



Annual Report and Accounts 2017

Strategic Report	
Highlights	2
Business Overview and Chairman's Statement	4
Financial Review	7
Corporate Governance	10
Board of Directors	10
Report of the Directors	11
Statement of Directors' Responsibilities	13
Independent auditor's report	14
Consolidated Statement of Comprehensive Income	16
Consolidated and Company Statement of Financial Position	17
Consolidated Statement of Changes in Equity	18
Company Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Company Statement of Cash Flows	21
Notes to the Consolidated and Company Financial Statements	22

**Registered office**  
4th Floor  
1-3 Pemberton Row  
London EC4A 3BG

**Directors**  
David Macfarlane *Non-Executive Chairman*  
Crispin Simon *Non-Executive Director*

**Company Secretary**  
Keith Robinson

**Company Website**  
[www.rexbionicsuk.com](http://www.rexbionicsuk.com)

**Registrar**  
Share Registrars Limited  
The Courtyard  
17 West Street  
Farnham  
Surry GU9 7DR

**Legal Advisors**  
Simmons & Simmons LLP  
CityPoint  
One Ropemaker Street  
London EC2Y 9SS

**Auditor**  
Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

Company registration number 06425793

Rex Bionics Plc is a pioneer in the use of robot-assisted physiotherapy in the rehabilitation of people with major mobility impairment as a result of spinal cord injury, other neurological trauma such as stroke or traumatic brain injury, or neurodegenerative disease.

The Company believes that by enabling mobility-impaired individuals to stand upright, move around and exercise with their hands free from an early stage in their rehabilitation, its patented REX robot has the potential to revolutionise their treatment and rehabilitation, as well as significantly enhancing their quality of life.

## Highlights

### Post-period operational highlights

#### Major restructuring completed 25 May 2017

- + **Substantially all of Rex business and assets transferred** to Company's Australian subsidiary Rex Bionics Pty Ltd in exchange for shares;
- + **All intercompany balances** between the Company and other Group subsidiaries waived or repaid;
- + **AUD7.5 million in aggregate invested** in Rex Bionics Pty Ltd by two Australian funds, also in exchange for shares, with a further AUD2.5 million investment committed subject to the achievement of development milestones;
- + **Collaborative development agreement** signed between Rex Bionics Pty Ltd and McLaren Applied Technologies Ltd to develop next generation REX device;
- + **Company holding** in Rex Bionics Pty Ltd post-completion of restructuring is 36%;
- + **Company has the right to participate** in further fundraisings by Rex Bionics Pty Ltd;
- + **All Non-Executive Directors** except David Macfarlane resigned from the Board immediately post-completion;
- + **Crispin Simon and Richard Little** resigned as Chief Executive Officer and Chief Technology Officer respectively immediately post-completion, with Mr Little stepping down from the Board and Mr Simon remaining on the Board as a Non-Executive Director for a short transitional period;
- + **Trading in Company's shares suspended** on 30 May 2017 following the resignation of Stifel Nicolaus Europe Ltd as Nominated Advisor, and de-listed from AIM on 3 July 2017;
- + **Under the terms of the restructuring**, Company intends to remain in existence for at least three years post-completion, receiving funding from Rex Bionics Pty Ltd to enable it to continue as a going concern.

### Operational highlights during the year

- + **Four REX units sold or leased** during the year. Sales included one unit to the US Army as part of a development collaboration signed in prior year to evaluate use of REX for the early rehabilitation of amputees in an acute care setting;
- + **Tri-partite memorandum of understanding** signed with MAAB International and Maxhealth Medicine Co. Ltd in April 2016, significantly enhancing REX distribution capacity and capability in China;
- + **Release of software upgrade** to provide wide range of repeatable exercises ("Rexercises™"), enhancing the value of the REX proposition – the combination of upper and lower body exercise, as well as walking;
- + **Progress in expanding** REX clinical trial programme:
  - New clinician sponsored trial in stroke and traumatic brain injury commenced October 2016 in Australia
  - Positive results from a final analysis of data from the RAPPER II clinical trial in spinal cord injury announced October 2016
  - Recruitment underway in a new UK trial in multiple sclerosis;
- + **Equity fundraising** completed August 2016 raising £2.3 million before expenses.

### Audited results for the year

- + **Net loss £12.35m** (year ended 31 March 2016: net loss £4.87m)
- + **Period-end available cash reserves £0.21m** (31 March 2016: £1.86m)

## Business Overview and Chairman's Statement

Since its listing on the London AIM stock market in May 2014, Rex Bionics Plc, through its REX robotic walking device, has been pioneering the use of robot-assisted physiotherapy in the rehabilitation of people with major mobility impairment as a result of spinal cord injury, other neurological trauma such as stroke or traumatic brain injury, or neurodegenerative disease.

Commercial progress has been slower than expected at the time of the initial listing, and in early 2017 the Board concluded that, in the absence of adequate support from the London capital markets, the best strategic option available was a restructuring of the Rex business (the "Restructuring") to enable investment from an Australian venture capital manager, followed by a delisting of the Company's shares.

The Restructuring was completed on 25 May 2017 and involved the sale of substantially all of the Rex business and assets to the Company's Australian subsidiary Rex Bionics Pty Ltd ("Rex Pty"), including ownership of the other operating subsidiaries of the Rex Bionics Group, and the simultaneous investment of AUD7.5 million in Rex Pty by funds managed by BioScience Managers Ltd ("BML"), an Australian fund management company. In parallel, Rex Pty entered into a development collaboration with McLaren Applied Technologies Ltd, the applied technologies arm of the McLaren Group, to develop a next generation REX product. The BML funds also committed to invest a further AUD2.5 million into Rex Pty subject to the achievement of specified milestones in the development programme for the next generation product.

As a result of the Restructuring, Rex Bionics Plc has become an investment company with an initial 36% holding in Rex Pty, although this holding would be diluted if the BML funds make the further investment described above and the Company does not exercise its right to co-invest. Responsibility for the strategic direction and day to day management of the Rex business has now been assumed by the Board and management of Rex Pty. The Company is entitled to have one representative on the Rex Pty board through whom it will be able to continue to provide strategic input, and I have agreed to take on that role in the initial post-completion phase. This will also enable the Rex Bionics Plc Board the opportunity to provide periodic updates to our shareholders on the progress of their investment in Rex Pty and that company's financial position. The Company has also retained the right to participate in future financings by Rex Pty, although this would require the support of Rex Bionics Plc shareholders.

The completion of the Restructuring also had implications for Rex Bionics Plc's ability to continue as an AIM-listed company. Because the Company subsequently had no other business streams apart from its minority investment in Rex Pty, with the effect that it ceased to own or control substantially all of its trading business and assets, it was deemed to become an AIM Rule 15 cash shell under the AIM Rules. As announced at the time of the Restructuring the Board conducted an accelerated evaluation of the structural options available to

the Company, the outcome of which was that the Board concluded that the most sensible course of action was for the Company to seek to de-list its shares from trading on AIM at the earliest opportunity.

Stifel Nicolaus Europe Limited resigned as the Company's Nominated Advisor on 26 May 2017 and was not replaced. In accordance with the AIM rules, trading in the Company's shares was suspended from 30 May 2017, and the shares were automatically de-listed one month later, on 3 July 2017.

Under the terms of the Restructuring the Company has agreed to a three-year period (the "Standstill Period") during which, subject to certain permitted transfers, it will be unable to distribute its shares in Rex Bionics Pty. In return for our agreement to the Standstill Period, the BML Funds have committed to providing ongoing base cost funding to the Company that is intended to enable it to continue in operation as a going concern for the duration of the Standstill Period, including an initial payment of approximately £420,000 immediately following completion, including settlement of the outstanding net intercompany balance due by Rex Pty to the Company, which was duly received.

During the Standstill Period there are likely to be very limited opportunities for shareholders to trade their shares in the Company. At the end of the Standstill Period the Board's current expectation is that it will put the Company into liquidation, at which point it will be able to distribute its shares in Rex Pty to the then shareholders in the Company pro rata to their shareholding in the Company.

Further details of the background and terms of the May 2017 restructuring and investment are set out in the circular to shareholders dated 3 May 2017, which can be found on the Company's website.

### Operational Update

We placed a total of four REXs during the year, comprising two direct sales to private individuals in the UK; a rental agreement with Avicenna, our new commercial partner in the United Arab Emirates; and our first sale to the US Army. Overall, however, 2016/17 was a challenging year for sales when many promising leads failed to turn into firm orders. Our distribution partner in the US, EnableMe, continued to invest in a number of presentations and extended demonstrations; and Maxhealth in China invested in exhibitions and the registration process. We are grateful for their commitment and confidence. Our physiotherapist staff and partners developed a tailored programme of exercises that could be performed in a REX which was well-received; and the investigators presented positive data from the RAPPER II clinical trial. However we were collectively unable to convert this progress into a commercially meaningful volume of sales.

In the Interim Results, we commented that: "It is clear, both from our own experience, as well as that of other manufacturers of robotic rehabilitation devices, that as with

any novel medical product it takes time and investment to create a substantial new category". We added that: "...we continue to believe that this time and investment will bear fruit for our shareholders", but it became increasingly clear over the following months that the absence of sales had undermined our financing efforts and that a radical change of direction was required.

### Marketing activities

The Company continued to seek to raise awareness of REX in the clinical community by attending and presenting at international medical device and neuro-rehabilitation conferences, including in the US (Philadelphia, Orlando and Chicago), Australia, New Zealand and the UK, and numerous smaller events, until financial constraints caused us to suspend these activities. We were invited to participate in the India Tech Summit, an event jointly sponsored by the UK and Indian Governments in New Delhi, where we were delighted to demonstrate a REX to the British Prime Minister, The Rt Hon Theresa May MP.

In July Sophie Morgan, our UK REX Ambassador, was one of the presenters at the Annual Awards Dinner for Business in the Community, a charity founded by His Royal Highness the Prince of Wales. Sophie presented the awards standing in her REX in front of the Prince and an audience of 1,600 senior executives, and described how she benefits from its use.

### Clinical Trials

The clinical data to promote the medical benefits of using REX was delivered broadly as intended.

The RAPPER II study was originally planned to look at 100 volunteers, but as a result of the strength and clarity of the data the investigators were able to close the study in August 2016, several months earlier than expected, after only 56 volunteers had been recruited. Following an analysis of the final results, Quality of Life data from the study were presented by the Principal Physiotherapy Investigator, Jon Graham BA, MSc, MSCP, at the American College of Rehabilitation Medicine's 93rd Annual Conference (30 October - 4 November 2016) in Chicago, Illinois, US.

The Chicago presentation focused on the sleep questionnaire completed by study participants, with responses collected before and after a single treatment with REX. In six out of the eight statements, the responses indicated an improvement in sleep reduction, suggesting a beneficial exercise-induced fatigue. The greatest improvement was seen in relation to the proposition "I felt physically tense at night", where there was a 90% improvement in the mean score of all respondents. The next greatest improvements were seen in "I had trouble stopping my thoughts at bed-time"; and "Pain woke me up". It was particularly noteworthy that the trial's 18 tetraplegic patients achieved essentially the same results as the 38 paraplegic patients, demonstrating that the benefits of the REX technology are available to people with more severe injuries - including those in the upper to mid cervical range in the spinal column.

The final step for RAPPER II is the publication of the trial results in a peer-reviewed journal, which we expect to take place in 2017.

The Company has, in collaboration with East Kent Hospitals University NHS Foundation Trust and Kent University, initiated a clinical trial to evaluate the use of the REX in patients with Multiple Sclerosis. All ten volunteers have now received their first treatment and preliminary data is expected later in 2017.

### Technology update

During the period we released a software upgrade that enables Therapists and users to put REX into a set of repeatable stances and movement sequences. This REXERCISE software, whereby REX replicates manual physiotherapy movements, enhances the exercise value of REX both in clinics and for home use; and increases our competitive differentiation.

### Collaboration with the US Army

In early 2016 we announced a Collaborative Research and Development Agreement (CRADA) with the US Army Medical Research and Materiel Command to modify the REX technology so as to enable an evaluation of its use in the early ambulation of patients with lower limb loss. A key element of the collaboration will be a research programme, to be carried out at the Walter Reed National Military Medical Center (WRNMMC), Bethesda, MD with support from Rex Bionics, to develop design modifications to REX that will enable its use by individuals who have suffered lower limb loss. If the objectives of the collaboration are successfully achieved it would represent the first use of REX in an acute care setting, potentially opening up a substantial new market opportunity.

The Company's experience over the last three years illustrates the significant risks associated with commercialisation of new medical technologies, risks that are mitigated but not eliminated by the availability of finance. While taking account of these risks, the Board of Rex Bionics Plc continues to believe that the application of robotic technology for wheelchair users in the rehabilitation clinic and home care settings represents a substantial market opportunity and that the Company's shareholding in Rex Pty has the potential to grow significantly in value.

I would like to take this opportunity to thank the Non-Executive Directors for the wise counsel and guidance that they have provided to the Company during their terms of office, and for their magnanimous gesture in waiving all their outstanding fees in order that the Restructuring could proceed; second, to thank Crispin Simon and Richard Little for the substantial contribution each has made to the development of the Rex business. I should also like to place on record my thanks to Peter Worrall, who stepped down from the Board on 31 March 2017, and to wish him well in his retirement.

## Business Overview and Chairman's Statement continued

Our employees, in New Zealand the UK and US, have also shown remarkable resilience in difficult times and I am proud of the quality of their hard work and the progress that it has delivered for the Company. I thank them warmly and wish them well for the future.

In conclusion, I would like to thank our shareholders for their support in a very challenging time for the Company. The Board regrets the loss of shareholder value during the time in which the shares were listed on AIM, but the goal of a number of investors was also to see a technology developed that could be of great benefit to patients in need, and they can be assured that their capital has been productively deployed in the development of valuable strategic relationships, clinical data, product quality and treatment protocols. Although the Company is no longer governed by the AIM rules we fully intend to continue to provide regular updates to shareholders on progress in the underlying Rex business, which will be posted on our new website [www.rexbionicsuk.com](http://www.rexbionicsuk.com).



David Macfarlane  
Chairman

4 August 2017

## Financial Review

The Financial Review should be read in conjunction with the Consolidated Financial Statements and the notes thereto on pages 16 to 41. The Consolidated and Parent Company Financial Statements are presented under International Financial Reporting Standards as adopted by the European Union.

### Consolidated Financial Statements

The Consolidated Financial Statements comprise the results of Rex Bionics Plc for the year ended 31 March 2017, together with those of its operating subsidiaries Rex Bionics Ltd (New Zealand), Rex Bionics Inc. (USA) and Rex Bionics Pty Ltd (Australia) all of which were wholly-owned at 31 March 2017. Comparative figures, where stated, are for the year ended 31 March 2016.

### Post year-end restructuring

On 25 May 2017, the Company completed a major restructuring, in which substantially all of the Rex business and assets, including ownership of the issue share capital of Rex Bionics Ltd and Rex Bionics Inc., were sold to Rex Bionics Pty Ltd in exchange for shares in Rex Bionics Pty Ltd simultaneously with an investment of AU\$7.5 million in Rex Bionics Pty Ltd by funds managed by BioScience Managers Ltd, an Australian fund management company, also in exchange for shares. On completion of the transaction, responsibility for the strategic direction and the day to day management of the Rex business passed to the management of that company, and the Company became an investment company holding 36% of the issued share capital of Rex Bionics Pty Ltd. The restructuring has been reflected in the Consolidated and Company Financial Statements in accordance with IFRS.

### Consolidated Statement of Comprehensive Income

The net loss for the year ended 31 March 2017 amounted to £12.35 million (net loss, year ended 31 March 2016: £4.87 million). Of that figure, £0.85 million related to continuing operations and £11.50 million related to discontinued operations (year ended 31 March 2016: £1.18 million and £3.69 million respectively).

Current year revenues, all relating to discontinued operations, were £0.35 million (year ended 31 March 2016: £0.45 million), reflecting lower unit sales compared to the prior year. However the gross margin percentage increased to 38% from 17% in the prior year, primarily as a result of manufacturing efficiencies.

Other income of £0.23 million (year ended 31 March 2016: £0.17 million), also relating entirely to discontinued operations, reflects receipts under a New Zealand Government research & development grant awarded to Rex Bionics Ltd in July 2014.

Administrative expenses for the year from continuing operations of £0.96 million (year ended 31 March 2016: £1.22m) primarily relate to the corporate costs of the parent company. Administrative expenses included in the loss from discontinued

operations amounted to £13.78 million (year ended 31 March 2016: £4.40 million) and included impairment provisions of £3.26m against goodwill arising on the acquisition of Rex Bionics Ltd in May 2014 and £6.01 million against the carrying value of intangible assets to reflect the notional value of the consideration on the sale of the Rex business to Rex Bionics Pty Ltd in May 2017. The loss on discontinued operations also includes a taxation credit of £1.90 million (year ended 31 March 2016: £0.32 million) reflecting the release of deferred tax as a result of the impairment provision against the carrying value of intangible assets.

The taxation credit of £0.11 million (year ended 31 March 2016: £Nil) relates to a UK R&D tax credit claim covering the year to 31 March 2016, which was not submitted until April 2017. The claim was met in full prior to the date of this Report.

### Consolidated Statement of Financial Position and Cash Flows

The net assets of the Group at 31 March 2017 were £2.51 million (31 March 2016: £12.32 million), of which £2.43 million was classified as held for sale (31 March 2016: £Nil). The major elements of the net decrease in net assets during the year were:

- Net proceeds of shares issues £2.00 million;
- Net loss £(12.35) million;
- Effect of foreign exchange rate changes £0.29 million

### Net funds

Available cash reserves at 31 March 2017 of £0.21 million (31 March 2016: £1.86 million) comprised cash and short term deposits with maturities of less than three months, primarily denominated in Pounds Sterling. The Group had no bank borrowings at 31 March 2017 (31 March 2016: £nil).

The major elements of the decrease of £1.66 million in net funds during the period were the net operating outflows before changes in working capital of £0.62 million, net operating outflows of £2.92 million related to discontinued operations and net outflows on investing activities of £0.21 million, also relating to discontinued operations, offset by net proceeds of financing activities of £2.00 million and a decrease in working capital of £0.08 million.

### Principal risks and uncertainties

Set out below are the principal risks and uncertainties that the Board considers the Company to face. These risks relate primarily to the underlying Rex business now transferred to Rex Pty, the Company's minority holding in which is now its principal asset, following the Restructuring.

### Innovation risk

The application of robotic technologies to healthcare is a rapidly growing area of interest and the rate of technology development is accelerating. If the Group does not continue to successfully develop innovative new products it may be

## Financial Review continued

unable to maintain a strong competitive position in the marketplace.

The Group seeks to mitigate this risk by employing an R&D team of the highest calibre with specific expertise in robotics, and by ensuring that the team keeps abreast of technology developments by establishing formal and informal collaborations with academic centres of excellence in the field and by regular attendance at scientific and technology conferences.

### Competition risk

The Group's current and potential competitors include medical technology and other robotics companies, many of whom have significantly greater financial resources than the Group. Its competitors may succeed in developing products that are more effective or economic than any developed by the Group, or which would render the Group's products non-competitive or obsolete.

The Group seeks to mitigate this risk by staying abreast of developments by competitors through attendance at trade shows and investor conferences, monitoring of trade and competitor literature and other sources of market intelligence, as well as by a continuous development programme focused on product improvement and cost reduction.

### Regulatory risk

In many countries, marketing approval for the Group's products is subject to stringent regulatory requirements, including the satisfactory completion of controlled clinical trials to assess the safety and efficacy of the equipment and the use of manufacturing and quality systems to ensure that the equipment can be produced to a consistent and acceptably high standard. There is a risk that the products do not demonstrate the necessary safety or efficacy in clinical trials, or that such trials are delayed or extended. Similarly, there is a risk that the Group's manufacturing and quality systems will be deemed not to comply with the applicable quality and regulatory standards.

The Group seeks to mitigate this risk by engaging in regular discussions with the relevant regulatory bodies to fully understand their requirements and by working closely with expert external regulatory advisers to design and conduct trials that meet the requirements of the regulators and to implement and maintain manufacturing and quality systems that comply with regulatory guidance.

### Commercial risk

The market for the use of robotic devices in the treatment of people with major mobility impairment is not yet well established, and the Group and its competitors have to date sold only a limited number of devices. Although interest in the Rex technology both from users and medical professionals is very high there is a risk that the market for Rex products will not develop as expected.

The Group seeks to mitigate this risk by working with key opinion leaders in the field of neuro-rehabilitation and

establishing a global network of reference centres to provide advocacy for Rex products, and by conducting a series of post-marketing clinical trials the results of which it is hoped will demonstrate the treatment benefits of REX in a neuro-rehabilitation setting and establish a distinctive positioning for REX in robot assisted physiotherapy relative to competitive products. The Group also maintains an active marketing / PR campaign through conventional and social media to promote and expand international awareness of REX amongst user groups and the clinical community.

### Patient safety risk

REX is a complex electromechanical device that, while providing significant benefit to users, also presents some risks inherent to exoskeletons. Incorrect use of REX can result in excessive pressure being applied to the user's legs, potentially causing skin injury or more serious joint damage.

Rex Bionics mitigates this risk by ensuring these risks are identified, assessed and mitigated by detailed protocols on patient selection and treatment techniques; detailed and comprehensive Instructions for Use and training of healthcare professionals using the REX; post-market monitoring and a robust Corrective and Preventative Action process that ensures that continuous improvement opportunities are identified and implemented; and compliance with government regulatory systems in multiple jurisdictions.

### Intellectual property risk

The Group's commercial success and ability to compete effectively will in large part be dependent upon exploitation of proprietary technologies that the Group has developed internally, its ability to secure and maintain broad protection for its intellectual property rights that does not infringe the patents or other intellectual property rights of third parties, and its ability to preserve the confidentiality of its know-how. There is a risk that patent applications may not succeed or may not be broad enough to provide adequate protection for the Group's intellectual property rights or will exclude competitors with similar products. It may become necessary to enter into potentially expensive litigation to protect the Group's intellectual property.

The Group seeks to mitigate this risk by working with external patent attorneys to optimise the patenting strategy for its technologies so as to provide the broadest coverage, and to undertake freedom to operate searches to minimise the scope for infringement of third party patents. In addition, the Group has established stringent internal controls to protect the integrity and confidentiality of its technology, including encryption of proprietary operating and control software and the use of secure databases for the storage of proprietary technical drawings, data and other know-how.

### Liquidity risk

The Group is currently consuming cash resources, and will continue to do so until sales revenues are sufficiently high to generate net cash inflows. Until the Group begins to generate positive net cash flows, it remains dependent upon securing additional funding, primarily through the injection of capital

from share issues. There can be no assurance that the Group will be able to generate positive net cash flows in the future or attract such additional funding on suitable terms or at all.

The Group seeks to mitigate this risk by maintaining tight controls over expenditure and by maintaining an active investor relations programme including presentations to investor groups, regular dialogue with its major existing investors and working closely with its financial advisers to identify additional potential funding sources.

### Exchange rate risk

The Group's presentational currency is GBP, and its operations are currently largely financed out of GBP funds generated in the London market. It has translational exposure to foreign currency fluctuations as a result of the significant expenditure it incurs in NZD due to the manufacturing and R&D operations being based in Auckland. It also expects to have significant inflows in USD as sales of REX begin to grow in the US and other international markets where the majority of sales are expected to be invoiced in USD.

The Group seeks to mitigate this risk by keeping relevant currency movements under continuous review, working closely with the currency trading arm of a major investment bank. It does not currently hedge its transactions in foreign currencies because of the unpredictability of its cash flows.

### Dependence on key executives and personnel

The robotics industry (both in New Zealand and globally) has a limited pool of engineers and programmers with the relevant skills and experience. The Group's development and prospects are dependent upon training and retaining qualified engineering, programming and technical operating staff.

The Group seeks to mitigate the loss of key management and staff by providing competitive remuneration packages developed in consultation with external remuneration consultants, including long term incentives in the form of share options, and by maintaining a friendly and highly stimulating working environment.

### Product quality risk

REX is a complex electromechanical device which is being sold into a highly regulated market. Quality or product reliability issues in the field could lead to the loss of reputation, loss of revenues, the loss of a customer, recall costs as well as sanctions from a regulator.

The Group seeks to mitigate this risk by operating within a strictly controlled Quality Management System designed to meet international regulatory standards for medical equipment and ensure that all product has to pass stringent quality tests before being approved for despatch. The Group also intends to establish over time a network of fully qualified, Rex-trained service technicians to provide repairs as well as providing regular servicing of the installed base of Rex products in the field.

### Reimbursement risk

The commercial success of Rex's products may depend, in part, on the extent to which re-imbursment for treatment using the Group's products will be available from government and health administration authorities, private health insurers, managed care programmes and other third party payers. The Group has no direct control over payer decision-making about coverage and payment levels for Rex products. Failure to obtain re-imbursment for the use of Rex products could have a detrimental effect on the Group's ability to generate sales.

The Group seeks to mitigate the risk of lack of re-imbursment by ensuring that, to the extent possible, Rex products meet all the criteria for re-imbursment, including undertaking clinical trials designed to provide the data required by re-imbursment agencies, and by staying abreast of any changes in the re-imbursment rules.

### Funding risk

Following the Restructuring the Company is largely reliant on funding from Rex Pty to enable it to continue as a going concern, and is therefore dependent on the ability of Rex Pty itself to raise further funding as necessary to sustain the ongoing Rex business and provide further funding to the Company in line with its commitments under the Restructuring.

The Company seeks to mitigate this risk by actively monitoring the progress of Rex Pty and providing strategic input to the Rex business, primarily through its seat on the Rex Pty board.

By order of the Board



Keith Robinson  
Company Secretary

4 August 2017

## Board of Directors

### David Macfarlane *Non-Executive Chairman*

David joined the Company as Non-Executive Chairman in March 2014. He was previously a partner at two of the City's most prominent law firms, Stephenson Harwood and Ashurst LLP, where he advised a number of high profile companies, banks and other institutions on activities including M&A and capital raising. Whilst at Ashurst LLP, he became involved in management and was head of its corporate department until his retirement in 2002. David is currently Chairman of JZ Capital Partners, a quoted investment company and has previously held the position of Non-Executive Director at several companies including Platinum Investment Trust, Allied Healthcare, Turftrax, Mancal Energy UK and Prospekt Medical.

### Crispin Simon *Non-Executive Director*

Crispin joined Rex as Chief Executive Officer in August 2014, stepping down from that role to become a Non-Executive Director in May 2017. He has a 25-year track record in industry, predominantly in the commercialisation of medical technology products. Following a career which included NM Rothschild, McKinsey, Rexam and Smith & Nephew, where he was latterly President in the Endoscopy Division, he was Chief Executive of Biocompatibles International Plc until its sale to BTG in early 2011, where he led a team that developed three medical products businesses: the Cardiovascular Stent business, sold to Abbott Laboratories Inc for £145 million; the Contact Lens business, sold to Cooper Industries Inc for £80 million and the Drug-eluting Bead business, which was sold as part of the disposal of the whole company to BTG for £165 million. In addition, £123 million cash was returned to shareholders. From 2012 to October 2014, Crispin was a full time Director in the UK Government's Department of Business, Innovation and Skills.

## Report of the Directors

The directors present their report and the audited financial statements for Rex Bionics and its subsidiaries (together the "Group") for the year ended 31 March 2017.

Items required to be included in the Directors' Report that are covered elsewhere in this Annual Report are as follows:

- The use of financial instruments and financial risk management policies – Note 18 to the Consolidated Financial Statements.

### Research and development

In the year ended 31 March 2017 the Group invested £0.86 million (year ended 31 March 2016: £0.65 million) in research & development activities, of which all was expensed as research and is included in the loss on discontinued operations.

### Dividends

The directors do not propose the payment of a dividend.

### Events after the reporting period

On 25 May 2017 the Company completed a major restructuring (the "Restructuring") under which it transferred substantially all of the Rex business and assets (other than cash), including ownership of two of its operating subsidiaries, Rex Bionics Limited (New Zealand) and Rex Bionics Inc. (USA) to its wholly-owned Australian subsidiary Rex Bionics Pty Limited ("Rex Pty") in exchange for shares in Rex Pty. Simultaneously, two funds managed by Bioscience Managers Pty Ltd ("BML"), an Australian investment fund manager, invested AUD7.5 million in aggregate in Rex Pty, also in exchange for shares, with a commitment to make a further investment of AUD2.5 million into Rex Pty subject to the achievement of specified development milestones. The holding of the Company and the combined holdings of the BML funds in the issued share capital of Rex Pty immediately following completion were 36% and 64% respectively.

### Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the trading losses being carried forward.

Under the terms of the Restructuring, Rex Pty has agreed to provide funding to the Company to enable it to continue as a going concern for a minimum period of three years from completion of the Restructuring, and the Company has given Rex Pty an undertaking not to put itself into liquidation during that period. An initial payment of £0.42 million by Rex Pty pursuant to this agreement, which included settlement in full of the outstanding net intercompany balance due by Rex Pty to the Company, was received by the Company immediately following completion of the Restructuring.

After taking into account funds already received from Rex Pty following the Restructuring and the contractual commitment by Rex Pty to provide further funding over the three-year period following completion of the Restructuring, the Directors believe that the Company will have adequate resources to continue operating for the foreseeable future (being a period of at least twelve months from the date of this report). For this reason, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### Directors

The Directors of the Company who served during the period were:

#### Executive Directors:

Crispin Simon  
Peter Worrall (resigned 31 March 2017)  
Richard Little (resigned 25 May 2017)

#### Non-Executive Directors

David Macfarlane  
Jeremy Curnock Cook (resigned 25 May 2017)  
Joseph Cucolo (resigned 25 May 2017)  
Dr William Hunter (resigned 25 May 2017)  
John Plimmer (resigned 25 May 2017)  
Victoria Provis (resigned 25 May 2017)

As described above, a Restructuring of the Rex Bionics business was completed on 25 May 2017. With the exception of David Macfarlane, all of the Non-Executive Directors resigned from the Board immediately following completion of the Restructuring. Crispin Simon, Chief Executive Officer, and Richard Little, Chief Technology Officer, also resigned their executive positions immediately following completion, with Mr Little also stepping down from the Board immediately but Mr Simon remaining on the Board as a Non-Executive Director for a short transitional period.

**Report of the Directors** continued**Directors' interests in ordinary shares**

The Directors who held office at 31 March 2017 had the following interests in the ordinary shares of the Company at that date, which are beneficially held unless otherwise disclosed:

	Ordinary shares of £0.10p each 31 March 2017			Ordinary shares of £0.10p each 31 March 2016		
	Shares	Options	Warrants	Share	Options	Warrants
David Macfarlane	37,777	8,334	-	37,777	8,334	-
Crispin Simon	60,000	355,959	-	60,000	215,959	-
Richard Little	712,042 <sup>1</sup>	184,070	-	712,042 <sup>1</sup>	50,000	-
Jeremy Curnock Cook	2,559,131 <sup>2</sup>	71,446	28,571 <sup>3</sup>	2,559,131 <sup>2</sup>	71,446	28,571
Joseph Cucolo	-	22,988	-	-	22,988	-
William Hunter	59,377	5,556	7,900	59,377	5,556	7,900
John Plimmer	69,444	5,556	-	69,444	5,556	-
Victoria Provis	13,333	5,556	-	13,333	5,556	-

1. These shares are registered in the name of the Richard Little Trust.

2. Of these shares, 12,500 Ordinary Shares are held by International Bioscience Managers Limited, a company majority owned by Mr Curnock Cook, 12,500 Ordinary Shares are held by Bioscience Managers Pty Limited, a subsidiary of International Bioscience Managers Limited and 2,491,076 Ordinary Shares are held by One Funds Ltd as the Trustee for Asia Pacific Healthcare Fund II, a fund managed by Bioscience Managers Pty Limited.

3. Of these Warrants, 22,857 have been issued to International Bioscience Managers Limited.

Between 31 March 2017 and the date of this report there has been no change in the interests of Directors in shares, warrants or share options other than as disclosed in this report.

**Directors' and officers' liability insurance**

Qualifying indemnity insurance cover has been arranged in respect of the personal liabilities which may be incurred by Directors and Officers of the Group during the course of their service with the Group. This insurance was in place throughout the period and remains in place at the date of this report.

**Auditors**

A resolution proposing the re-appointment of Grant Thornton UK LLP as auditor to the Company will be put to the forthcoming Annual General Meeting.

By order of the Board



Keith Robinson  
Company Secretary

4 August 2017

**Statement of Directors' Responsibilities****in respect of the Annual Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group Financial Statements and the Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Parent 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;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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.

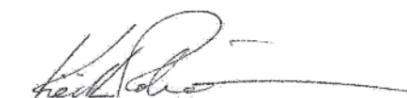
To the best of the Directors' knowledge:

- the group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

**Website publication**

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

By order of the Board



Keith Robinson  
Company Secretary

4 August 2017

## Independent Auditor's Report

TO THE MEMBERS OF REX BIONICS PLC

We have audited the financial statements of Rex Bionics Plc for the year ended 31 March 2017 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 statements of cash flow 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, 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 31 March 2017 and of the group's loss for the year 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

### 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.

Christopher Smith  
Senior Statutory Auditor

for and on behalf of  
Grant Thornton UK LLP  
Statutory Auditor,  
Chartered Accountants  
London

Date: 4 August 2017

Consolidated Statement of Comprehensive Income	16
Consolidated and Company Statement of Financial Position	17
Consolidated Statement of Changes in Equity	18
Company Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Company Statement of Cash Flows	21
Notes to the Consolidated and Company Financial Statements	22

## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

Company registration no: 06425793

		Year ended 31 March 2017	Restated Year ended 31 March 2016
	Note	£'000	£'000
<b>Revenue</b>		-	-
Cost of sales		-	-
Gross profit (loss)		-	-
Other income		-	-
Administrative expenses		(965)	(1,220)
<b>Loss from operations</b>	6	(965)	(1,220)
Finance income		-	41
Finance costs		-	-
<b>Loss on ordinary activities before tax</b>		(965)	(1,179)
Taxation credit	7	111	-
<b>Loss for the year from continuing operations</b>		(854)	(1,179)
<b>Loss for the year from discontinued operations</b>	5	(11,492)	(3,696)
<b>Loss for the year</b>		(12,346)	(4,875)
<b>Other comprehensive income, net of tax</b>			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		291	(285)
<b>Other comprehensive (expenses) / income</b>		291	(285)
<b>Total comprehensive loss for the period, net of tax</b>		(12,055)	(5,160)
<b>Basic and diluted loss per share (pence)</b>	8		
From continuing operations		(3.7)	(7.0)
From discontinued operations		(50.3)	(21.8)

The accompanying accounting policies and notes from an integral part of these financial statements.

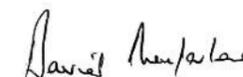
## Consolidated Statement of Financial Position

As at 31 March 2017

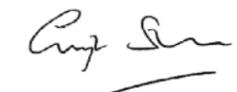
	Note	Group 31 March 2017 £'000	Company 31 March 2017 £'000	Group 31 March 2016 £'000	Company 31 March 2016 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	9	-	-	3,258	-
Other intangible assets	10	-	-	9,351	-
Property, plant and equipment	11	-	-	444	218
Investments	13	-	2,431	-	12,700
		-	2,431	13,053	12,918
<b>Current assets</b>					
Inventories	14	-	-	416	37
Trade and other receivables	15	159	549	284	616
Restricted cash	16	-	-	168	-
Cash and cash equivalents	17	211	211	1,862	1,215
		370	760	2,730	1,868
Assets classified as held for sale	5	3,579	-	-	-
<b>Total current assets</b>		3,949	760	2,730	1,868
<b>Total assets</b>		3,949	3,191	15,783	14,786
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	19	15,411	15,411	14,643	14,643
Share premium	19	10,864	10,864	9,630	9,630
Share option reserve		565	565	327	327
Foreign currency translation reserve		52	-	(239)	-
<b>Retained losses</b>		(24,385)	(24,071)	(12,039)	(11,341)
		2,507	2,769	12,322	13,259
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liability	12	-	-	2,543	-
<b>Total non-current liabilities</b>		-	-	2,543	-
<b>Current liabilities</b>					
Trade and other payables	20	294	422	918	1,527
		294	422	918	1,527
Liabilities directly associated with assets classified as held for sale		1,148	-	-	-
<b>Total current liabilities</b>		1,442	422	918	1,527
<b>Total equity and liabilities</b>		3,949	3,191	15,783	14,786

The financial statements were approved by the Board of Directors and authorised for issue on 4 August 2017.

They were signed on its behalf by



David Macfarlane Director



Crispin Simon Director

The accompanying accounting policies and notes from an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Ordinary Share capital £'000	Deferred Share capital £'000	Share premium £'000	Share Option reserve £'000	Foreign currency translation reserve £'000	Other reserve £'000	Retained losses £'000	Total £'000
<b>Balance at 31 March 2015</b>	14,289	-	8,087	277	46	113	(7,164)	15,648
<b>Comprehensive income</b>								
Loss for the period	-	-	-	-	-	(113)	(4,875)	(4,988)
Employee share-based compensation	-	-	-	50	-	-	-	50
<b>Other comprehensive income</b>								
Exchange differences on translation of foreign operations	-	-	-	-	(285)	-	-	(285)
<b>Total comprehensive loss</b>	-	-	-	50	(285)	(113)	(4,875)	(5,223)
<b>Transactions with owners</b>								
Restructuring of share capital	(12,860)	12,860	-	-	-	-	-	-
Issue of share capital:								
To subscribers in June 2015 placing	354	-	1,771	-	-	-	-	2,125
Share issuance costs	-	-	(228)	-	-	-	-	(228)
<b>Total transactions with owners</b>	(12,506)	12,860	1,543	-	-	-	-	1,897
<b>Balance at 31 March 2016</b>	1,783	12,860	9,630	327	(239)	-	(12,039)	12,322
<b>Comprehensive income</b>								
Loss for the period	-	-	-	-	-	-	(12,346)	(12,346)
Employee share-based compensation	-	-	-	238	-	-	-	238
<b>Other comprehensive income</b>								
Exchange differences on translation of foreign operations	-	-	-	-	291	-	-	291
<b>Total comprehensive loss</b>	-	-	-	238	291	-	(12,346)	(11,817)
<b>Transactions with owners</b>								
Issue of share capital:								
To subscribers in August 2016 placing	768	-	1,537	-	-	-	-	2,305
Share issuance costs	-	-	(303)	-	-	-	-	(303)
<b>Total transactions with owners</b>	768	-	1,234	-	-	-	-	2,002
<b>Balance at 31 March 2017</b>	2,551	12,860	10,864	565	52	-	(24,385)	2,507

The accompanying accounting policies and notes from an integral part of these financial statements.

## Company Statement of Changes in Equity

For the year ended 31 March 2017

	Ordinary Share capital £'000	Deferred Share capital £'000	Share premium £'000	Share Option reserve £'000	Other reserve £'000	Retained losses £'000	Total £'000
<b>Balance at 31 March 2015</b>	14,289	-	8,087	277	41	(5,871)	16,823
<b>Comprehensive income</b>							
Loss for the period	-	-	-	-	(41)	(5,470)	(5,511)
Employee share-based compensation	-	-	-	50	-	-	50
<b>Total comprehensive loss</b>	-	-	-	50	(41)	(5,470)	(5,461)
<b>Transactions with owners</b>							
Restructuring of share capital	(12,860)	12,860	-	-	-	-	-
Issue of share capital:							
To subscribers in June 2015 placing	354	-	1,771	-	-	-	2,125
Share issuance costs	-	-	(228)	-	-	-	(228)
<b>Total transactions with owners</b>	(12,506)	12,860	1,543	-	-	-	1,897
<b>Balance at 31 March 2016</b>	1,783	12,860	9,630	327	-	(11,341)	13,259
<b>Comprehensive income</b>							
Loss for the period	-	-	-	-	-	(12,730)	(12,730)
Employee share-based compensation	-	-	-	238	-	-	238
<b>Total comprehensive loss</b>	-	-	-	238	-	(12,730)	(12,492)
<b>Transactions with owners</b>							
Issue of share capital:							
To subscribers in August 2016 placing	768	-	1,537	-	-	-	2,305
Share issuance costs	-	-	(303)	-	-	-	(303)
<b>Total transactions with owners</b>	768	-	1,234	-	-	-	2,002
<b>Balance at 31 March 2017</b>	2,551	12,860	10,864	565	-	(24,071)	2,769

The accompanying accounting policies and notes from an integral part of these financial statements.

## Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Cash flows from operating activities</b>		
Loss from operations	(965)	(5,367)
Adjustments for:		
Depreciation	-	254
Amortisation of intangible assets	-	1,187
Share based payments	238	50
Taxation credit	111	-
<b>Cash flows from operations before changes in working capital</b>	<b>(616)</b>	<b>(3,876)</b>
Decrease in inventories	416	78
Decrease / (increase) in receivables	125	(64)
Decrease / (increase) in restricted cash	168	(168)
(Decrease) / increase in payables	(625)	322
Net cash outflows from continuing operations	(532)	-
Net cash outflows from discontinued operations	(2,917)	-
<b>Net cash outflows from operating activities</b>	<b>(3,449)</b>	<b>(3,708)</b>
<b>Cash flows from investing activities</b>		
Finance income	-	61
Purchase of property, plant and equipment	-	(464)
Purchase of intangible assets	-	(44)
Net cash outflows from investing activities of continuing operations	-	(447)
Net cash outflows from investing activities of discontinued operations	(212)	-
<b>Net cash outflows from investing activities</b>	<b>(212)</b>	<b>(447)</b>
<b>Cash flows from financing activities</b>		
Proceeds of share issues	2,305	2,125
Share issuance costs	(303)	(228)
<b>Net cash inflows from financing activities</b>	<b>2,002</b>	<b>1,897</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,659)</b>	<b>(2,258)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,862</b>	<b>4,368</b>
Effect of foreign exchange rate change	231	(248)
	434	1,862
Cash and cash equivalents classified as held for sale	(223)	-
<b>Cash and cash equivalents at end of period</b>	<b>211</b>	<b>1,862</b>

The accompanying accounting policies and notes from an integral part of these financial statements.

## Company Statement of Cash Flows

For the year ended 31 March 2017

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Cash flows from operating activities</b>		
Loss from operations	(12,730)	(5,472)
Adjustments for:		
Depreciation	-	133
Share based payments	238	50
Impairment charge on investments in subsidiary undertakings	10,269	3,400
Impairment charge on intercompany balances	1,025	-
Effect of foreign exchange rate change	(19)	-
Finance charge (credit)	-	(41)
<b>Cash flows from operations before changes in working capital</b>	<b>(1,217)</b>	<b>(1,930)</b>
Decrease / (increase) in inventories	37	(10)
Decrease / (increase) in receivables	67	(494)
(Decrease) / increase in payables	(1,106)	1,039
Net cash outflows from continuing operations	(2,219)	(1,395)
Net cash outflows from discontinued operations	(787)	-
<b>Net cash outflows from operating activities</b>	<b>(3,006)</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Investment in subsidiary undertakings	-	(500)
Finance income	-	2
Purchases of property, plant and equipment	-	(220)
<b>Net cash outflows from investing activities</b>	<b>-</b>	<b>(718)</b>
<b>Cash flows from financing activities</b>		
Proceeds of share issues	2,305	2,125
Share issuance costs	(303)	(228)
Net cash inflows from financing activities	2,002	1,897
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,004)</b>	<b>(216)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,215</b>	<b>1,431</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>211</b>	<b>1,215</b>

The accompanying accounting policies and notes from an integral part of these financial statements.

# Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

## 1 General information

Rex Bionics Plc (the "Company") is a public limited company incorporated and domiciled in England and Wales (registration number 06425793). Its registered office address and principal place of business is 4th Floor, 1-3 Pemberton Row, London EC4A 3BG. Until 3 July 2017 the Company's Ordinary Shares were traded on the Alternative Investment Market of the London Stock Exchange Plc ("AIM") under the ticker "RXB".

Prior to 25 May 2017, the principal activities of the Group were the research & development, manufacture and commercialisation of advanced robotic devices designed to provide physiotherapy to and improve the physical and psychological well-being of people with major mobility impairment as a result of spinal cord injury or other neurological damage. On 25 May 2017, as a result of a major restructuring of its business (the "Restructuring"), the Company ceased to be the parent company of the Rex Bionics Group and became an investment company with a continuing interest in the Rex business through a 36% holding in the issued share capital of Rex Bionics Pty Ltd ("Rex Pty"), the new parent company of the Rex Bionics Group. Further details of the Restructuring are given in note 27.

## 2 Basis of preparation and statement of compliance with IFRSs

The Consolidated Financial Statements of the Group cover the year ended 31 March 2017. Prior year comparatives, where shown, are for the year ended 31 March 2016.

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The Company Financial Statements present information about the Company as a separate entity and not about its group.

Both the Group Financial Statements and the Company Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. In publishing the Company Financial Statements here together with the Group Financial Statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes in these financial statements. The Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 4 August 2017.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed later in these accounting policies.

The financial statements are presented in Thousand Pound Sterling (£'000). All amounts are rounded to the nearest thousand Pounds unless otherwise indicated.

### Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the trading losses being carried forward and the Restructuring described in note 1 above.

As a result of the Restructuring the Company became an investment company with a single investment, its shareholding in Rex Pty. Under the terms of the agreement under which the Rex business was transferred to Rex Pty, the Company has committed not to enter into liquidation before 25 May 2020, the third anniversary of the date of completion of the Restructuring, and Rex Pty has committed to provide an agreed amount of funding to enable the Company to continue as a going concern throughout that period.

Following completion of the Restructuring, the Company has taken steps to reduce its operating costs very significantly. The entire Board of Directors resigned on the date of the completion with the exception of the Chairman David Macfarlane, who will continue in that role for the foreseeable future, and the Chief Executive Officer Crispin Simon, who stepped down from his executive role on that date but remained on the Board as a Non-Executive Director for a short period to oversee the transitional arrangements for the Restructuring. It is intended to appoint one new Non-Executive Director to coincide with Mr Simon stepping down to maintain the number of directors at two in line with the requirements of the Companies Act.

In addition, all of the Company's employees at the date of completion have subsequently either been transferred to subsidiaries of the new Rex Bionics Pty Ltd group or been given notice of redundancy, with the exception of Sue Fraser, Group Finance Manager, who will remain with the Company on a part-time basis to provide administrative services. Going forward, the Company intends to operate as a cash shell with minimal operating overheads.

At 31 March 2017, the Company had available cash reserves of £0.21 million. Subsequent to 31 March 2017 it received payments of £0.42 million in aggregate from Rex Pty, and a further £0.11 million from HMRC in settlement of a UK R&D tax credit claim for the year ended 31 March 2016. The Directors are confident that these amounts, together with available cash reserves at 31 March 2017, will cover the Company's operating costs for a period of more than twelve months beyond the date of signing the Financial Statements. Under the terms of the Restructuring, further payments will be received from Rex Pty in the second and third years post-completion.

After taking into account current cash resources, their expectation of further funds being received from Rex Pty, their financial forecasts for the Company and the measures that they have taken to reduce expenditure following the Restructuring so as to ensure that the Company will have adequate resources to continue in operational existence for the foreseeable future (being a period of at least twelve months from the date of this report), and after making due and careful enquiries and considering all uncertainties, the Directors believe that it is reasonable to continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## 3 Accounting policies

### Consolidated

#### Basis of accounting

The Consolidated Financial Statements have been prepared using the significant accounting policies and measurement bases summarised below.

### New accounting policies

(i) New and amended standards adopted by the Group:

The following new standards and amendments to standards are mandatory for the first time for the Group for financial periods beginning 1 April 2016. Except as noted, the implementation of these standards does not have a material effect on the Group.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Offsetting Financial Assets and Financial Liabilities

(ii) Standards, amendments and interpretations which have not been applied in these financial statements, were in issue but not yet effective:

Standard	Description	Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue	1 January 2018
IFRS 16	Leases	1 January 2019

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company.

### Significant estimates

In the application of the Group's accounting policies in conformity with IFRS the Directors are required to make estimates and assumptions about the carrying value of assets and liabilities and the reported amounts of revenue and expenses 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, including expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going 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. The key areas are summarised below:

### Estimation uncertainty

Information about estimates and assumptions that have significant risk of material adjustment to carrying values in the next financial year is provided below. Actual results may be substantially different.

### Valuation of share-based payments and warrants

The estimation of the fair value of equity-settled share based awards and the resulting share-based payment costs charged to the statement of comprehensive income requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted, leaver rates and the time of exercise of those options. The model used by the Group is a Black-Scholes valuation model. Further detail is provided in Note 19.

### Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. All inventories held by the Company were transferred to Rex

Bionics Ltd by 31 March 2017, ahead of the Restructuring, and the Company held no inventories at the balance sheet date.

### Warranty provision

The Group's standard terms and conditions of sale include a 12-month warranty in respect of parts and labour. Customers are also able to purchase extended warranty agreements of up to an additional two years. A provision was made in respect of product sales during the year. As part of the Restructuring, all warranty obligations of the Company itself were transferred to Rex Pty.

### Useful lives of depreciable and intangible assets

Management reviews its estimate of the useful lives of depreciable and intangible assets at each reporting date, based on the expected utility of the assets. Uncertainties in the estimates of depreciable assets relate to technical obsolescence that may change the utility of certain software and IT equipment. Uncertainties in the estimates of intangible assets relate to technical obsolescence that may impact on the remaining period over which value can continue to be recovered.

### Impairment of goodwill and other intangible assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deductible temporary differences can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

### Business combinations

Management uses valuation techniques and judgement in determining the fair values of the various elements and structure of a business combination. On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, actual results may vary.

### Judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management make various judgements that can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

#### Capitalisation of internal development expenditure

Management exercises judgement in establishing both the technical feasibility of completing an intangible asset which can be used internally or sold and the degree of certainty that a market exists for the asset, or its output, for the generation of future economic benefits. At the current time no development expenditures are being capitalised as Management's judgement is that technical feasibility has not been fully established.

#### Classification and valuation of discontinued operations

Management has classified the disposal group as held-for-sale as at the year-end based on its interpretations of the guidance in IFRS 5. The disposal group represents the majority of the operations of the group and management has therefore determined that these should be presented as discontinued operations. In determining the value for the disposal group and the Parent company's investment in Rex Pty, management has used a fair value determined from the price

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

being paid by the third party for the 64% share of Rex Pty. This was determined to be the market value of the company based on an arm's length transaction that was approved by the shareholders subsequent to year end.

The accounting policies set out below have, unless otherwise stated, been applied consistently by the Group to all periods presented in these financial statements.

### Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. All intra-Group transactions, balances, income and expenses are eliminated in preparing the Consolidated Financial Statements. The acquisition of subsidiaries is dealt with by the acquisition method.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies of 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.

### Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

### Discontinued operations / assets held for sale

Current and non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Once classified as held for sale, assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations (see Note 5).

### Foreign currency translation

#### Functional and presentation currency

The Consolidated Financial statements are presented in Pounds Sterling, which is also the functional currency of the Parent Company.

#### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

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

#### Foreign operations

In the Group Financial Statements, all assets, liabilities and transactions of Group entities with a functional currency other than Pounds Sterling are translated into Pounds Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Pounds Sterling at the closing rate at the reporting date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into Pounds Sterling at the closing rate. Income and expenses have been translated into Pounds Sterling at the prevailing exchange rate at the date of the transaction. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

#### Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Group currently operates in one area of activity, the development, manufacture and commercialisation, of robotic equipment for medical applications. No segmental analysis has been provided in the current year because all revenues form part of discontinued operations.

#### Revenue recognition

Revenue represents the fair value of sales of the Group's products and after sales service support to distributors and end-customers at amounts excluding value added tax. In respect of products, revenue is recognised when the products have been delivered and title has passed. In respect of services, revenue is recognised in the period when the service is performed.

#### Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

#### Grant income

Grants received are recognised in the statement of comprehensive income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

#### Finance income

Finance income relates to interest earned on cash, cash equivalents and investments. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

### Intangible assets

#### Acquired intellectual property rights

Intellectual property rights that are acquired in a business combination are initially recognised at their fair value. Intellectual property rights purchased outright are initially recognised at cost. Intellectual property rights are capitalised and amortised over their estimated useful economic lives. In determining the useful economic life each asset is reviewed separately and consideration given to the period over which the Group expects to derive economic benefit from the asset.

#### Software intangibles

Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Software is currently amortised on a straight-line basis over 2-3 years.

#### Development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the income statement as an expense in the period in which it is incurred. Expenditure on development activities, where research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised once it can demonstrate:

- its intention to complete and ability to use or sell the asset
- the technical and commercial feasibility of the asset
- how the asset will generate future economic benefits
- the ability to measure development costs of the asset reliably
- the Group has sufficient resources to complete development.

Expenditure capitalised is stated as the cost of materials and direct labour less accumulated amortisation. Where development expenditure results in new or substantially improved products or processes and it is probable that recovery will take place, it is capitalised and amortised on a straight-line basis over the product's useful life starting from the date on which serial production commences, which is between one and ten years.

No development expenditure has been capitalised to date because Management's judgement is that the technical and commercial feasibility of the related projects has not yet been sufficiently demonstrated.

#### Subsequent measurement

All finite-lived intangible assets, including patents, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing. Amortisation has been included within administrative expenses.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

#### Property, plant and equipment

Property, plant and equipment is stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value over their expected useful lives, which are as follows:

Office and Computer Equipment	Between 1.75 and 12 years
Demonstration Inventory	2 years
Leasehold Improvements	16 years
Plant & Equipment	Between 1.3 and 16 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Impairment of property, plant & equipment, intangible assets and goodwill

The carrying amount of the Group's assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset of its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash generating units reduce first the carrying amount of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash generating unit's recoverable amount exceeds its carrying amount.

### Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Assets leased under operating leases are not recorded on the Statement of Financial Position. Rental payments are charged directly to the income statement. Lease incentives, primarily up-front cash payments or rent-free periods, are capitalised and spread over the period of the lease term on a straight line basis unless another systematic basis is more representative of the time pattern of the users' benefit. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

### Inventory

Inventory is valued at the lower of cost or net realisable value. Cost comprises direct materials cost and, where applicable, the direct labour costs and an attributable proportion of manufacturing overheads that have been incurred in bringing the inventories to their present location and condition and based on normal levels of activity. Net realisable value is based on estimated selling price less further costs to completion and disposal. The Group makes provision for inventory deemed to be irrecoverable or where the net realisable value is lower than cost. Costs of ordinarily interchangeable items are assigned using first-in first-out method.

### Financial instruments

#### Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition depending on the purpose for which the asset was acquired:

- loans and receivables

The Company has not classified any of its financial assets as held to maturity, held for trading or fair value through profit and loss, or available for sale.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group. The amount of the write down is determined as the difference between the assets' carrying amount and the present value of the future cash flows.

#### Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables. It has no short-term borrowings or derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method. All interest related charges are recognised as an expense in finance cost in the income statement using the effective interest rate method.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement.

#### Cash and cash equivalents

Cash and cash equivalents comprise available cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Short-term employee benefits

Short-term employee benefits outstanding at the reporting date, including holiday entitlement, are current liabilities included in pension and other employee obligations, and are measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

#### Provisions, contingent assets and contingent liabilities

Provisions for product warranties are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group, and amounts can be estimated reliably, although the timing of the outflow may still be uncertain.

#### Share-based employee remuneration

All services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Share based payments are ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings in equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. All options are equity settled.

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within profit or loss.

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Statement of Financial Position 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 realised. 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 reporting 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 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 reporting 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 Company intends to settle its current tax assets and liabilities on a net basis.

#### Equity

An equity instrument is any contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

The called up share capital account represents the amount subscribed for shares at nominal value.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share option reserve represents the fair value, calculated at the date of grant, of options and warrants unexercised at the reporting date.

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of overseas subsidiaries.

The other reserve records imputed interest on convertible loan notes issued by Group companies.

Retained losses include all current and prior period results as disclosed in the statement of comprehensive income.

### Company

#### Basis of accounting

The principal accounting policies where different from the Group accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year.

#### Investments

Fixed asset investments in subsidiaries and associates are stated at cost less provision for impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, fair value is measured by reference to the fair value of the shares issued.

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

### 4 Interest in subsidiaries

Set out below are details of subsidiaries held directly by the Company as at 31 March 2017:

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Percentage of ownership held by the Group at Period-End	
			March 2017	March 2016
Rex Bionics Ltd, incorporated 19 March 2007	New Zealand	Developer and manufacturer of the REX robot	100%	100%
Rex Bionics Pty Ltd, incorporated 6 May 2014	Australia	Sales & marketing of REX products in Australia/New Zealand	100%	100%
Rex Bionics Inc, incorporated 23 March 2015	United States of America	Sales & marketing of REX products in North America	100%	100%

Rex Bionics Europe Ltd, a dormant, wholly-owned subsidiary of the Company, was dissolved on 15 November 2016.

On 25 May 2017 ownership of the entire issued share capital of Rex Bionics Ltd and Rex Bionics Inc was transferred to Rex Bionics Pty Ltd and the Company's ownership of the issued share capital of Rex Bionics Pty Ltd was reduced to 36% as a result of the Restructuring.

### 5 Discontinued operations, and assets and liabilities held for sale

As further described in note 27, the Company completed a major restructuring (the "Restructuring") on 25 May 2017 in which it transferred substantially all of the Rex business and assets (other than cash) (the "Rex Business"), including ownership of two of its operating subsidiaries, Rex Bionics Limited (New Zealand) and Rex Bionics Inc. (USA) to its wholly-owned Australian subsidiary Rex Bionics Pty Limited ("Rex Pty") in exchange for shares in Rex Bionics Pty Ltd. Simultaneously, two funds managed by Bioscience Managers Pty Ltd ("BML"), an Australian fund management company, invested AUD7.5 million in aggregate in Rex Pty, also in exchange for shares.

Accordingly, revenue and expenses relating to the Rex Business have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the Consolidated Statement of Comprehensive Income, (see loss for the year from discontinued operations), and assets and liabilities allocable to the Rex Business are shown in the Consolidated Statement of Financial Position as "held for sale".

The operating loss of the Rex Business for the year ended 31 March 2017 and the profit or loss from re-measurement and disposal of assets and liabilities classified as held for sale can be summarised as follows:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Revenue	347	451
Cost of sales	(215)	(373)
Gross profit	132	78
Other income	232	174
Administrative expenses	(4,506)	(4,399)
Operating loss	(4,142)	(4,147)
Finance income	17	133
Loss before tax	(4,125)	(4,014)
Taxation	317	318
Loss for the year	(3,808)	(3,696)
Loss before tax on re-measurement of fair value of assets held for sale	(9,270)	-
Tax recovery	1,586	-
Total loss on re-measurement of fair value of assets held for sale	(7,684)	-
Loss for the year from discontinued operations	(11,492)	(3,696)

The carrying amounts of assets and liabilities held for sale are summarised as follows:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Non-current assets		
Intangible assets	2,287	-
Property, plant & equipment	60	-
Current assets		
Inventory	667	-
Trade and other receivables	146	-
Restricted cash	196	-
Cash and cash equivalents	223	-
Assets classified as held for sale	3,579	-
Non-current liabilities		
Deferred tax	640	-
Current liabilities		
Trade and other payables	508	-
Liabilities classified as held for sale	1,148	-

Net cash outflows attributable to the discontinued operations during the year under review are as follows:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Operating activities	(2,917)	-
Investing activities	(212)	-
Net cash outflows from discontinued operations	(3,129)	-

### 6 Loss from operations

#### Consolidated

The loss from operations is arrived at after charging (crediting):

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Non-recurring transaction costs	-	-
Depreciation of property, plant and equipment	-	-
Amortisation of:		
intangible assets	-	-
Operating lease rentals:		
land and buildings	-	-
Commercial vehicles	-	-
Research and development costs	-	-
Share based compensation	238	50
Finance (credit) charge	-	-
Foreign exchange	-	-

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

### 6 Loss from operations (continued)

#### Auditor's remuneration

Amounts payable to auditors of the Parent Company and other group companies in respect of both audit and non-audit services are as follows:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	47	84
<b>Total audit fees</b>	<b>47</b>	<b>84</b>

Fees payable to the Company's auditor and its associates for other services to the Group

Other services	-	-
<b>Total non-audit fees</b>	<b>-</b>	<b>-</b>

#### Employees

The average monthly number of employees of the Group during the year, including Executive Directors, was as follows:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Production	9	8
Research and development	10	11
Sales and marketing	6	6
Administration	9	8
<b>Total</b>	<b>34</b>	<b>33</b>

Their aggregate remuneration comprised:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Wages and salaries	2,172	2,223
Social security costs	97	122
<b>Total cash-settled remuneration</b>	<b>2,269</b>	<b>2,345</b>
Accrued holiday pay	12	17
Accrued bonus payments	16	100
Share based payment	238	59
<b>Total remuneration</b>	<b>2,535</b>	<b>2,521</b>

#### Key management

The key management of the Group comprises the directors of the Group together with senior members of the management team as set out on pages 10 to 12. Their aggregate compensation is shown below:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Salaries and fees	848	1,044
Amounts paid to third parties	-	-
Share-based payment	222	50
<b>Total remuneration</b>	<b>1,070</b>	<b>1,094</b>

Salaries	890	945
Social security	48	69
Fees	(90)	30
	<b>848</b>	<b>1,044</b>

#### Directors' Remuneration

The aggregate remuneration received by directors who served during the year ended 31 March 2017 and the year ended 31 March 2016 was as follows:

	Year ended 31 March 2017			Year ended 31 March 2016		
	Salary/fee £'000	Bonus £'000	Total £'000	Salary/fee £'000	Bonus £'000	Total £'000
<b>Executive Directors</b>						
Crispin Simon	113	31 <sup>1</sup>	144	150	15 <sup>1</sup>	165
Richard Little	142	30 <sup>1</sup>	172	118	22	140
Peter Worrall	113	21 <sup>1</sup>	134	114	14 <sup>1</sup>	128
<b>Non-Executive Directors</b>						
David Macfarlane	25	-	25	50	-	50
Jeremy Curnock Cook	-	-	-	30	-	30
Joseph Cucolo	13	-	13	6	-	6
William Hunter	13	-	13	25	-	25
John Plimmer	15	-	15	30	-	30
Victoria Provis	15	-	15	30	-	30
<b>Total</b>	<b>449</b>	<b>82</b>	<b>531</b>	<b>553</b>	<b>51</b>	<b>604</b>

<sup>1</sup> Paid in the form of nominal value share options under the Company's Deferred Bonus Share Plan

Mr Little was the highest paid director in the year.

### 7 Tax credit

The major components of tax credit and the reconciliation of the expected tax credit based on the domestic effective tax rate of Rex Bionics Plc at 20% (year ended 31 March 2016: 20%) and the reported tax credit in profit or loss are as follows:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Loss before tax	(14,360)	(5,193)
Corporation tax rate in United Kingdom	20%	20.0%
Expected unutilised tax losses	(2,872)	(945)
Adjustment for tax-rate differences in foreign jurisdictions	-	(154)
Effects of:		
Unrecognised deferred tax	2,761	1,099
Deferred tax credit	(1,903)	(318)
<b>Actual tax credit</b>	<b>(2,014)</b>	<b>(318)</b>
Tax credit comprises:		
Current tax credit	-	-
Tax credit in respect of prior year	(111)	-
Deferred tax credit:	(1,903)	(318)
<b>Tax credit</b>	<b>(2,014)</b>	<b>(318)</b>

Note 12 provides information on deferred tax liabilities.

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

### 8 Loss per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Parent Company as the numerator, ie no adjustments to loss were necessary in 2016 or 2017. At 31 March 2017, there were 2,081,764 options and 7,825,347 warrants outstanding (31 March 2016: 1,340,599 options and 142,014 warrants outstanding).

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Loss attributable to equity holders in the parent:</b>		
Loss for the year from continuing operations	(854)	(1,179)
Loss for the year from discontinued operations	(11,492)	(3,696)
<b>Number of ordinary shares:</b>		
Weighted average number of shares in issue during the period	22,835,183	16,945,235
<b>Basic and diluted earnings per share (pence)</b>		
Basic and fully diluted loss per share from continuing operations	(3.7)	(7.0)
Basic and fully diluted loss per share from discontinued operations	(50.3)	(21.8)

### 9 Goodwill

The movements in the net carrying value of goodwill are:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Gross carrying amount</b>		
Opening balance	3,258	3,258
Impairment provision ahead of Restructuring	(3,258)	-
<b>Closing balance</b>	-	3,258

#### Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the operating CGUs expected to benefit from the synergies of the business combinations in which the goodwill arises. Goodwill at the end of the period under review applies to a single operating CGU as follows:

	31 March 2017 £'000	31 March 2016 £'000
Development, manufacture and commercialisation of medical robotic equipment	-	3,258
Goodwill at period end	-	3,258

Ownership of the CGU was fully transferred by the Company to Rex Pty on 25 May 2017 in exchange for shares in Rex Pty as part of the Restructuring. On completion of the Restructuring, the recoverable value of the CGU, being the notional value of the Company's remaining investment in the CGU through its residual shareholding in Rex Pty, was approximately £2.43 million, which is considerably less than the combined carrying value of goodwill and acquired intangible assets in the Consolidated Financial Statements. Impairment provisions have therefore been included against both goodwill and intangible assets at 31 March 2017 to reduce their carrying value to the notional value of the CGU on completion of the Restructuring.

### 10 Other Intangible assets

	Intellectual Property Rights £'000	Software intangibles £'000	Total £'000
<b>Cost</b>			
At 1 April 2016	11,130	98	11,228
Additions	145	23	168
Transfer to assets held for sale	(11,275)	(121)	(11,396)
<b>At 31 March 2017</b>	-	-	-
<b>Amortisation</b>			
At 1 April 2016	1,810	67	1,877
Amortisation charge	1,175	43	1,218
Impairment charge	6,006	8	6,014
Transfer to assets held for sale	(8,991)	(118)	(9,109)
<b>At 31 March 2017</b>	-	-	-
<b>Net book value</b>			
<b>At 31 March 2017</b>	-	-	-
At 1 April 2016	9,320	31	9,351

Intellectual property rights comprise granted and pending patents and trademarks relating to the technology introduced by the acquisition of Rex Bionics Ltd in May 2014 together with proprietary, encrypted software code relating to the operating and control systems for the technology.

Software intangibles represent applications software developed by third parties and licensed by the Group for use in different aspects of its business. Software intangibles are amortised over 2 to 2.5 years.

All amortisation and impairment charges are included within administrative expenses.

### 11 Property, plant and equipment

#### Consolidated

Details of the Group's property, plant and equipment and their carrying values are as follows:

	Leasehold Improvements £'000	Plant and Equipment £'000	Office & Computer Equipment £'000	Demonstration Inventory £,000	Total £'000
<b>Gross carrying amount</b>					
At 1 April 2016	7	159	107	522	795
Additions	-	68	34	70	172
Transfer to assets held for sale	(7)	(227)	(141)	(592)	(967)
<b>At 31 March 2017</b>	-	-	-	-	-
<b>Depreciation and impairment</b>					
At 1 April 2016	1	62	56	232	351
Depreciation charge	-	67	55	254	376
Impairment charge	-	74	23	83	180
Transfer to assets held for sale	(1)	(203)	(134)	(569)	(907)
<b>At 31 March 2017</b>	-	-	-	-	-
<b>Net book value at 31 March 2017</b>	-	-	-	-	-
Net book value at 1 April 2016	6	97	51	290	444

All depreciation and impairment charges are included in administrative expenses.

There are no contractual commitments of property, plant & equipment.

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

### 11 Property, plant and equipment (continued)

Company	Plant and Equipment £'000	Office & Computer Equipment £'000	Demonstration Inventory £,000	Total £'000
<b>Gross carrying amount</b>				
At 1 April 2016	2	8	388	398
Transfer to assets held for sale	(2)	(8)	(388)	(398)
<b>At 31 March 2017</b>	-	-	-	-
<b>Depreciation and impairment</b>				
At 1 April 2016	1	4	175	180
Depreciation charge	1	3	148	152
Transfer to assets held for sale	(2)	(7)	(323)	(332)
<b>At 31 March 2017</b>	-	-	-	-
<b>Net book value at 31 March 2017</b>	-	-	-	-
Net book value at 1 April 2016	1	4	213	218

### 12 Deferred tax

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current reporting period.

	Acquired intellectual property assets £'000	Total £'000
At 31 March 2016	2,543	2,543
Credit for the year	(1,903)	(1,903)
Transfer to liabilities directly associated with assets held for sale	(640)	(640)
<b>At 31 March 2017</b>	-	-

The credit in the year represents the reduction in the deferred tax liability on acquired intangible assets as a result of the impairment provision against the related intangible assets due to the reduction in their carrying value implied by the notional value of the proceeds of the sale of the Rex business and assets to Rex Pty as part of the Restructuring.

At the reporting date, the Group has unused tax losses of £13.19 million (31 March 2016: £10.43 million) available for offset against future profits. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams.

### 13 Investments

Company	Investment in subsidiary undertakings £'000
At 31 March 2016	12,700
Impairment charge	(10,269)
<b>At 31 March 2017</b>	<b>2,431</b>

The impairment charge in the current year reflects the provision required to reduce the carrying value of the Company's shareholding in Rex Bionics Pty Ltd following the Restructuring to the notional consideration for the transfer of the Rex business.

### 14 Inventories

#### Consolidated

Inventories consist of the following:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Raw materials	-	178
Work-in-progress	-	141
Finished goods	-	97
	-	416

#### Company

Inventories consist of the following:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Raw materials	-	9
Work-in-progress	-	28
	-	37

At 31 March 2017 all inventories held by Group companies are classified as assets held for sale.

### 15 Trade and other receivables

#### Consolidated

Trade and other receivables consist of the following:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade receivables	10	80
Trade receivables, all current	10	80
Other receivables	120	45
Prepayments and accrued income	29	159
Other receivables	149	204
<b>Total trade and other receivables</b>	<b>159</b>	<b>284</b>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

#### Company

Trade and other receivables consist of the following:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade receivables from third parties	10	63
Trade receivables from other Group companies	390	496
Trade receivables, all current	400	559
Other receivables	120	13
Prepayments and accrued income	29	44
Other receivables	149	57
<b>Total trade and other receivables</b>	<b>549</b>	<b>616</b>

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

### 16 Restricted cash

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
New Zealand Dollar fixed rate deposits of less than three months' maturity at inception	-	168
Total restricted cash	-	168

Restricted cash relates to a guarantee bond of in favour of Bluewater Properties Ltd, the owner of the premises leased by Rex Bionics Ltd in Auckland, which was established under the terms of the lease renewal agreement in February 2016. At 31 March 2017 this is classified under assets held for sale.

### 17 Cash and cash equivalents

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
New Zealand Dollar fixed rate deposits of less than three months' maturity at inception	-	241
Cash available on demand	211	1,621
Total cash and cash equivalents	211	1,862

### 18 Financial instruments

	31 March 2017		31 March 2016	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial assets</b>				
Loans and receivables				
Trade and other receivables	159	159	284	284
Total	159	159	284	284
<b>Financial liabilities held at amortised cost</b>				
Other financial liabilities				
Trade and other payables (less than one year)	294	294	918	918
Total	294	294	918	918

#### Risk management objectives and policies

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated by the Board of Directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets.

The objective of holding financial instruments is to have access to finance for the Groups' operations and to manage related risks. The main risks arising from holding these instruments are interest rate risk, liquidity risk, credit risk and exchange rate risk.

#### Interest rate risk

The Group follows a risk-averse policy of treasury management. Cash is held primarily in fixed interest, short-term deposits with approved UK and international financial institutions with maturity dates set according to the cash needs of the business. The Company's primary treasury objective is to optimise interest yields consistent with minimising exposure to potential capital losses.

Interest rate and currency profile of financial assets, excluding trade and other receivables:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
	<b>Floating rate financial assets</b>	<b>Floating rate financial assets</b>
Pounds Sterling	211	1,215
New Zealand Dollars	-	585
US Dollars	-	57
Australian Dollars	-	5
Total	211	1,862

Floating rate financial assets comprise cash on deposit and cash at bank. There is no difference between the carrying amount and the fair value of the financial assets.

Short-term deposits are placed with banks for periods of up to 12 months and are categorised as floating rate financial assets. There were no contracts in place at 31 March 2017 (31 March 2016: weighted average period to maturity of 151 days and weighted average annualised rate of interest of 3.4%).

#### Sensitivity analysis

It is estimated that a decrease of a quarter of one percentage point in interest rates would have increased the Group's loss before taxation by approximately £1,000 (year ended 31 March 2016: £5,000).

#### Liquidity risk

The Group's policy is to maintain adequate cash resources to meet liabilities as they fall due. This objective was achieved during the period under review. All Group payable balances as at 31 March 2017 and 31 March 2016 fall due for payment within one year.

Cash balances are placed on deposit for varying periods with reputable banking institutions to generate interest income whilst minimising the risk of capital loss. The Group does not maintain an overdraft facility.

#### Credit risk

The Group's credit risk is attributable to its cash and cash equivalents and other receivables. The Group places its deposits with reputable financial institutions to minimise credit risk.

The Group's maximum exposure to credit risk at the reporting date is represented by the carrying value of financial assets, as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other receivables	130	125	130	76
Cash and cash equivalents	211	1,862	211	1,215
Total	341	1,987	341	1,291

#### Exchange rate risk

##### Foreign currency sensitivity

The Parent Company's functional currency is Pounds Sterling (GBP), which is also the Group's reporting currency. The Group's major foreign currency exposure is to the New Zealand Dollar, as operations of Rex Bionics Ltd, which include research & development and manufacturing for the Group, are based in Auckland and have been funded since the acquisition by NZD-denominated loans from the Parent Company. In the future it is anticipated that exposure to foreign currency exchange rates will also arise from the Group's overseas sales, which are expected to be denominated primarily in US dollars (USD), as well as GBP.

To mitigate its exposure to GBP-NZD exchange rate fluctuation risk, the Group maintains the majority of its cash reserves in New Zealand Dollars, and ensures that Rex Bionics Ltd has adequate NZD-denominated cash reserves to meet its working capital requirements for at least 2-3 months at any one time. Movements in the GBP-NZD exchange rate are monitored continuously and the timing of purchases of New Zealand Dollars on the spot market out of Sterling funds is actively managed to secure more favourable exchange rates.

The Company does not currently hedge against foreign exchange exposure in relation to other currencies because of the unpredictable nature of foreign currency cash flows, and does not expect to do so in the future, because following the Restructuring it expects to have few, if any, transactions in foreign currencies.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into GBP at the closing rate:

	Short term exposure		
	USD £'000	NZD £'000	AUD £'000
<b>31 March 2017</b>			
Financial assets	-	-	-
Financial liabilities	-	-	-
<b>Total exposure</b>	-	-	-
<b>31 March 2016</b>			
Financial assets	9	1,769	107
Financial liabilities	2	337	10
Total exposure	7	1,432	107

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

### 18 Financial instruments (continued)

#### Capital risk

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, to enable it to provide returns and benefits for shareholders;
- to support the Company's growth; and
- to provide capital for the purpose of strengthening the Company's risk management capability.

As a loss-making company the Company is reliant in the short-term on equity capital to fund its business. Within these constraints The Company seeks to manage its capital structure closely to optimise capital structure and equity shareholder holder returns, taking into consideration the future capital requirements of the Company and capital efficiency. Detailed short and long-term cash flow projections are maintained which are continuously updated, and which are reviewed by the Board at frequent intervals. Group expenditure is subject to rigorous internal controls and monitored continuously at a senior level.

The Directors consider the Group's capital to include share capital, share premium, translation reserve, share option reserve, other reserve and retained earnings. Net cash comprises borrowings less cash and cash equivalents.

	31 March 2017 £'000	31 March 2016 £'000
Total borrowings	294	918
Less cash or cash equivalents	(211)	(1,862)
Net cash	(83)	(944)
Total equity	2,863	12,322

Borrowings comprise trade and other payables.

### 19 Share capital and share premium

#### Consolidated

##### Issued share capital

At 31 March 2017 the share capital of Rex Bionics Plc consisted of fully paid Ordinary Shares with a nominal (par) value of £0.10p per share and Deferred Shares with a nominal value of £0.90p per share. The Deferred Shares were created on 30 June 2015 as a result of a share restructuring in which each £1 Ordinary Share in issue at that date was sub-divided and re-denominated into one £0.10p Ordinary Share and one £0.90p Deferred Share. All Ordinary Shares rank pari passu in respect of the receipt of dividends, the repayment of capital and voting rights at Shareholders' meetings. The Deferred Shares have no dividend or voting rights and rank behind the Ordinary Shares in any repayment of capital.

	Ordinary Shares		Deferred Shares		Share premium
	Number of shares	Nominal value £	Number of shares	Nominal value £	
<b>Issued and fully paid at 1 April 2015</b>	14,289,360	14,289,360	-	-	8,087,698
Share Restructuring 30 June 2015 to replace each £1 Ordinary share by 1 £0.10p Ordinary Share and 1 £0.90p Deferred Share	-	(12,860,424)	14,289,360	12,860,424	-
Issue of share capital: To subscribers in Placing 30 June 2015	3,541,166	354,117	-	-	1,770,583
Share issuance costs	-	-	-	-	(227,882)
At 31 March 2016	17,830,526	1,783,053	14,289,360	12,860,424	9,630,399
Issue of share capital: To subscribers in Placing 10 August 2016	7,683,333	768,333	-	-	1,536,667
Share issuance costs	-	-	-	-	(303,351)
Issued and fully paid at 31 March 2017	25,513,859	2,551,386	14,289,360	12,860,424	10,863,715

#### Share options

The Company currently operates two separate share option schemes, the Rex Bionics Plc Share Option Plan and the Rex Bionics Plc Deferred Bonus Share Plan. Both of these are discretionary schemes administered by the Remuneration Committee of the Board, which in consultation with the Chief Executive determines the frequency and level of awards. Options granted under the Share Option Plan vest in equal annual tranches over a

three-year period from the date of grant subject to the achievement of performance conditions established by the Committee at the time of grant. The exercise price is set at the closing market price of the ordinary shares on the business day immediately preceding the date of grant. If not exercised, options expire ten years from the date of grant. Options granted under the Deferred Bonus Share Plan vest on grant and are not subject to the achievement of performance conditions. The exercise price is set at the nominal value of the Ordinary Shares over which the option is granted. If not exercised, options expire three years from the date of grant.

At 31 March 2017 there were options outstanding over 1,199,436 un-issued ordinary shares of £0.10p granted under the Share Option Plan (31 March 2016: 1,199,436) and 882,328 un-issued ordinary shares of £0.10p granted under the Deferred Bonus Share Plan (31 March 2016: 141,163), equivalent in aggregate to 8.16% of the issued share capital (31 March 2016: 7.52%), as set out in the tables below.

#### Share Option Plan

Date of Grant	Number of shares	Exercise price	Earliest exercise date	Latest exercise date
Approved section				
30 June 2015	225,000	£0.600	30 June 2016	30 June 2025
Unapproved section				
8 May 2014	96,448	£1.800	8 May 2015	8 May 2024
30 June 2015	855,000	£0.600	30 June 2016	30 June 2025
19 January 2016	22,988	£0.435	19 January 2017	19 January 2026
Total	1,199,436			

#### Deferred Bonus Share Plan

Date of Grant	Number of shares	Exercise price	Earliest exercise date	Latest exercise date
9 December 2015	141,163	£0.100	9 December 2015	8 December 2018
30 August 2016	741,165	£0.100	30 August 2016	29 August 2019
Total	882,328			

The Group has no legal or constructive obligation to repurchase or settle options in cash. The movement in the number of share options is set out below:

#### Share Option Plan

	Year ended 31 March 2017		Year ended 31 March 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	1,199,436	£0.693	1,024,029	£1.729
Granted during period	-	-	1,102,988	£0.600
Exercised during period	-	-	-	-
Lapsed/cancelled during period	-	-	(927,581)	-
Number of options outstanding at period-end	1,199,436	£0.693	1,199,436	£0.693

Options under the Share Option Plan vest over a three-year period in equal annual tranches. With the exception of options granted to Non-Executive Directors, all options under this scheme are subject to the achievement of performance conditions set by the Remuneration Committee. At 31 March 2017, 72,206 options were capable of being exercised (31 March 2016: 32,419). The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 8.2 years (31 March 2016: 9.2 years).

#### Deferred Bonus Share Plan

	Year ended 31 March 2017		Year ended 31 March 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	141,163	£0.100	-	-
Granted during period	741,165	£0.100	141,163	£0.100
Exercised during period	-	-	-	-
Lapsed/cancelled during period	-	-	-	-
Number of options outstanding at period-end	882,328	£0.100	141,163	£0.100

Options under the Deferred Bonus Share Plan vest immediately on grant and are not subject to the achievement of performance conditions. At 31 March 2017, 882,328 options were capable of being exercised (31 March 2016: 141,163). The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 2.3 years (31 March 2016: 2.7 years).

## Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2017

### 19 Share capital and share premium (continued)

#### Warrants

At 31 March 2017 there were warrants outstanding over 7825,347 ordinary £0.10 shares in the Company, equivalent to 0.80% of the issued share capital (31 March 2016: 142,014 warrants, 0.80% of issued share capital, as follows:

Date of Grant	Number of shares	Exercise price	Earliest exercise date	Latest exercise date
8 May 2014	142,014	£1.80	1 April 2016	31 March 2024
30 August 2016	7,683,333	£0.30	30 August 2016	30 June 2017

All warrants outstanding at 31 March 2017 are exercisable at any time between the earliest and latest exercise date and none are subject to any vesting or service criteria. The weighted average remaining contractual life of warrants outstanding at 31 March 2017 was 0.37 years (31 March 2016: 8.0 years).

Warrants are valued at the date of grant using the Black-Scholes pricing model.

### 20 Trade and other payables

#### Consolidated

Trade and other payables consist of the following:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade payables	86	197
Other payables	192	7
Accrued payroll taxes and social security costs	16	59
Other accrued expenses and deferred income	-	655
	<b>294</b>	<b>918</b>

Trade and other payables principally comprise amounts outstanding for trade purchases and on-going costs.

The average credit period taken for trade purchases during the year was 28 days (year ended 31 March 2016: 20 days). No interest is charged on trade payables that are within pre-agreed credit terms. Thereafter, interest may be charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

#### Company

Trade and other payables consist of the following:

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade payables	86	106
Intercompany payables	109	994
Accrued payroll taxes and social security costs	16	21
Other accrued expenses and deferred income	192	406
	<b>403</b>	<b>1,527</b>

### 21 Commitments under operating leases

	As at 31 March 2017		As at 31 March 2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payable within one year	-	-	152	9
Payable in one to five years	-	-	-	7
Total	-	-	152	16

Lease commitments on land and buildings relate to the Group's manufacturing facility in Auckland New Zealand and a smaller facility rented by the Company in Shrewsbury, UK. Other lease commitments relate to two commercial vehicles used for sales and service support in the UK and continental Europe.

All operating lease expense during the year is classified as part of the loss from discontinued operations (year ended 31 March 2016: £153 thousand, representing the minimum lease payment).

### 22 Related party transactions and balances

#### Consolidated

During the year ended 31 March 2017, the Group incurred consultancy fees from JLCC Ltd, a company of which the Director Jeremy Curnock Cook is a director, amounting to £30 thousand (year ended 31 March 2016: £30 thousand). At the reporting date, the amount unpaid in respect of these charges was £98 thousand (31 March 2016: £68 thousand). No liability has been recognised for amounts due to JLCC Ltd as all amounts due were waived in full at the date of the Restructuring.

Mr Curnock Cook is also a director of Bioscience Managers Pty Ltd ("BML"), an Australian fund management company which has an existing interest in approximately 14% of the issued share capital of the Company through the holding of its Asia-Pacific Healthcare Fund II. As further described in Note 27, two other funds managed by BML made investments of AUD7.5 million in Rex Bionics Pty Ltd on 25 May 2017 as part of a major restructuring of the Rex business.

#### Company

In the year ended 31 March 2017 the Company charged Rex Bionics Ltd a total of £Nil (year ended 31 March 2015: £0.35 million) for the provision of corporate, management, sales & marketing and other support services to Rex Bionics Ltd.

The Company provided loans to Rex Bionics Ltd during the year amounting to £0.50 million (year ended 31 March 2016: £0.50 million) to fund Rex Bionics Ltd's business and working capital requirements. These are classified under investments in subsidiary undertakings in the Company Statement of Financial Position. An impairment charge of £10.27 million (year ended 31 March 2016: £3.40 million) has been made against these balances at the reporting date.

During the year the Company purchased Rex products from Rex Bionics Ltd both for resale to third parties and for product demonstration purposes to potential customers. The total amount owing by the Company to Rex Bionics Ltd at the reporting date for the purchase of Rex products and ancillary equipment was £Nil (31 March 2016: £1.34 million).

### 23 Ultimate controlling party

No individual Shareholders acting in concert hold more than 50% of voting shares, and accordingly there is not considered to be an 'ultimate controlling party.'

### 24 Capital commitments

The company had no capital commitments at 31 March 2017 or 31 March 2016.

### 25 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2017 or 31 March 2016.

### 26 Loss attributable to members of the Parent Company

As permitted by section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements. The loss for the Parent Company for the year ended 31 March 2017 was £12.73 million (year ended 31 March 2016: loss £5.47 million).

The average number of employees of the Company in the year, including Executive Directors was 6 (year ended 31 March 2016: 7).

### 27 Events after the reporting period

#### Consolidated

On 25 May 2017 the Company completed a major restructuring (the "Restructuring") under which it transferred substantially all of the Rex business and assets (other than cash), including ownership of two of its operating subsidiaries, Rex Bionics Limited (New Zealand) and Rex Bionics Inc. (USA) to its wholly-owned Australian subsidiary Rex Bionics Pty Limited ("Rex Pty") in exchange for shares in Rex Bionics Pty Ltd. Simultaneously, two funds managed by Bioscience Managers Pty Ltd ("BML"), an Australian fund management company, invested AUD7.5 million in aggregate in Rex Pty, also in exchange for shares.

On completion of the Restructuring, responsibility for the strategic direction and the day to day management of the Rex business passed to the management of Rex Pty, and the Company became an investment company holding 36% of the issued share capital of Rex Pty, with the remaining 64% being held by the BML Funds. The Restructuring has been reflected in the Consolidated and Company Financial Statements in accordance with IFRS.

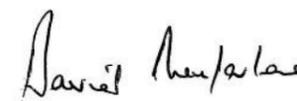
The BML Funds have committed to invest a further AUD2.5 million in Rex Pty at the same price per share as their initial investment, subject to the achievement of specified development milestones. Under the terms of the Restructuring, the Company has the right to co-invest with the BML Funds in such subsequent investment. If the Company chooses not to do so, its holding in Rex Pty would fall to 29.7%.

#### Company

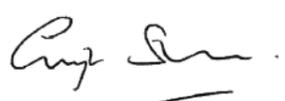
Except for the Restructuring noted above there were no reportable events after the reporting period.

#### Authorisation of Financial Statements

The Consolidated Financial Statements for the year ended 31 March 2017 (including comparatives) were approved by the Board of Directors on 4 August 2017.



David Macfarlane  
Director



Crispin Simon  
Director







Rex Bionics Plc  
4th Floor  
1-3 Pemberton Row  
London EC4A 3BG

+44 (0)20 7478 9014

[www.rexbionicsuk.com](http://www.rexbionicsuk.com)