**13 June 2017**

*THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION*

**OXFORD BIODYNAMICS PLC**
("**OBD**" or the "**Company**" and, together with its subsidiaries, the "**Group**")

**INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 31 MARCH 2017**

***Successful IPO sets foundation for future growth***
***Multiple development agreements signed***

Oxford BioDynamics Plc (AIM: OBD), a revenue-generating biotechnology company focused on the discovery and development of epigenetic biomarkers based on regulatory genome architecture, for use within the pharmaceutical and biotechnology industry, today announces its interim results for the six-month period to 31 March 2017.

**Commenting on the results, Christian Hoyer Millar, Chief Executive Officer of Oxford BioDynamics said:** *"The first six months of the financial year have been very exciting for both OBD and the industry as a whole, as the awareness in the importance of epigenetics for drug discovery and development continues to grow.*

*In progressing towards our strategic aim of becoming the industry standard for epigenetic biomarker discovery, we have achieved a number of significant milestones, including the successful completion of our IPO, establishment of our US representation, and the initiation of several new high value biomarker discovery programmes, which are using our proprietary EpiSwitch™ technology platform.*

*Having established a considerable commercial foundation of multiple new development agreements we expect growth to accelerate in the second half of the year as we deliver on our strategic objectives."*

**HIGHLIGHTS**

***Corporate and operational***

- Successful completion of an IPO and placing on AIM raising gross proceeds of £20.0m, including gross growth capital of £7.1m.
- Pilot biomarker discovery project initiated to analyse the effect of fitness regimes using *EpiSwitch*™.
- Continued development of the commercial pipeline.
- Collaboration announced to identify biological factors that trigger disease relapses in rheumatoid arthritis.
- Results published at The Lancet Neurology Conference on *EpiSwitch*™ signatures on neurodegenerative and autoimmune diseases.
- Data presented at the 58th American Society of Hematology (ASH) Meeting in San Diego on its *EpiSwitch™* blood test for prognostic detection of oncological deregulation susceptible to treatment with tyrosine kinase inhibitors in patients with leukaemia.
- Dr Claudio Carini appointed as an advisor to the Company, and as a member of the Company's Scientific Advisory Panel.
- Martin Reeves appointed as Senior Vice President of Commercial Development in the US.
- Two new patents filed covering the use of the *EpiSwitch*™ technology, adding to the Company's established six patent family covering Alzheimer's and other neurodegenerative diseases, breast cancer and prognostic oncological treatment tests.
- Continued innovation in terms of *EpiSwitch*™ and its operational procedures.

*Financial*

- Revenue of £0.4m (HY16: £0.4m), in line with expectations.
- Operating loss of £1.8m (HY16: £1.1m) and adjusted operating loss of £1.3m (HY16: £1.1m) before one-off IPO costs.
- Cash and cash equivalents of £11.5m as at 31 March 2017 (HY16: £7.5m).
- Net assets of £12.6m as at 31 March 2017 (HY16: £8.5m).

*Post period end*

- OBD and Dr Claudio Carini joined the Foundation for the National Institutes of Health Biomarkers Consortium Steering Committees.
- Exclusive Asia licence signed for *EpiSwitch*™ to supply its proprietary products and reagents for the potential use in a non-invasive blood test to assist in the diagnosis of breast cancer.
- Development agreement entered into with two of the top 10 global pharmaceutical companies collaborating to develop an anti PD-L1 therapy.
- Peer reviewed paper of OBD's collaborative work with the Cancer Science Institute of Singapore published in the journal *Nature*.
- Innovate UK funded ALS biomarker programme expanded into South East Asia.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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| | |
|---|---|
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*Notes for Editors*

**About Oxford BioDynamics Plc**

Oxford BioDynamics Plc (AIM: OBD) ("Oxford BioDynamics") is a revenue ‐ generating biotechnology company focused on the discovery and development of epigenetic biomarkers for use within the pharmaceutical and biotechnology industry.

The Company's award-winning, proprietary technology platform, *EpiSwitch*™, aims to accelerate the drug discovery and development process, improve the success rate of therapeutic product development and take advantage of the increasing importance of personalised medicine.

In particular, *EpiSwitch*™ can reduce time to market, failure rates and the costs at every stage of drug discovery. Additionally, the technology provides significant insights into disease mechanisms for drug discovery and product re ‐ positioning programmes, and enables the personalisation of therapeutics for patients in the context of challenging pricing environments where improved clinical outcomes are critical.

Oxford BioDynamics is headquartered in the UK, and listed on the London Stock Exchange's AIM under the ticker "OBD". For more information please visit www.oxfordbiodynamics.com.

The person responsible for the release of this announcement on behalf of the Company is Katie Long.

A copy of this announcement has been posted on the company's website at www.oxfordbiodynamics.com.

*This announcement includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations, and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "believes", "estimates", "expects", "aims", "intends", "will", "can", "may", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. The Group expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, readers are cautioned not to rely on any forward-looking statement.*

## CHIEF EXECUTIVE OFFFICER'S REVIEW

### *Introduction*

The six-month period to 31 March 2017 has been pivotal for OBD. During this time, the Company has continued to make considerable progress in terms of its stated strategic aim of becoming the industry standard for epigenetic biomarker discovery and, as previously announced, achieved another significant milestone in the Company's history, having successfully completed its IPO on AIM in December 2016.

As a result of the IPO, the Company successfully raised £7.1m of gross proceeds, from both existing investors and a number of well-known and highly regarded UK-based institutions. This growth capital is enabling the Company to invest to accelerate its growth strategy through three main areas:

- Seeking to increase the number of proprietary biomarker projects it undertakes;
- Seeking to establish US representation to increase its commercial reach within the US
- Continuing to develop its extensive IP portfolio.

The progress the Company has made during the reporting period against these strategic aims is detailed below.

***Business progress***
In the six months to 31 March 2017, the Company expanded the breadth and depth of its biomarker discovery pilot agreements and, in January 2017, entered into a pilot project with EpiFit PTE. LTD ("EpiFit"), a new Singapore-based company, to identify epigenetic biomarkers to evaluate predispositions, variations and responses in healthy volunteers undergoing fitness programmes conducted by EpiFit. The collaboration will leverage the Company's expertise in epigenetic stratifications by using its proprietary *EpiSwitch*™ platform to help identify and monitor those healthy fitness volunteers and trainees who may benefit from EpiFit strength or endurance programmes. This agreement with EpiFit further demonstrates the broad application potential of the *EpiSwitch*™ technology platform. Upon completion of the initial project, OBD has agreed to grant EpiFit the option of a multi-year global licence to use certain *EpiSwitch*™ biomarker panels in the supply of screening services to certain third parties.

In March 2017, OBD announced its participation in a collaboration to identify the biological factors that trigger disease relapses, known as 'flares', in rheumatoid arthritis ("RA") entitled "The BIO-FLARE study (Biological factors that limit sustained remission in rheumatoid arthritis)". OBD is one of six consortium partners to examine and address why immune-mediated inflammatory diseases remit and relapse, with a particular focus on RA, and OBD's role within the consortium is to use *EpiSwitch*™ to identify epigenetic biomarkers in an RA patient population associated with impending relapse in RA. Any resultant IP generated by OBD will be retained by the Company, with the aim of developing a prognostic test which has the potential accurately to predict patients who are likely to have RA flares. In addition, the work which OBD will undertake as part of the BIO-FLARE study has the potential to lead the Company to the development of an epigenetic-based prognostic test for RA flares, an important unmet medical need. The consortium has been awarded £2.8m from the Medical Research Council.

During the period, the Company also presented data at a number of industry conferences: results were published on *EpiSwitch*™ signatures on neurodegenerative and autoimmune diseases at the Lancet Neurology Conference; data was presented at the 58th American Society of Hematology (ASH) Meeting in San Diego on its *EpiSwitch™* blood test for prognostic detection of oncological deregulation susceptible to treatment with tyrosine kinase inhibitors in patients with leukaemia; and OBD promoted its *EpiSwitch™* technology at the 12th Annual Biomarker Congress in Manchester.

The Company also successfully achieved the Investors in People Standard accreditation. Since 1991, Investors in People has set the standard for better people management. The Standard defines what it takes to lead, support and manage people well for sustainable results. Based on 25 years of leading practice, the Investors in People Standard is underpinned by a rigorous assessment methodology and a framework which reflects the very latest workplace trends, essential skills and effective structures required to outperform in any industry.

***US representation***
The Company made two key appointments during the period to increase its commercial reach, particularly within the US.

In March 2017, Martin Reeves was appointed as Senior Vice President of Commercial Development, based in the US. Martin has over 20 years' experience in business development and strategic planning within the sector and is a great asset to the Company as it seeks to leverage IP licensing opportunities with *EpiSwitch*™.

In February 2017, Dr Claudio Carini was appointed as an advisor to the Company. Dr Carini has over 20 years' experience in immunology, drug development, personalised medicine and biomarkers and, as part of his role, he sits on the Company's Scientific Advisory Panel. Dr Carini's previous experience in the US is of great value to the Company as it continues to build and expand relationships with some of the leading pharma and biotechnology companies globally.

Post-period, the Company and Dr Carini were invited to join the Foundation for the National Institutes of Health Biomarkers Consortium ("FNIH") as a member of the Cancer, Inflammation & Immunity, and Neuroscience Steering Committees. The Steering Committees are responsible for identifying and moving forward promising pre-competitive biomarkers projects for implementation by The Biomarkers Consortium, as well as overseeing each individual project under its purview. The members of each Steering Committee represent a variety of sectors, including academia, government, industry and not-for-profit/advocacy organisations. FNIH aims to accelerate the development of biomarker-based technologies, medicines and therapies for the prevention, early detection, diagnosis and treatment of disease, a goal which is shared by the Company.

***IP portfolio development***

During the period, the Company also made very good progress with its IP portfolio, having filed two new patents on the use of the *EpiSwitch*™ technology in companion diagnostics, biological systems and specific clinical indications, including glioblastoma, prognostic test for tyrosine kinase inhibitors therapy, Alzheimer's disease and determining therapeutic agents in neurodegenerative diseases for use in treatment.

***Summary and outlook***

The last six months, including the recent IPO, have undoubtedly been a pivotal period in the Company's development. The Company is committed to delivering its growth strategy by increasing the number of proprietary biomarker programmes it undertakes, capitalising on its newly-established US representation and continuing to enhance the Company's IP portfolio. Following admission to AIM and the growth capital raised as part of the IPO process, the Company is now well positioned to execute these strategic aims, and in doing so, continue to strive to become the industry standard for epigenetic biomarker discovery.

***Christian Hoyer Millar***
*Chief Executive Officer*

**FINANCIAL REVIEW**

***Overview***

During the six months ended 31 March 2017, the Company continued to focus on developing its pipeline of contracts with leading global pharmaceutical and biotechnology companies, investing in proprietary R&D projects, and strengthening its intellectual property portfolio.

The Company during this time also prepared for an IPO of its shares on AIM that was successfully completed on 6 December 2016. The Company issued 4.5 million new shares at a placing price of 158p, raising gross proceeds of £20.0m, including gross growth capital of £7.1m. The Directors believe the flotation on AIM has increased the Company's overall profile, broadened and strengthened OBD's shareholder base, and will attract, retain and incentivise high calibre employees.

***Financial performance***

Revenue for the six month period to 31 March 2017 was £0.4m, consistent with the £0.4m delivered in the same period last year.

Operating expenses before share option charges and IPO costs were £1.6m in the period ended 31 March 2017 (HY16: £1.3m). Of the £0.3m increase in operating costs, £0.2m related to an increase in staff costs and £0.1m related to an increase in general and other administrative costs.

Other operating income for the six month period to 31 March 2017 was £0.1m (HY16: £0.1m) comprised grant income from Innovate UK to support the Group's ALS biomarker research and development programme.

Operating loss for the Group was £1.8m in the period (HY16: £1.1m) and adjusted operating loss was £1.3m (HY16: £1.1m) before one-off IPO enabling costs.

Financial income of £0.1m (HY16: £0.1m) relates to interest received and foreign exchange gains during the half year to 31 March 2017.

The taxation credit of £0.1m in the six months to 31 March 2017 (HY16: £0.2m) represents tax relief on research and development expenditure during the period. The Group has not recognised any deferred tax assets in respect of trading losses arising in the current or prior financial periods.

Net loss for the half year was £1.7m (HY16: £0.8m) and adjusted net loss for the same period was £1.2m (HY16: £0.8m) after one-off IPO costs. Loss per share was 2.0 pence (HY16: 1.0 pence) and adjusted loss per share was 1.3 pence (HY16: 1.0 pence) excluding one-off IPO costs of £0.5m.

***Financial position***

Cash and cash equivalents totalled £11.5m at the end of March 2017, compared to £7.5m at the end of March 2016. This includes net cash proceeds of £5.4m from the IPO and placing on 6 December 2016.

Total assets on the balance sheet were £13.4m as at 31 March 2017, compared to £9.1m as at 31 March 2016.

Total liabilities were £0.8m at the end of March 2017 (HY16: £0.6m).

***Cash flow***

Net cash used in operating activities was -£1.1m for the half year ended 31 March 2017 (HY16: -£1.0m). Net cash used in investing activities was -£0.1m (HY16: -£0.1m) and net cash generated by financing activities was £5.4m (HY16: £0), following the placing in December 2016.

Overall net cash inflow for the six month period ended 31 March 2017 was £4.2m (HY16: net cash outflow of £1.1m) including exchange movements on non-GBP denominated cash and cash equivalents of £0 (HY16: £0.2m).

***Katie Long***
*Chief Financial Officer*

## Consolidated income statement

| | | Six month period ended 31 March | | Year ended 30 September |
|---|---|---|---|---|
| | | **2017** | **2016** | **2016** |
| | | **(unaudited)** | **(unaudited)** | **(audited)** |
| | **Note** | **£000** | **£000** | **£000** |
| **Continuing operations** | | | | |
| Revenue | 5, 6 | 384 | 389 | 1,091 |
| Research & development costs (excluding staff costs) | | (160) | (254) | (516) |

| | Note | | | |
|---|---|---|---|---|
| Staff costs | | (813) | (595) | (1,146) |
| General & other admin costs | | (498) | (387) | (903) |
| Initial public offering costs | | (529) | - | (447) |
| Depreciation | 8 | (113) | (63) | (166) |
| Share option charges | 10 | (230) | (248) | (402) |
| Other operating income | | 118 | 73 | 161 |
| **Operating loss** | | (1,841) | (1,085) | (2,328) |
| | | | | |
| Finance income | | 65 | 117 | 254 |
| Finance costs | | | (1) | - |
| **Loss before tax** | | (1,776) | (969) | (2,074) |
| | | | | |
| Income tax | | 95 | 183 | 344 |
| **Loss for the year from continuing operations** | | (1,681) | (786) | (1,730) |
| | | | | |
| **Loss attributable to:** | | | | |
| Owners of the Company | | (1,681) | (786) | (1,730) |
| Non-controlling interest | | - | - | - |
| | | (1,681) | (786) | (1,730) |
| **Earnings per share** | | | | |
| From continuing operations | | | | |
| Basic and diluted (pence per share) | 7 | (2.0) | (1.0) | (2.1) |

# Consolidated statement of comprehensive income

| | | Six month period ended 31 March | | Year ended 30 September |
|---|---|---|---|---|
| | | **2017** | **2016** | **2016** |
| | | **(unaudited)** | **(unaudited)** | **(audited)** |
| | **Note** | **£000** | **£000** | **£000** |
| **Loss for the period/year** | 7 | (1,681) | (786) | (1,730) |
| Exchange differences on translation of foreign operations that may be reclassified to the income statement | | 16 | 40 | 29 |
| **Total comprehensive income for the period/year** | | (1,665) | (746) | (1,701) |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | | (1,665) | (748) | (1,706) |
| Non-controlling interest | | - | 2 | 5 |
| | | (1,665) | (746) | (1,701) |

## Consolidated statement of financial position

| | Note | 31 March 2017 (unaudited) £000 | 31 March 2016 (unaudited) £000 | 30 September 2016 (audited) £000 |
|---|---|---|---|---|
| **Assets** | **Note** | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | 657 | 571 | 671 |
| Deferred tax asset | | - | - | - |
| **Total non-current assets** | | 657 | 571 | 671 |
| **Current assets** | | | | |
| Inventories | | 130 | 95 | 105 |
| Trade and other receivables | | 1,058 | 948 | 965 |
| Cash and cash equivalents | | 11,520 | 7,518 | 7,279 |
| **Total current assets** | | 12,708 | 8,561 | 8,349 |
| **Total assets** | | 13,365 | 9,132 | 9,020 |
| **Equity and liabilities** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 9 | 861 | 2 | 816 |
| Share premium | | 6,251 | 15,709 | - |
| Translation reserves | | 206 | 204 | 190 |
| Other reserve | | 3,003 | 2,619 | 2,773 |
| Retained earnings | | 2,264 | (10,006) | 3,945 |
| **Equity attributable to owners of the Company** | | 12,585 | 8,528 | 7,724 |
| **Non-controlling interest** | | 19 | 16 | 19 |
| **Total equity** | | 12,604 | 8,544 | 7,743 |
| **Current liabilities** | | | | |
| Trade and other payables | | 710 | 588 | 1,233 |
| Current tax liabilities | | - | - | - |
| **Total current liabilities** | | 710 | 588 | 1,233 |
| **Non-current liabilities** | | | | |
| Provisions | | 51 | - | 44 |
| Deferred tax | | - | - | - |
| **Total non-current liabilities** | | 51 | 588 | 44 |
| **Total liabilities** | | 761 | 588 | 1,277 |
| **Total equity and liabilities** | | 13,365 | 9,132 | 9,020 |

## Consolidated statement of changes in equity

| | Share capital £000 | Share premium £000 | Translation reserve £000 | Other reserve £000 | Retained earnings £000 | Attributable to share-holders £000 | Non-controlling interest £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 October 2016** | 816 | - | 190 | 2,773 | 3,945 | 7,724 | 19 | 7,743 |
| Loss for the year | - | - | - | - | (1,681) | (1,681) | - | (1,681) |
| Other comprehensive income for the | - | - | 16 | - | - | 16 | - | 16 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| period | | | | | | | | |
| **Total comprehensive income for the period** | - | - | 16 | - | (1,681) | (1,665) | - | (1,665) |
| **Transactions with owners of the Company:** | | | | | | | | |
| New issue of shares | 45 | 6,251 | - | - | - | 6,296 | - | 6,296 |
| Share option credit | - | - | - | 230 | - | 230 | - | 230 |
| **At 31 March 2017** | 861 | 6,251 | 206 | 3,003 | 2,264 | 12,585 | 19 | 12,604 |

# Consolidated statement of cash flows

| | Note | **Six month period ended 31 March 2017 (unaudited) £000** | **2016 (unaudited) £000** | **Year ended 30 September 2016 (audited) £000** |
|---|---|---|---|---|
| Loss for the financial year | | (1,681) | (786) | (1,730) |
| Adjustments to reconcile profit before tax to net cash flows: | | | | |
| R&D tax credit | | (95) | (183) | (344) |
| Net interest | | (43) | (27) | (71) |
| Depreciation of property, plant and equipment | 8 | 113 | 63 | 166 |
| IPO costs | | 529 | - | 447 |
| Movement in provisions | | 7 | - | 44 |
| Share based payments charge | 10 | 230 | 248 | 402 |
| Working capital adjustments: | | | | |
| Decrease/(increase) in trade and other receivables | | (16) | (28) | (214) |
| Decrease/(increase) in inventories | | (24) | (32) | (43) |
| Increase/(decrease) in trade and other payables | | (56) | (108) | 69 |
| **Operating cash flows before interest and tax paid** | | (1,036) | (853) | (1,274) |
| R&D tax credits received | | - | - | 347 |
| Cash used in operations | | (1,036) | (853) | (927) |
| Net foreign exchange movements | | (18) | (132) | (421) |
| **Net cash from/(used in) operating activities** | | (1,054) | (985) | (1,348) |
| **Investing activities** | | | | |
| Interest received | | 61 | 29 | 53 |
| Purchases of property, plant and equipment | | (204) | (117) | (208) |
| Proceeds from disposal of tangible assets | | - | - | - |
| **Net cash from/(used in) investing activities** | | (143) | (88) | (155) |
| **Financing activities** | | | | |
| Interest paid | | - | (1) | - |
| Issue of equity shares | | 7,107 | - | - |
| Share issue costs | | (1,417) | - | |
| IPO costs | | (290) | - | (81) |
| **Net cash generated by financing activities** | | 5,400 | (1) | (81) |

| | | | |
|---|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents** | 4,203 | (1,074) | (1,584) |
| Foreign exchange movement on cash and cash equivalents | 38 | 157 | 428 |
| **Cash and cash equivalents at beginning of year** | 7,279 | 8,435 | 8,435 |
| **Net cash from/(used in) investing activities** | 11,520 | 7,518 | 7,279 |

# Notes

## 1. General information

The interim financial information was authorised by the board of directors for issue on XX June 2017. The information for the period ended 31 March 2017 has not been audited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, and should therefore be read in conjunction with the audited financial statements of the Company and its subsidiaries as at and for the year ended 30 September 2016, which have been prepared in accordance with EU Adopted International Financial Reporting Standards. The interim information does not comply with IAS 34 Interim financial reporting, as permissible under the rules of AIM.

## 2. Basis of accounting

### Basis of preparation

These interim consolidated financial statements have been prepared under the historical cost convention and in accordance with the recognition and measurement principles of European Union Adopted International Financial Reporting Standards (IFRSs).

The accounting policies adopted in the preparation of the half-year consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2016.

There have been no significant changes to estimates of amounts reported in prior financial years.

### Reporting currency

The consolidated financial statements are presented in pounds sterling (GBP), which is also the Company's functional currency.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these interim consolidated financial statements.

## 3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in this interim financial information.

**Basis of consolidation**

The interim consolidated financial statements consolidate those of the parent company and all of its subsidiaries at 31 March 2017. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

**Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales taxes, discounts and after eliminating intra-group sales.
The Group recognises project revenue when all the following conditions are satisfied:

- relevant specific milestones in the underlying contract with the customer have been achieved;
- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue recognised in the income statement but not yet invoiced is held on the balance sheet within 'Trade and other receivables'. Revenue invoiced but not yet recognised in the income statement is held on the balance sheet within 'Deferred revenue'.

Revenue is classified as follows:

*a) Provision of services*

Revenue from the provision of services is recognised as soon as the conditions noted above are met.

*b) Upfront signing fees*

Revenue generated from entering licence agreements is recognised as soon as the conditions noted above are met.

*c) Interest income*

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

*d) Government grants*

Government grants are included within Other Operating Income and are recognised so as to match the expenditure to which they are intended to contribute. Government grants comprise amounts from Innovate UK to support the Group's biomarker research and development activities whereby 60% of eligible costs incurred can be claimed for. There are no unfilled conditions or contingencies relating to grant income recognised in the income statement.

**Foreign currencies**

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Sterling is the predominant functional currency of the Group and presentation currency for the Consolidated Financial Information.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting Consolidated Financial Information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

*a) Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for research and development tax credits calculated at the tax rates effective for the current year. It is included as an income tax credit under trade receivables.

*b) Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Tangible and intangible assets**

*a) Property, plant and equipment*
The Group has held no land and buildings for the period covered by the Consolidated Financial Information.
Other items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less residual value over their useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Laboratory equipment and tooling | 3 years |
| Office equipment | 3 years |
| Fixtures and fittings | 5 years |
| Leasehold improvements | Life of lease |

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income on the transfer of the risks and rewards of ownership.

*b) Research and development expenditure*
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as product designs and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the costs of developing this asset can be measured reliably.

The Group has no internally-generated intangible assets that meet the above criteria and any development costs are recognised as an expense in the period in which it is incurred.

*c) Patents*
Patent costs, both those incurred at initial registration and those subsequently incurred on renewal, are expensed to the income statement.

**Share-based payments**
The cost of equity settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period which ends on the date on which the relevant holder become fully entitled to the award. Fair value is determined by using the Black-Scholes pricing model. In measuring fair value, no account is taken of any vesting conditions other than conditions linked to the price of shares of the Company.

At each period end date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expenses since the previous period end date is recognised in the income statement with a corresponding entry in the statement of financial position.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**
The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Consolidated Financial Information.

*Revenue recognition*
In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IAS 18. Management is satisfied that the milestones specified under the terms of the customer contract have been achieved and that, the proportion of revenue attributable to each milestone is suitable. Accordingly, the recognition of revenue upon delivery of services is appropriate.

*Share option scheme*
The Group has established a share option scheme known as the Enterprise Management Incentive ('the Scheme'). The fair value of the options issued under the scheme is derived by the Company using a Black-Scholes model and the resultant values are allocated to the income statement over the three year vesting period. In arriving at the fair value using this model, management have used judgement in arriving at the estimated share price volatility which is a key input to the valuation model.

Further details regarding the Scheme are set out in note 10.

*Key sources of estimation uncertainty*
Management is required to disclose information relating to any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Operating lease commitments*
The Group has entered into commercial property leases as a lessee of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

## 5. Revenue

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

| | **Six month period ended 31 March** | | **Year ended 30 September** |
|---|---|---|---|
| | **2017** | **2016** | **2016** |
| | **£000** | **£000** | **£000** |
| **Continuing operations** | | | |
| USA | 130 | 93 | 795 |
| Rest of World | 254 | 296 | 296 |
| Consolidated revenue | 384 | 389 | 1091 |

All revenue is derived from the Group's principal activity, biomarker research and development.

## 6. Business segments

### Products and services from which reportable segments derive their revenues
Information reported to the Group's Chief Executive (who has been determined to be the Group's Chief Operating Decision Maker) for the purposes of resource allocation and assessment of segment performance is focused on the sole service which Oxford BioDynamics sells. The Group's sole reportable segment under IFRS 8 is therefore that of biomarker research and development.

The Group's non-current assets, analysed by geographical location were as follows:

| | **Six month period ended 31 March** | | **Year ended 30 September** |
|---|---|---|---|
| | **2017** | **2016** | **2016** |

| | £000 | £000 | £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| UK | 563 | 475 | 576 |
| Malaysia | 94 | 96 | 95 |
| Total non-current assets | 657 | 571 | 671 |

### Information about major customers

The Group's revenues for the periods covered by this report are derived from a small number of customers, many of which represent more than 10% of the revenue for the period. These are summarised below:

| | Six month period ended 31 March | | Year ended 30 September |
|---|---|---|---|
| | 2017 | 2016 | 2016 |
| | £000 | £000 | £000 |
| Revenue from individual customers each representing more than 10% of revenue for the period: | 321 | 335 | 1,019 |

## 7. Earnings per share

### From continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

| | Six month period ended 31 March | | Year ended 30 September |
|---|---|---|---|
| | 2017 | 2016 | 2016 |
| | unaudited | unaudited | audited |
| | £000 | £000 | £000 |
| Earnings for the purposes of basic earnings per share being net loss attributable to owners of the Company | (1,681) | (786) | (1,730) |
| Earnings for the purposes of diluted earnings per share | (1,681) | (786) | (1,730) |
| | No | No | No |
| **Number of shares** | | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share* | 86,098,228 | 81,600,000 | 81,600,000 |
| | Pence | Pence | Pence |
| **Earnings per share** | | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share* | (2.0) | (1.0) | (2.1) |

*Potential ordinary shares are not treated as dilutive as the entity is loss making.

## 8. Property, plant and equipment

| Group | Leasehold improvements £000 | Office equipment £000 | Fixtures and fittings £000 | Laboratory equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 October 2015 | 270 | 31 | 29 | 1,022 | 1,352 |
| Additions | - | 4 | 8 | 90 | 102 |
| Disposals | - | - | - | - | - |
| Exchange differences | (1) | - | - | (3) | (4) |
| **At 30 September 2016** | **269** | **35** | **37** | **1,109** | **1,450** |
| **Accumulated depreciation** | | | | | |
| At 1 October 2015 | 41 | 14 | 17 | 609 | 681 |
| Charge for the year | 14 | 6 | 1 | 92 | 113 |
| Eliminated on disposals | - | - | - | - | - |
| Exchange differences | - | - | - | (1) | (1) |
| **At 30 September 2016** | **55** | **20** | **18** | **700** | **793** |
| **Carrying amount** | | | | | |
| **At 31 March 2017** | 214 | 15 | 19 | 409 | 657 |
| At 30 September 2016 | 229 | 17 | 12 | 413 | 671 |

## 9. Share capital of the Company

| | Six month period ended 31 March | | | | Year ended 30 September | |
|---|---|---|---|---|---|---|
| | **2017 Number** | **2017 £** | **2016 Number** | **2016 £** | **2016 Number** | **2016 £** |
| **Authorised shares** | | | | | | |
| Ordinary shares of £0.01 each | 86,098,228 | 860,982 | 81,600,000 | 816,000 | 81,600,000 | 816,000 |

The Company's shares were admitted to trading on the AIM market of the London Stock Exchange on 6 December 2016. The Company issued 4.5m new shares at a placing price of 158p, raising gross proceeds of £7.1m (before expenses).

The Company has a number of shares reserved for issue under an equity-settled share option scheme: further details of this are disclosed in note 10.

## 10. Share based payments

### Equity-settled share option scheme

The Group has an established Enterprise Management Incentive ('the Scheme') that has been granted to certain employees. The Scheme is an equity-settled share based payment arrangement whereby the employees are granted share options of the parent company's equity instruments.

The scheme includes non market-based vesting conditions only, whereby the share options may be exercised from the date of vesting until the 10th anniversary of the date of the grant. In most cases options vest under the following pattern: one-third of options granted vest on the first anniversary of the grant date; one-third on the second anniversary and one-third on the third anniversary. The only exception to this pattern is 84,000 options which were granted in the year ended 30 September 2016 which vested immediately upon grant.

| **Options outstanding** | Six month period ended 31 March | | Year ended 30 September |
|---|---|---|---|
| | **2017** | **2016** | **2016** |
| | **unaudited** | **unaudited** | **audited** |
| | **Number** | **Number** | **Number** |
| Outstanding at start of period | 7,636,716 | 2,620,472 | 2,620,472 |

| | | | |
|---|---|---|---|
| Capital reorganisation | - | - | 5,240,944 |
| | 7,636,716 | 2,620,472 | 7,861,416 |
| Granted during the period | 465,000 | 169,500 | 720,300 |
| Forfeited during the period | (280,000) | (294,000) | (945,000) |
| Exercised during the period | - | - | - |
| Outstanding at end of period | 7,821,716 | 2,495,972 | 7,636,716 |
| Weighted average remaining contractual life (in years) of options outstanding at the period end | 3.60 | 4.70 | 3.60 |

| **Options exercisable** | **Number of options** | **Weighted average exercise price £** | **Latest exercise price £** |
|---|---|---|---|
| At 31 March 2017 | 6,758,916 | 0.43 | 1.58 |
| At 31 March 2016 | 2,266,972 | 1.27 | 1.25 |
| At 30 September 2016 | 6,556,916 | 0.41 | 1.25 |

| **Share option expense** | **Six month period ended 31 March** | | **Year ended 30 September** |
|---|---|---|---|
| | **2017** | **2016** | **2016** |
| | **£000** | **£000** | **£000** |
| Expense arising from share-based payment transactions | 230 | 248 | 402 |