXItech Limited (formerly Phytotech Limited)	Ordinary	United Kingdom	Operations	100%	100%
Phytodevelopments Limited	Ordinary	United Kingdom	Dormant	100%	100%
IXICO US LLC	Members Interest	United States	Dormant	100%	100%

#### 5 SEGMENTAL INFORMATION

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

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

In the period ended 30 September 2014, the Group had three customers that exceeded 10% of total revenue, being 49%, 15% and 14%. In the year ended 31 May 2013, the Group had three customers that exceeded 10% of total revenue, being 31%, 27% and 13%.

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

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
United Kingdom	1,959	1,125
United States	984	2,146
Europe	411	375
China	59	—
<b>Revenue</b>	<b>3,413</b>	<b>3,646</b>

#### 6. OTHER INCOME

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
Grant income	826	70
Research and development expenditure credit	116	—
<b>Other income</b>	<b>942</b>	<b>70</b>

All grant income originates in the United Kingdom.

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

## 7. EXCEPTIONAL EXPENSES

Exceptional expenses are the non-recurring costs of acquiring the public listing, together with other transaction costs incurred by IXICO Technologies Limited (formerly IXICO Limited) and certain legacy costs incurred relating to the Huntingdon building previously occupied by the Phytopharm group

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

	<b>16 months ended 30 September 2014 £'000</b>	12 months ended 31 May 2013 £'000
Cost of acquiring the public listing	657	—
Restructuring costs	281	—
<b>Non-recurring administrative expenses</b>	<b>938</b>	—

## 8 AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration is as follows

	<b>16 months ended 30 September 2014 £'000</b>	12 months ended 31 May 2013 £'000
Fees payable to the Group's auditors for the audit of the Company's annual accounts	12	13
the subsidiaries' annual accounts	16	—
<b>Total audit fees</b>	<b>28</b>	<b>13</b>
Tax compliance services	13	2
Other services	14	15
<b>Total non-audit fees</b>	<b>27</b>	<b>17</b>

## 9. EMPLOYEES AND DIRECTORS

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

	<b>16 months ended 30 September 2014 £'000</b>	12 months ended 31 May 2013 £'000
Administration	10	13
Operations, research and development	35	28
<b>Average total persons employed</b>	<b>45</b>	<b>41</b>

## 9 EMPLOYEES AND DIRECTORS (continued)

As at 30 September 2014 the Group had 52 employees (31 May 2013 39)

Staff costs in respect of these employees were

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
Wages and salaries	1,959	1,658
Social security costs	335	188
Other pension costs	157	54
Share-based payments	102	107
<b>Total remuneration</b>	<b>2,553</b>	<b>2,007</b>

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The amounts outstanding at 30 September 2014 in respect of pension are £nil (31 May 2013 £nil)

The share-based payment during the 16 months ended 30 September 2014 included £4,000 (Year ended 31 May 2013 £5,000) related to options issued to former directors of the Group who are no longer employees

Key management remuneration

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
Short-term employee benefits	1,208	647
Post-employment benefits	59	39
<b>Total remuneration</b>	<b>1,267</b>	<b>686</b>

Key management includes executive directors, non-executive directors and senior management who have the responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group

## 10 OPERATING (LOSS)/PROFIT

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

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
Research and development expenses	1,369	694
Sales and marketing expenses	922	570
Operating lease charges land and building	269	108
Depreciation of property, plant and equipment	51	22
Amortisation of intangible asset	130	—
Foreign exchange loss/(gain)	101	(48)
Fees payable to the company's auditors	55	30
Administrative expenses	1,736	657
Non-recurring administrative expenses	938	—
<b>Total operating expenses</b>	<b>5,571</b>	<b>2,033</b>

## 11 FINANCE EXPENSE

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
Deemed interest on the convertible loan	—	(114)
Fair value movement on the embedded derivative	—	211
Finance (expense)/credit	—	97

Further information on the fair value movement on the embedded derivative and the interest on the convertible loan notes can be found in note 20 of the consolidated financial statements

## 12. TAXATION

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

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
(Loss)/profit on ordinary activities before taxation	(2,498)	476
(Loss)/profit before tax at the effective rate of corporation tax in the United Kingdom of 22.25% (2013: 23.83%)	(556)	113
Effects of		
Expenses not deductible for tax purposes	(163)	(32)
Capital allowances in excess of depreciation	(10)	1
Trading losses carried forward	(69)	34
Other temporary differences	(9)	18
Adjustment in respect of prior years	23	—
R&D uplifts net of losses surrendered for tax credits	578	(198)
<b>Tax credit for the period</b>	<b>(206)</b>	<b>(64)</b>

The tax credit for each period can be reconciled as follows

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
Small or medium enterprise research and development credit	(228)	(64)
Deduction for corporation tax on research and development expenditure credit	27	—
Adjustment in respect of prior years	21	—
Deferred tax movement on amortisation	(26)	—
<b>Tax credit for the period</b>	<b>(206)</b>	<b>(64)</b>

## 12. TAXATION (continued)

For the period ended 30 September 2014 the Group has elected to take advantage of the research and development expenditure credit ('RDEC'), in the first year of the transitional phase 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. RDEC will run in parallel to the large company research and development scheme which the Group has previously claimed, which will now cease on 31 March 2016. The following is a reconciliation between the tax charge and the tax receivable within the consolidated statement of financial position.

	As at 30 September 2014 £'000	As at 31 May 2013 £'000
Current tax receivable at start of period	297	233
Current tax receivable acquired in reverse acquisition	323	—
Current period credit	295	64
Corporation tax repayment	(597)	—
Current tax receivable at end of period	318	297

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 2014 £'000	As at 31 May 2013 £'000
Tax credit for the year	206	64
Research and development expenditure credit net of corporation tax deduction	89	—
Current tax receivable in the period	295	64

## 13. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to equity holders by the weighted average number of ordinary shares outstanding during the period after the deduction of the weighted average number of the ordinary shares held by the employee benefit trust during the period.

For diluted (loss)/earnings per share, the (loss)/profit for the period attributable to equity holders and the weighted average number of ordinary shares outstanding during the period is adjusted to assume conversion of all dilutive potential ordinary shares.

As at 30 September 2014, the Group has no dilutive potential ordinary shares in issue.

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

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
(Loss)/profit for the period attributable to equity holders for basic (loss)/earnings	(2,292)	540
Deemed interest on the convertible loan notes	—	114
(Loss)/profit for the period attributable to equity holders adjusted for the effects of dilution	(2,292)	654

	As at 30 September 2014 £'000	As at 31 May 2013 £'000
Weighted average number of ordinary shares for basis (loss)/earnings per share	15,058,982	5,216,324
Effects of dilution		
Share options	358,806	1,287,159
Convertible loan notes	—	1,976,271
Shares held by trustees in respect to the Company's Share Incentive Plan 2007	(1,740)	—
Weighted average number of ordinary shares adjusted for the effects of dilution	15,416,048	8,479,754

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement £'000	Fixtures & fittings £'000	Equipment £'000	Total £'000
<b>Cost</b>				
At 31 May 2012	—	6	153	159
Additions	—	—	19	19
At 31 May 2013	—	6	172	178
Additions	62	1	62	125
Disposals	—	—	(2)	(2)
<b>At 30 September 2014</b>	<b>62</b>	<b>7</b>	<b>232</b>	<b>301</b>
<b>Accumulated Depreciation</b>				
At 31 May 2012	—	5	105	110
Charge for the period	—	1	21	22
At 31 May 2013	—	6	126	132
Charge for the period	4	1	46	51
Disposals	—	—	(2)	(2)
<b>At 30 September 2014</b>	<b>4</b>	<b>7</b>	<b>170</b>	<b>181</b>
<b>Net Book Value</b>				
At 31 May 2013	—	—	46	46
<b>At 30 September 2014</b>	<b>58</b>	<b>—</b>	<b>62</b>	<b>120</b>

As at 30 September 2014 and 30 September 2013, the Company had no property, plant and equipment

## 15. INTANGIBLE ASSETS

	Registered intellectual property £'000	Technology & marketing know-how £'000	Total £'000
<b>Cost</b>			
At 31 May 2012 and 31 May 2013	—	—	—
Additions – reverse acquisition	150	500	650
<b>At 30 September 2014</b>	<b>150</b>	<b>500</b>	<b>650</b>
<b>Amortisation and Impairment</b>			
At 31 May 2012 and 31 May 2013	—	—	—
Amortisation	30	100	130
<b>At 30 September 2014</b>	<b>30</b>	<b>100</b>	<b>130</b>
<b>Net Book Value</b>			
At 31 May 2013	—	—	—
<b>At 30 September 2014</b>	<b>120</b>	<b>400</b>	<b>520</b>

Intangible assets were acquired through the reverse acquisition and initially recognised at cost, their fair value at the date of acquisition. Intangible assets include registered intellectual property (royalty income from a third party), technology and marketing related intangibles associated with neurodegenerative disease conditions arising from the Company's historic research and development activities.

The Group reviewed the amortisation period and the amortisation method for the intangible assets at the end of the reporting period. The assumptions in respect of the future cash flows and discount rate have not changed since initial recognition.

The Group continually monitors events and changes in circumstances that could indicate that the intangible assets may be impaired. During the reporting period, the Group identified no evidence that indicate the intangible assets may be impaired.

As at 30 September 2014 and 30 September 2013, the Company had no intangible assets.

## 16 INVESTMENTS IN GROUP UNDERTAKINGS

	Company	
	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>IXITECH Limited (formerly Phytotech Limited)</b>		
At 1 October	2	1,815
Decrease in capital contribution relating to share option credit	—	(13)
Impairment of investment	—	(1,800)
<b>At 30 September</b>	<b>2</b>	<b>2</b>
<b>IXICO Technologies Limited (formerly IXICO Limited)</b>		
At 1 October	—	—
Initial issue of 8,014,403 new ordinary shares at £0.58 per share	4,648	—
Fair value of the exchanged share-based payment awards	195	—
Issue of 106,545 shares for the exercise of share options at £0.625 per share	66	—
<b>At 30 September</b>	<b>4,909</b>	<b>—</b>
<b>Total investments in group undertakings</b>	<b>4,911</b>	<b>2</b>

### IXITECH Limited (formerly Phytotech 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. Further information on the Group's share option schemes can be found in note 23 of the consolidated financial statements.

Following the completion of the Group's strategic review during the period ended 30 September 2013, the investment in IXITECH Limited (formerly Phytotech Limited) amounting to £1,800,000 was impaired to the par value of the ordinary share capital of £2,000.

### IXICO Technologies Limited (formerly IXICO Limited)

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

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

There is a potential issue of 465,350 new ordinary shares in the Company to satisfy the exercise of outstanding share options under the IXICO Technologies Limited (formerly IXICO Limited) unapproved share option scheme. These share options must be exercised by 14 October 2015 or they will lapse. The exercise of these options is at the option of the holder with a proscribed conversion rate for the effective issue of new IXICO plc shares. The fair value of the share options of £195,000 was estimated using a Black-Scholes valuation model assuming a risk-free interest rate equivalent to the United Kingdom 2 year gilt yield on 14 October 2013 and a volatility equivalent to the historical volatility attributable to the IXICO Technologies Limited (formerly IXICO Limited) share price. As at 30 September 2014, 106,545 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme.

## 17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>Amounts receivable within one year</b>				
Trade receivables	600	820	—	—
Other receivables	344	78	—	60
Other taxation and social security	—	—	33	—
Prepayments	217	29	47	19
<b>Trade and other receivables</b>	<b>1,161</b>	<b>927</b>	<b>80</b>	<b>79</b>
<b>Amounts receivable after more than one year</b>				
Amounts due from subsidiary undertakings	—	—	2,062	—
<b>Amounts due from subsidiary undertakings</b>	<b>—</b>	<b>—</b>	<b>2,062</b>	<b>—</b>

The average credit period offered on sales of goods varies amongst customers having payment terms ranging from 30 days to 75 days. The Group has recognised an allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
Provision for impairment at start of period	—	—	—	—
Increase in provision	16	—	—	—
<b>Provision for impairment at end of period</b>	<b>16</b>	<b>—</b>	<b>—</b>	<b>—</b>

Trade receivables disclosed include amounts which are past due at the period end but against which the Group has not recognised an allowance for doubtful receivables. 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 2014, the average age of these receivables is 64 days (31 May 2013: 82 days).

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

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
Less than 30 days	—	98	—	—
31-60 Days	—	—	—	—
61-90 Days	—	—	—	—
More than 90 days	11	—	—	—
<b>Total trade receivables past due but not impaired</b>	<b>11</b>	<b>98</b>	<b>—</b>	<b>—</b>

The fair value of trade and other receivables approximate their current book values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 25 of the consolidated financial statements.

Amounts due from subsidiary undertakings are interest free, unsecured and have no fixed date of repayment.

## 18 DEFERRED TAX ASSET (UNRECOGNISED)

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>Tax effect of timing differences</b>				
Depreciation in excess of tax allowances	21	5	(4)	5
Accumulated losses	(12,715)	(680)	(1,452)	1,233
Temporary differences	(14)	(4)	—	—
<b>Deferred tax asset (unrecognised)</b>	<b>(12,708)</b>	<b>(679)</b>	<b>(1,456)</b>	<b>1,238</b>

The unrecognised deferred tax asset is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the latest balance date, currently 21%

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

## 19 TRADE AND OTHER PAYABLES

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>Amounts falling due within one year</b>				
Trade payables	398	195	55	347
Other taxation and social security	66	114	—	—
Accrued expenses	976	875	98	335
Other payables	57	2	—	—
Trade and other payables	1,497	1,186	153	682
<b>Amounts falling due after more than one year</b>				
Amounts due to subsidiary undertakings	—	—	969	—
<b>Amounts due to subsidiary undertakings</b>	<b>—</b>	<b>—</b>	<b>969</b>	<b>—</b>

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. As at 30 September 2014, the average credit period taken for trade purchases is 111 days (31 May 2013: 54 days). For all suppliers no interest is charged on the trade payables. The company's policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments.

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

Amounts due to subsidiary undertakings are interest free, unsecured and have no fixed date of repayment.

## 20 CONVERTIBLE LOAN NOTE

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>Current liability:</b>				
Host debt	—	1,076	—	—
Embedded derivative	—	146	—	—
<b>Convertible loan note</b>	—	1,222	—	—

On 11 May 2010, the IXICO Technologies Limited (formerly IXICO Limited) board passed a resolution to create up to £1,200,000 of convertible unsecured loan notes, with a minimum of £800,000 on a three year term. They were interest bearing only if IXICO Technologies Limited (formerly IXICO Limited) did not convert or redeem within the three year term.

The loan notes could only be converted or redeemed in the following circumstances:

- Note holders could request redemption at twice the loan note value after three years or after a sale/exit event,
- Note holders could convert after three years, or after a sale/exit event, or after a further fundraising.

The conversion price was based on twice the last 12 months' audited revenue with the number of shares issued to loan note holders being twice the loan amount at the conversion price.

A deed of variation was made on 13 June 2013, to suspend the rights of note holders to demand redemption or conversion until the earlier of:

- 30 September 2013, or
- the date that the Group notifies note holders that a sale is no longer contemplated.

The convertible loan notes are carried at amortised cost.

On initial recognition, the conversion option in relation to the convertible loan notes led to a potentially variable number of shares, therefore the convertible loan notes are accounted for as a host debt (recorded initially at fair value, net of transaction costs and subsequently valued at amortised cost) with an embedded derivative (recorded at fair value through profit and loss and fair valued at each reporting date).

The convertible loan notes have been separated into two components – the host debt instrument and the embedded derivative on initial recognition. The value of the host debt instrument will increase to the principal amount by the date of maturity.

The effective interest cost of the convertible loan notes is the sum of that increasing value in the period. The derivative element varies in value according to the market price of the underlying ordinary shares and the period remaining for conversion, amongst other factors.

On 20 September 2013, the entire outstanding balance of the convertible loan notes was converted into 126,131 ordinary shares of IXICO Technologies Limited (formerly IXICO Limited). In a reverse acquisition under IFRS 3 'Business Combinations', the equity of the Group represents the capital structure of the legal parent, IXICO plc. The comparatives the capital structure of the legal subsidiary (IXICO Technologies Limited, formerly IXICO Limited) are re-stated using the exchange ratio of 15.67 established on acquisition. The shares issued on conversion equate to 1,976,271 shares based on the exchange ratio.

## 21 DEFERRED TAX LIABILITY

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
Balance at start of period	—	—	—	—
Deferred tax liability resulting from the reverse acquisition	130	—	—	—
Amortisation charge	(26)	—	—	—
<b>Balance at end of period</b>	<b>104</b>	<b>—</b>	<b>—</b>	<b>—</b>

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

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

## 22. ISSUED CAPITAL AND RESERVES

### Ordinary shares and share premium

	Group		
	Ordinary share of 50 pence Number	Share Capital £'000	Share Premium £'000
At 31 May 2012 and 31 May 2013	5,216,324	2,608	76,791
Issued on 20 September 2013 for the conversion of loan note	1,976,271	988	—
Issued on 14 October 2013 for the exercise of share options	821,808	411	—
Issued on 14 October 2013 for the cost of acquisition	6,938,034	3,469	—
Issued on 12 August 2014 for the exercise of share options	106,545	53	13
<b>At 30 September 2014</b>	<b>15,058,982</b>	<b>7,529</b>	<b>76,804</b>

	Company		
	Ordinary share of 50 pence Number	Share Capital £'000	Share Premium £'000
At 30 September 2012 and 30 September 2013	6,938,034	3,469	76,791
Issued on 14 October 2013 for the cost of acquisition	8,014,403	4,007	—
Issued on 12 August 2014 for the exercise of share options	106,545	53	13
<b>At 30 September 2014</b>	<b>15,058,982</b>	<b>7,529</b>	<b>76,804</b>

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

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

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

## 22 ISSUED CAPITAL AND RESERVES (continued)

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

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

On 12 August 2014, 106,545 ordinary shares were issued following the exercise of share options relating to the replaced share option scheme. The difference between the cash amount received by IXICO Technologies Limited (formerly IXICO Limited) in respect of the shares issued by the company and the market value of the subsequent issue of replacement shares in IXICO plc has been booked in ordinary share and share premium accounts.

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

### Merger relief reserve

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

### Reverse acquisition reserve

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

### IXICO Share Incentive Plan 2007 (formerly the Phytopharm Share Incentive Plan 2007)

Netted against the accumulated loss are purchases of shares in IXICO plc, which relate to the IXICO Share Incentive Plan 2007, under which the Company issued one "Matching Share" for every one "Partnership Share" purchased by the employee. All shares are held by the scheme Trustees until the shares vest unconditionally with the employee. During the period ended 30 September 2014, the Group purchased nil ordinary shares of 50 pence (2013: 17,827 ordinary shares of 1 pence, 356 ordinary shares of 50 pence after the share capital consolidation) at a total cost of £nil (2013: £3,000). As at 30 September 2014, 1,740 ordinary shares of 50 pence were held by the scheme Trustees (2013: 1,738 ordinary shares of 50 pence).

## 23 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 one share option scheme (31 May 2013: two) which now has fully vested. Options granted under the schemes are for £nil consideration and are exercisable at a price determined on the date of the grant.

The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before options vest.

As part of the reverse acquisition the following took place:

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

During the period ended 30 September 2014, IXICO Technologies Limited (formerly IXICO Limited) share options have been re-stated based on the exchange ratio of 15.67 established on acquisition to reflect the number of shares of the legal parent issued in the reverse acquisition.

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

### 23. SHARE-BASED PAYMENTS (continued)

IXICO plc established a replacement share option scheme to satisfy the exercise of outstanding share options under the IXICO Technologies Limited (formerly IXICO Limited) unapproved share option scheme granting 465,350 re-stated ordinary shares (29,700 shares). These share options must be exercised by 14 October 2015 or they will lapse. The exercise of these options is at the option of the holder with a proscribed conversion rate for the effective issue of new IXICO plc shares. As at 30 September 2014, 106,545 re-stated ordinary shares (6,800 shares) were issued following the exercise of share options relating to the replaced share option scheme.

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

	As at 30 September 2014		As at 31 May 2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of period IXICO plc (formerly Phytopharm plc)	255	£2.07	—	—
Outstanding at start of period IXICO Technologies Limited, formerly IXICO Limited (30 September 2014 re-stated)	1,247,205	£3.46	65,460	£3.56
Granted	—	—	14,140	£3.00
Exercised	(888,399)	£3.65	—	—
Lapsed	(255)	£2.07	—	—
<b>Outstanding at end of period</b>	<b>358,806</b>	<b>£2.32</b>	<b>79,600</b>	<b>£3.46</b>
<b>Exercisable at end of period</b>	<b>358,806</b>	<b>£2.32</b>	<b>56,649</b>	<b>£3.54</b>

During the 16 months ended September 2014, the options were exercised at a weighted average share price of £0.58. No share options were exercised during the 12 months ended 31 May 2013.

As at 30 September 2014, there were 358,806 re-stated options outstanding under the unapproved scheme (22,900 shares) and nil options outstanding under the approved scheme. As at 31 May 2013, there were 29,700 options outstanding under the unapproved scheme and 49,900 under the approved scheme.

During the 16 months ended 30 September 2014, nil options were granted (12 months ended 31 May 2013: 14,140). The estimated fair values of the options granted on those dates is nil (31 May 2013: £134,000). The inputs used in the measurement of fair values at grant date of the share options issued are as follows:

	IXICO Technologies Limited (formerly IXICO Limited) As at 31 May 2013
Weighted average share price	12
Weighted average exercise price	£3
Expected volatility	46%
Expected life	7 years
Expected dividends	0%
Risk free interest rate	0.5%
Model used	Black-Scholes

#### Note to assumptions

- Expected volatility*  
Expected volatility was determined by considering the expected share price movements based on revenue and multiples of other comparable listed companies in the sector.
- 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%.
- Risk free interest rate*  
Risk free rate has been taken from Bank of England 3-month treasury bills at closest month-end dates to the grants of options.

### 23. SHARE-BASED PAYMENTS (continued)

The share options have a range of exercise prices from par to £6 per option and the weighted average contractual life is one year (31 May 2013 7.6 years)

The total charge for each period relating to employee share-based payments plans for continuing operations is disclosed in note 9 of the consolidated financial statements, all of which relates to the above equity-based transactions

### 24 OPERATING LEASE ARRANGEMENTS

	16 months ended 30 September 2014 £'000	12 months ended 31 May 2013 £'000
Minimum lease payments under operating leases recognised as an expense in the period	269	108

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

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
Within one year	127	—	127	—
In the second to fifth years inclusive	498	—	498	—
After five years	—	—	—	—

Operating lease payments represent rentals payable by the Group for its registered office. As at 31 September 2014, the lease expires in 4.5 years

### 25 FINANCIAL RISK MANAGEMENT

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

#### Cash flow and liquidity risk

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

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>Assets as per statement of financial position</b>				
Trade and other receivables excluding prepayments	944	898	2,062	3
Cash and cash equivalents	3,294	859	1,986	4,418
	<b>4,238</b>	<b>1,757</b>	<b>4,048</b>	<b>4,421</b>

	Group		Company	
	As at 30 September 2014 £'000	As at 31 May 2013 £'000	As at 30 September 2014 £'000	As at 30 September 2013 £'000
<b>Liabilities as per statement of financial position</b>				
Trade and other payables excluding statutory liabilities	1,429	1,072	1,123	682

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

## 25 FINANCIAL RISK MANAGEMENT (continued)

At 31 May 2013, the Group held a convertible loan note with a fair value of £1,222,000, accounted as host debt with an embedded derivative. The estimated fair value of the convertible loan note was categorised within Level 2 of the fair value hierarchy. The most significant input being the effective interest rate of 12%, which reflected the prevailing market interest rate for similar debt without conversion rights. On 20 September 2013, the entire outstanding balance of the convertible loan notes was converted into 126,131 ordinary shares of IXICO Technologies Limited (formerly IXICO Limited). The amount recognised in the consolidated statement of comprehensive income under finance expense during the 16 months ended 30 September 2014 is £nil (12 months ended 31 May 2013: £97,000 credit).

### Interest rate risk

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

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

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

### Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the period end were as follows:

	Group		Company	
	As at 30 September 2014 USD'000	As at 31 May 2013 USD'000	As at 30 September 2014 USD'000	As at 30 September 2013 USD'000
<b>US dollar exposure</b>				
<b>Balance at end of period</b>				
Monetary assets	427	1,631	—	—
Monetary liabilities	(51)	—	—	—
<b>Total exposure</b>	<b>376</b>	<b>1,631</b>	<b>—</b>	<b>—</b>

	Group		Company	
	As at 30 September 2014 EUR'000	As at 31 May 2013 EUR'000	As at 30 September 2014 EUR'000	As at 30 September 2013 EUR'000
<b>Euro exposure</b>				
<b>Balance at end of period</b>				
Monetary assets	127	105	—	—
Monetary liabilities	(30)	(41)	(4)	—
<b>Total exposure</b>	<b>97</b>	<b>64</b>	<b>(4)</b>	<b>—</b>

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.

## 25 FINANCIAL RISK MANAGEMENT (continued)

### Foreign currency sensitivity analysis

As at 30 September 2014, sensitivity analysis assumes a +/-10% change of the USD/GBP and EUR/GBP exchange rates which represents management's assessment of a reasonably possible change in foreign exchange rates (31 May 2013 10%)

Had sterling been 10% (31 May 2013 10%) weaker in relation to the US dollar and Euro then this would have had the following impact

	£'000 USD	Group £'000 Euro	£'000 Total
16 months ended 30 September 2014	(27)	(11)	(38)
12 months ended 31 May 2013	(107)	(5)	(112)

Had sterling been 10% (31 May 2013 10%) stronger in relation to the US dollar and Euro then this would have had the following impact

	£'000 USD	Group £'000 Euro	£'000 Total
16 months ended 30 September 2014	33	13	46
12 months ended 31 May 2013	119	6	125

### Fair value of financial assets and liabilities

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

### Credit risk

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

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group continually reviews customer credit limits based on market conditions and historical experience. Note 17 in the consolidated financial statements sets out the impairment provision for credit losses on trade receivables and the ageing analysis of overdue trade receivables.

### Capital risk management

The Group considers capital to be shareholders' equity as shown in the consolidated statement of financial position, as the Group is primarily funded by equity finance. The Group is not yet in a position to pay a dividend.

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

## 26 RELATED PARTY TRANSACTIONS

### Group

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

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

During the 16 months ended 30 September 2014, the Group sold project management services totalling £96,000 (12 months ended 31 May 2013 £131,000) to University College London Business Plc, a shareholder. The amount owed by University College London Business Plc at 30 September 2014 was £23,000 (31 May 2013 £39,000).

During the 16 months ended 30 September 2014, the Group also purchased services totalling £66,000 (12 months ended 31 May 2013 £103,000) from University College London Business Plc, a shareholder. The amount owed to University College London Business Plc at 30 September 2014 was £nil (31 May 2013 £103,000).

During the 16 months ended 30 September 2014, the Group also purchased services totalling £3,000 (12 months ended 31 May 2013 £7,000) from King's College London, a shareholder. The amount owed to King's College London at 30 September 2014 was £nil (31 May 2013 £2,000).

During the 16 months ended 30 September 2014, the Group purchased consultancy services totalling £19,000 (12 months ended 31 May 2013 £30,000) from Croggan Limited, a company owned by Dr A. J. M. Richards, a director. The amount owed to Croggan Limited at 30 September 2014 was £nil (31 May 2013 £nil).

During the 16 months ended 30 September 2014, the Group was charged monitoring fees totalling £8,000 (12 months ended 31 May 2013 £19,000) from Imperial Innovations Businesses LLP, a shareholder. The amount owed to Imperial Innovations Business LLP at 30 September 2014 was £nil (31 May 2013 £8,000).

During the 16 months ended 30 September 2014, the Group was charged monitoring fees totalling £7,000 (12 months ended 31 May 2013 £13,000) from YFM Venture Finance Limited, a shareholder. The amount owed to YFM Venture Finance Limited at 30 September 2014 was £nil (31 May 2013 £nil).

### Company

The Company is responsible for financing and setting Group strategy. During the 16 months ended 30 September 2014, the Company's subsidiaries carried out the Group's research and development strategy, employed all the staff including the executive directors and managed the Group's intellectual property. The Company provides interest free and unsecured funding to its subsidiaries with no fixed date of repayment. The Company manages the Group's funds and makes payments, including managing the payments of the parent company.

During the 16 months ended 30 September 2014, the Company has been charged £530,000 (12 months ended 31 May 2013 £766,000) for corporate services provided by subsidiary undertakings. Details of the inter-company balances can be found on the face of the consolidated statement of financial position.

## 27 POST BALANCE SHEET EVENTS

On 1 October 2014, the Group granted 662,588 share options to employees of the Group under the IXICO EMI Share Option Plan 2014. On 17 October 2014, the Group granted 481,882 share options to the directors of the Group under the IXICO EMI Share Option Plan 2014. In total, 1,144,470 share options were granted under the IXICO EMI Share Option Plan 2014.

The granted share options will vest and are exercisable in three equal tranches at the end of years one, two and three. Vesting is conditional on achievement of individual employee and Group performance criteria determined by the Board.

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Registered in England and Wales

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## Strategic Report

Dear Fellow Shareholder,

### OVERVIEW

We are very pleased to report on a transformational period for your company in which we met our financial and business performance expectations and continued the evolution from a service provider to the pharmaceutical industry into the brain health company, powered by IXICO's proprietary digital healthcare technologies. Our innovative digital platform provides a firm foundation from which we are growing the business by providing services and technology to those involved in researching and treating serious diseases to support rapid decision making and improve patient outcomes.

It is important to note that the period referred to in this Annual Report relates to the sixteen months ended 30 September 2014 with comparatives relating to the twelve months ended 31 May 2013.

IXICO successfully entered the public markets through the reverse acquisition of Phytopharm plc on 14 October 2013, which also strengthened the balance sheet as part of our strategy to invest in digital healthcare technologies and continued development as a brain health company. (Details of the reverse acquisition are included in note 3)

The board is pleased to report revenues for the period of £3.4million which together with income from grants and above the line tax credit (reported as other income) of £0.9million resulted in a combined total income of £4.4million (2013: £3.7million). Total operating expenses (including non-recurring administrative expenses of £0.9million) of £5.6million for the period reflect planned headcount growth in the Science, Operations and Software Development teams, investment in the digital healthcare strategy and the move to new offices in the UK and the US. Consequently losses after tax and non-recurring administrative expenses were £2.3million.

Further information is included in the Directors' Report on page 7.

### CLINICAL TRIALS AND EXPERIMENTAL MEDICINE

Our clinical trials and experimental medicine business performed well during the period and continues to do so. Early in the period we set three key business development objectives:

- i) To expand our customer base internationally
- ii) To win more business outside of our established Alzheimer's disease specialisation
- iii) To collect and analyse data from a broader range of imaging methodologies such as PET and advanced MRI

The collection and analysis of data is valuable in three ways:

- i) it adds to our track record and experience in handling and analysing data which underpins our clinical trials business,
- ii) the analysis of the data improves the performance of our digital health platform and
- iii) it provides intellectual property opportunities arising from the results of the analysis.

During the period three key strategic initiatives have positioned us to meet these objectives. Firstly we have established an international commercial and operational alliance with VirtualScopics, Inc (NASDAQ: VSCP), a leading provider of quantitative medical imaging, to deliver worldwide services to pharmaceutical, biotech and academic customers. Secondly we have successfully expanded into other neurodegenerative diseases by establishing IXICO as an important indication specialist in Huntington's disease including new contracts announced on 22 May 2014. Thirdly we have been appointed as an industry partner within the MRC's Dementias Platform UK (DPUK), a multi-million pound public-private partnership looking to accelerate progress in dementia research.

### Expanded customer base

During the period we signed contracts with four significant new customers, in a range of disease indications including Alzheimer's disease and Huntington's disease. While the majority of our work is focussed in Europe and the US, two of our new customers are Asian companies as we continue to develop business in all key regions. This success in Asia followed our profile building activities in China and other Asian markets in late 2013 and early 2014 including two UK government trade missions.

IXICO has now been awarded contracts by nine of the top fifteen global pharmaceutical companies, which we believe confirms our strong positioning in the clinical trials and experimental medicine markets. Whilst the market remains highly competitive and the development of new pharmaceutical therapies remains highly challenging, we have seen signs during the period of increased interest from the pharmaceutical industry in potential treatments for dementia and other neurodegenerative conditions and strong demand for our technology and services. Our differentiated offering provides pharmaceutical companies with know-how and technologies to deliver challenging studies in the neurodegeneration field and opportunities to utilise these as diagnostics and biomarkers. This, supported by our widened and deepened capabilities, including the alliance with VirtualScopics, has significantly strengthened our sales pipeline so we remain confident about the continued growth prospects for this part of the business.

### **VirtualScopics alliance**

On 27 June 2014 we announced our international commercial alliance with VirtualScopics (NASDAQ VSCP), a leading provider of quantitative medical imaging based in Rochester, New York. The alliance provides the clinical trials industry with global operational capabilities and a full range of therapeutic area and modality expertise. It also enhances the ability of both companies to deliver our services to pharmaceutical, biotech and academic customers and collaborators around the world. By combining our resources we are enhancing our ability to deliver on the largest trials world-wide and to do so across a more diverse range of therapeutic areas.

Subsequently, we jointly opened an office in New Hope, Pennsylvania, strategically located in the corridor that runs through New Jersey and Pennsylvania, in a location close to many of our pharmaceutical customers.

On 16 December 2014, we announced that VirtualScopics had licensed IXICO's TrialTracker™ proprietary image data and query management platform. The agreement includes the implementation of TrialTracker™ together with multi-year software licence and maintenance support. VirtualScopics decided to purchase TrialTracker™ as their business platform of choice after a detailed review of existing technology solutions.

We were also delighted to announce on 16 December 2014, that the alliance had been awarded its first joint project by a global top 15 pharmaceutical company. This involves the provision of image analysis services for a phase II oncology clinical trial. In this instance, given its expertise in oncology, VirtualScopics will be the primary service provider and IXICO will provide clinical site support services from its London headquarters. TrialTracker™ will provide image data management.

The potential of the alliance has been further recognised in the marketplace with it being recently approved as a supplier to a key top 15 global pharmaceutical company and together we are submitting joint bids to other leading pharmaceutical companies.

### **Huntington's disease**

Huntington's disease is a relatively rare genetic neurodegenerative disorder that affects the patient's normal movement, cognition and behaviour. It is more common in people of Western European descent than in those of Asian or African ancestry and the disease is relatively rare, affecting approximately 5-7 people per 100,000 in Western countries. There are currently no effective marketed treatments for the disorder. Interest in developing therapeutics to treat the disease is significant with a large number of pharmaceutical and biotechnology companies working in this area.

Huntington's disease has developed into an important indication specialty for IXICO and is part of our stated strategy to broaden our areas of disease focus. This strategy has been helped by the reverse acquisition of Phytopharm plc which had broader clinical neurodegenerative disease expertise.

IXICO has supported early stage, academic research into Huntington's disease since 2007, working with key opinion leaders around the world and charitable organisations to characterise biomarkers that could be used in clinical trials to evaluate the imaging based effectiveness of novel treatments in development.

We are pleased to report that our specialisation in Huntington's disease gained significant momentum in the period. On 22 May 2014, we announced that we had been awarded contracts for two separate clinical trials in Huntington's disease with two top 15 pharmaceutical companies (in addition to a third clinical study already then underway). On 26 November 2014, we announced that the two contracts had been extended and significantly increased.

IXICO has a good sales pipeline of further opportunities in Huntington's disease which the directors believe will result in further revenue growth from this therapeutic area.

### **UK Dementias Research Platform**

On 19 June 2014, we announced that IXICO had been appointed as one of six industry partners within the Dementias Platform UK (DPUK) [www.mrc.ac.uk/research/facilities/dementias-platform-uk](http://www.mrc.ac.uk/research/facilities/dementias-platform-uk). This is a multi-million pound public-private partnership, developed and led by the UK Medical Research Council, to accelerate progress in, and open up research into various dementias. The DPUK's aims are early detection, improved treatment and ultimately, prevention, of dementias. This five year project aims to enable earlier detection, improved treatment and, ultimately, prevention of the disease. The DPUK is creating the world's largest population study for use in dementias research, bringing together 2 million participants aged 50 and over, from 22 existing study groups within the UK. IXICO is working alongside five other industry partners (Astra-Zeneca, GlaxoSmithKline, Janssen Research & Development, Araclon and SomaLogic) and eight academic partners.

IXICO is the imaging partner on the DPUK project, deploying Assessa®, our CE marked digital healthcare platform for decision-support in dementia diagnosis. Derek Hill is a member of the executive committee and Michelle Lax, Vice President Clinical Operations, participates in the steering committee and the company partner forum. This involvement provides high-profile visibility for IXICO's capabilities and digital technologies with both pharmaceutical companies and key opinion leaders internationally. We have already identified new opportunities for collaboration with pharmaceutical companies as a result of our participation.

## DIGITAL HEALTH

Digital health and digital medicine offer the potential to transform healthcare by combining health data for an individual and health information from clinical practice with active patient engagement. These technologies should enable individuals to become active and responsible partners in monitoring and managing their own (or a family member's) health thereby contributing to improving their care pathway. Digital health technologies are expected to revolutionise healthcare in the twenty-first century by reducing inefficiencies in the healthcare systems and making medicine more cost effective, accessible, personalised and precise.

### Our position in digital health

Based on our knowledge and experience of brain health, we believe that by applying our technology we can better integrate healthcare data and identify patterns and connections not visible in current healthcare processes which can impact patient outcomes. Therefore, in parallel with the expansion of our clinical trials and experimental business we are investing operational and financial resources into our digital technology platforms that underpin our ambitious plans for the future. Consequently, IXICO's digital health technology now encompasses three linked and complementary product platforms: TrialTracker™, Assessa® and MyBrainBook®. IXICO already has patented intellectual property supporting these products and continues to file patents as appropriate.

#### *TrialTracker™*

Our TrialTracker™ proprietary image data and query management platform supports and underpins our clinical trials business and as mentioned above will be used as a common platform with VirtualScopics. The implementation of TrialTracker™ by VirtualScopics is a significant landmark as it is the first time we have licensed the technology to a commercial third party. TrialTracker™ continues to be the core technology platform that we use in our clinical trials business and we continue to explore further opportunities to deploy it with other third parties.

#### *Assessa®*

We have been analysing two market segments for Assessa®, our CE marked decision support tool for diagnosing dementia: pharmaceutical companies seeking digital technologies to support current or planned drugs in the clinic, and healthcare service providers seeking to improve the quality of dementia diagnosis. We have significant levels of interest from pharmaceutical companies in using Assessa® for patient selection both during clinical trials and following commercial launch into the healthcare market to match patients to the right treatments, monitor response to treatment and better manage drug side effects. We have conducted product trials with key opinion leaders and Assessa® has been incorporated into a number of high profile public-private partnership projects in the UK and in Europe.

Making progress in the healthcare service provider market has, however, been slow. The launch partnership with InHealth Limited has provided fewer opportunities to bid for NHS contracts to support dementia diagnosis than we had initially expected and the commercial environment for dementia diagnostic technology in healthcare settings continues to evolve slowly. Healthcare payers appear keen to increase the proportion of patients with dementia that receive a diagnosis, but have limited incentive in improving the quality of that diagnosis through new technologies despite the importance of such being highlighted by the dementia research community.

Our experience in the market, and the parallel experience of other providers of diagnostic technologies, has led us to conclude that until more effective dementia medicines become available, innovative diagnostic technologies such as Assessa® are more effectively commercialized in this market segment through incorporation into pathways that clearly improve patient outcomes and reduce costs. Therefore in the clinical practice setting, we plan to extend Assessa® functionality by incorporating technologies that support post-diagnosis aspects of the clinical pathway, thereby more clearly linking the use of these technologies to improving patient outcomes. The MyBrainBook® platform that is being linked to Assessa® for this purpose is such an example and is described in further detail below.

Progress on our clinical pilot study of Assessa® in a community setting (in collaboration with InHealth, Cambridge Cognition Holdings plc, the NHS in Sussex, Brighton and Sussex Medical School, Imperial College London and the Alzheimer's Society) has been slower than anticipated following a change of clinical leadership at the academic centre conducting the trial. IXICO is now sponsoring the study and the first patients to be assessed using the combined digital technologies were enrolled in January 2015.

#### *MyBrainBook®*

In April 2014, IXICO was awarded a development contract by The Small Business Research Initiative for Healthcare (SBRI Healthcare) ([www.sbrihealthcare.co.uk](http://www.sbrihealthcare.co.uk)) to develop a digital health application, now known as MyBrainBook®, designed to support dementia patients post-diagnosis. SBRI Healthcare is an NHS England initiative, championed by the newly formed Academic Health Science Networks (AHSNs), that aims to promote UK economic growth whilst addressing unmet health needs and enhancing the take up of known best practice. The project is led by IXICO in partnership with the Health Innovation Network South London ([www.hin-southlondon.org](http://www.hin-southlondon.org)).

MyBrainBook® puts people with dementia at the centre of decisions about their care. It is a personalised digital health hub delivering facilitated support to patients and their carers. The goal is to prolong and enhance independent living by facilitating improved self-care with full interaction with the relevant healthcare professionals and other support agencies. This should smooth the transition into other care settings by travelling with the patient and relatives throughout the course of the illness. Following successful

completion of the development project the technology is now in the beta stage. We have been successful in securing further grant funding to support its continued development including its integration with Assessa®

Based on encouraging progress to date, we will work to roll it out in selected clinical deployments in 2015

#### **Grant funded product development**

In the period we were awarded new grant funding of £1.6 million (2013: £1.0 million) from UK and European sources and at 30 September 2014, £1.6 million remained to be drawn down in the next five years

We have established a track record of securing and delivering value from grant funding and were particularly pleased to be featured by Innovate UK (formerly the Technology Strategy Board) the UK's innovation agency, as a case study for the successful deployment of its grant funding

The grant funding, together with the Research and Development Expenditure Credit ('RDEC') is a key part of our investment to develop innovative new products and provides a mechanism for early evaluation and uptake through the funding of pilots and trials. Furthermore working with academic, clinical and commercial partners provides us with important market intelligence and an evidence base for the commercial deployment of these products

On 16 January 2015 we announced our selection as a partner in the European Prevention of Alzheimer's dementia Initiative (EPAD), part of the Innovative Medicines Initiative (IMI) which is a joint undertaking between the European Union and the European Federation of Pharmaceutical Industries and Associations, (EFPIA) to establish a European-wide register of 24,000 participants, of which 1,500 will be invited to participate in trials to test new treatments for prevention of Alzheimer's dementia. As part of this programme, IXICO will provide its TrialTracker™ platform to collect and manage imaging data in combination with its Assessa® medical device to identify subjects who are most likely to benefit from treatment

This is part of our continued commitment to explore opportunities to participate in projects working alongside prestigious academic, clinical and commercial partners

#### **Intellectual Property**

Enhancement and protection of our intellectual property is important to maintain our competitive position therefore, in the period we continued to invest in both the maintenance of our existing patent portfolio together with new filings related to our digital health strategy. We have also expanded our proprietary database of clinical and biomarker data, which underpins the uniqueness and performance of our digital health technology and enables breadth of its application across multiple brain disease areas

#### **A CENTRE OF EXCELLENCE IN DEMENTIA**

Dementia, of which Alzheimer's disease is the most common cause, is widely recognised as being devastating, not only for the patient but also for their families and carers. An estimated 850,000 people in the UK currently suffer from dementia and by 2051 the number of sufferers in the country is forecast to reach over 2 million (Source: Alzheimer's Society). In 2013, an estimated 44 million people worldwide were living with dementia, and this number is expected roughly to double every twenty years to approximately 76 million by 2030, and approximately 135 million by 2050 (Alzheimer's Disease International). The global cost of dementia in 2010 was estimated at \$604 billion or one per cent of global GDP (Alzheimer's Disease International)

A combination of earlier diagnosis of dementia and consequently earlier clinical intervention and support is increasingly believed to contribute to improving the lives of people with dementia, as well as their families and carers and, critically, to controlling health and social care costs

#### **Increased excellence in dementia**

Building on our reputation as an international centre of excellence in dementia, we continue to work with leading researchers, pharmaceutical companies, governments, regulators and charities around the world to use our proprietary, technology platform to support rapid decision making in the diagnosis and management of people with impaired cognition

We are working with the Critical Path Institute's Coalition Against Major Diseases (CAMD) on qualifying biomarkers within drug regulation, both for Alzheimer's disease and more recently in Parkinson's disease

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

#### **Management and employees**

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

### **Industry and competition risk**

A large proportion of the Group's current revenue results from expenditure by pharmaceutical businesses running clinical trials in neurodegenerative diseases. Consequently, the Group is dependent on the pharmaceutical industry and the risk of reduced revenues resulting from reduced expenditure by customers and potential customers in this sector. Pharmaceutical companies may cut their overall R&D budgets, or may reduce their R&D expenditure in neurodegenerative diseases both of which would negatively impact IXICO's accessible market. We face competition in this sector from companies which may be larger and have stronger track records.

There can be no guarantee that the pharmaceutical or healthcare market will accept our recently-launched and future products and we face competition from both technology companies and service providers. The market for technologies to support the rapidly evolving environment for dementia diagnosis and post-diagnosis support is not well established, and market access routes are in many cases unclear. We aim to strengthen our market positions and sustain competitive advantage by building collaborative commercial partnerships, continuing to widen our customer base, investing in technology and product development, and working closely with our customers to ensure that we develop solutions tailored to their needs to continue delivering a quality service.

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

### **Regulatory and reimbursement risk**

Given the regulatory and reimbursement environment in which we operate, any change in that environment could negatively impact our growth strategy, revenues, profitability and consequently cash available for investment and new product development. Any change in the regulatory environment for digital health technologies could negatively impact the cost, feasibility and timing of new product launches. The commercial success of current and future products will likely depend on the extent to which health economic benefits can be demonstrated and reimbursement will be available from government and other healthcare payers in the countries where it is marketed. We maintain oversight of local regulatory environments and participate in local industry bodies to help anticipate potential changes to the regulatory environment and ensure appropriate compliance of our products.

### **Intellectual property risk**

Protection of our intellectual property is important to the Group's competitive position. The Group owns a portfolio of patents and patent applications and is the authorised licensee of other patents. We actively seek to manage, develop and protect our intellectual property portfolio. However, our technologies are based on software, including algorithms for image data manipulation and analysis. Patents related to software-based systems are considered to be less of a barrier to competitors than patents related to hardware devices or molecules. Copyright in the software incorporated into our products is a further form of potential protection.

We have significant business knowhow and knowledge which has been built up over many years which is securely stored and protected in our Quality Management System and Standard Operating Procedures (SOPs).

### **Financial risk**

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

The Group may, in the future, seek to raise further equity funds to finance strategic developments and planned investment in new markets or products.

The Group has instigated certain financial risk management policies and procedures which are set out in note 25 to the financial statements.

### **IXICO PEOPLE AND PROFILE**

We continue to invest in building the IXICO team focusing on deepening the skill base and broadening our international profile. In October 2014, we delivered a key presentation at the annual meeting at the FDA's White Oak campus on the qualifying of hippocampal volume as a biomarker for enriching clinical trials in Alzheimer's disease. Derek also serves as a member of the Prime Minister's dementia research champion group and participated in the G8 Dementia Summit.

IXICO's increasing profile in digital healthcare technologies was recognised on 12 June 2014 when IXICO was invited to a Technology Industry reception at Buckingham Palace hosted by Her Majesty the Queen.

The Science team was strengthened by the appointment of Dr Robin Wolz in March 2014 and Dr Nicola Hobbs in July 2014. Robin is an honorary research fellow at Imperial College and Nicola has maintained her link with University College London through an honorary faculty position.

On 1 October 2014, Susan Lowther joined IXICO as Chief Financial Officer from Novacyt SA, listed on the French Alternext exchange. Susan has extensive financial and business management experience which will help us to grow the business further and deliver our strategic objectives.

The headcount growth to 52 employees at 30 September 2014 (2013: 39) was primarily in the Operations, Science and Software Development teams to support both the clinical trials services business and new product development.

### **IXICO publications**

During the 16 month period IXICO published thirteen scientific papers and abstracts in leading journals (such as Alzheimer's and Dementia and Neurobiology of Ageing) and at international conferences (such as the Alzheimer's Association International Conference and Clinical Trials in Alzheimer's Disease), contributing to the advancement of both the scientific and regulatory agendas across dementia research

These were joint publications with pharmaceutical companies (including Eli Lilly, BMS, Janssen, Novartis and AstraZeneca), not-for-profit organisations (including the Critical Path Institute), leading academic centres (including the Mayo Clinic (USA), Imperial College (UK), University College London (UK), Inserm (France), Brescia University (Italy), regulators (EMA) and key opinion leaders in the field including Professors Nick Fox, Giovanni Frisoni and Clifford Jack

### **CONCLUSION AND OUTLOOK**

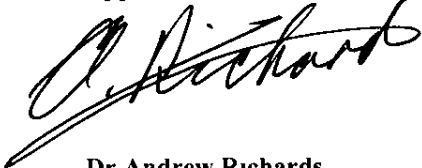
During the period IXICO became a public company and continued its evolution in the emerging and fast moving digital healthcare market with a focus on brain health

We continue to see growth in our clinical trials services business and the potential for more strategic partnerships with pharmaceutical companies using our digital technology platform. Our technologies under development are focused on the opportunity to improve the care of patients by supporting faster and more accurate diagnosis and, critically, the post-diagnosis management of those patients

We are evaluating accretive technologies and business services which together with the development of existing and new business initiatives will create shareholder value

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

**Approved on behalf of the Board of Directors:**



**Dr Andrew Richards**  
Chairman



**Professor Derek Hill**  
Chief Executive

## The Board of Directors

### **Dr Andrew Richards**

#### *Non-Executive Chairman*

Andrew was appointed chairman of IXICO in 2009. He is an established life science entrepreneur with experience in growing businesses, corporate transactions and exits. He is currently chairman of Congenica Limited, Novacta Biosystems Limited, Abcodia Limited and Cambridge Temperature Concepts Limited and is a director of Arecor Limited, Psychologyonline.co.uk Limited, Cancer Research Technology Limited (commercial arm of CR-UK) and Babraham Bioscience Technologies Limited. He is a director of Cambridge University Health Trust and an adviser to Vectura Group plc. Andrew's early career was with ICI (now AstraZeneca) and with PA Technology. He was a founder of Chiroscience Group PLC and an executive director through to the sale to Celltech Group PLC in 1999. Since that time he has been founding, investing in and directing new UK healthcare and life science companies. Andrew is a graduate of Cambridge University with a PhD in Chemistry.

### **Professor Derek Hill**

#### *Chief Executive Officer*

Derek is a founder and has been Chief Executive Officer of IXICO since its incorporation in 2004. He also holds an academic appointment as full professor at University College London to which he was appointed shortly before co-founding IXICO having previously been a professor at King's College London. He has been working on medical imaging science for over 25 years and has authored more than 80 journal papers in this field. He is a member of the MRI Core of the Alzheimer's Disease Neuroimaging Initiative (ADNI) in the US, has served on the scientific advisory board for several pharmaceutical companies and is involved in the Critical Path Institute's Coalition Against Major Diseases (CAMD) biomarker qualification initiatives. Derek has a PhD in medical image analysis at the Medical School of Guy's & St Thomas' Hospitals, University of London, an MSc in Medical Physics at the University of Surrey and a BSc degree in Physics from Imperial College. He undertook business training at London Business School as part of the CSEL programme.

### **Susan Lowther FCMA**

#### *Chief Financial Officer*

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

### **Charles Spicer**

#### *Vice President of Corporate Development*

Charles joined IXICO in July 2013 having previously been an adviser on corporate strategy to the Board since 2011. He is an experienced director of, and adviser to, public and private companies primarily in the medtech and life science sectors. He is currently Chairman of PuriCore plc and a non-executive director of SIW Holdings Limited (Stanmore Implants), Aircraft Medical Limited, Gresham's Schools and the Fishmongers' Company. He is chair of the UK Department of Health's Invention for Innovation funding panel, a member of the techMARK Advisory Group at the London Stock Exchange and a trustee of the Royal Humane Society. He was previously Chief Executive of MDY Healthcare plc, a strategic healthcare investor and prior to that, head of Healthcare Corporate Finance at both Numis Securities and Nomura International. Charles has an MA in History from Cambridge University.

### **Tim Sharpington**

#### *Non-Executive Director and Senior Independent Director*

Tim is currently Senior Director – Development at Vectura Group PLC, having previously served as Chief Executive Officer of Phytopharm Plc since 2010. He has more than twenty years' experience in the life sciences sector with various pharmaceutical, biotechnology and pharmaceutical service companies in Europe and the US. He has broad experience across drug development, licensing, mergers and acquisitions as well as fundraisings. Tim founded and was Chief Executive Officer of Serentis Limited. Previously he was Development Director at Arakis Limited, a UK-based VC-backed biotechnology company which was sold to Sosei of Japan in 2005 for £107 million. Prior to that, Tim led product development at US-based Sequus Inc following a period of time at Pfizer. His CRO experience was gained at ICON, one of the world's largest CROs, where he led European operations. Tim was also a non-executive director at Clinical Force Limited, a clinical trial software company, until its successful trade sale in 2011. Tim chairs the Remuneration Committee.

### **John Bradshaw ACA**

#### *Non-Executive Director*

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

**Maina Bhaman***Non-Executive Director*

Maina joined the board of IXICO Limited in 2010. She is director of Healthcare Ventures at Imperial Innovations Group plc, a founding shareholder of IXICO, which she joined in 2006. She has led a number of healthcare investments at Imperial Innovations Group plc and is currently a non-executive director of Autifony Therapeutics Limited, Cell Medica Limited, Psioxus Therapeutics Limited, Topivert Pharma Limited and Pulmocide Limited. She has previously served as a non-executive director of Acrobot Limited and Molecular Vision Limited. She previously worked in the research and development team at Celltech Group plc and at Oxford Glycosciences Plc. Maina has a BSc from the University of Texas and an MBA from the Imperial College Business School.