REX
BIONICS

Annual Report and Accounts 2016

Robot-Assisted Physiotherapy

A new treatment paradigm for mobility-impaired individuals

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Richard Little *Chief Technology Officer*
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Joseph Cucolo *Non-Executive Director*
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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.

STRATEGIC REPORT

Highlights

Post-period operational highlights

- **Strategic re-positioning**, emphasising the unique benefits of REX for patients with the most severe spinal cord injury and rehabilitation-resistant stroke
- **Equity fundraising** completed 10 August 2016 raising £2.3 million before expenses, to be used to maintain commercial momentum during strategic re-positioning and review of further fundraising opportunities
- **Fundraising** included £1m investment by Maxhealth Medicine Group Co., Ltd, a large regional medical equipment distributor in China associated with the Company's exclusive distributor MAAB International
- **Data from 2nd interim analysis of results** from RAPPER II clinical trial presented 17 August 2016; now includes 53 participants, with positive results maintained
- **Agreement signed with Avicenna Partners**, based in Dubai, to provide Robot Assisted Physiotherapy with REX in the United Arab Emirates

Previously announced operational highlights

- **Sales of seven REX units** in the year (US: two, Asia: three, UK: one, Australia: one), representing maiden sales of the product since the Company's IPO
- **Key partnership and distribution agreements** signed in the US, China, Hong Kong and Europe, opening up access to some of the world's largest markets
- **First ever successful personal injury claims** awarding insurance funding for wheelchair users to access REX
- **Highly positive results** from an interim analysis of data from the RAPPER II clinical trial announced in late 2015
- **Successful demonstration** of the direction of REX by mind control technology at the 2015 Meeting of Robotics: Science and Systems in Rome
- **Announcement of collaboration** with US Army to evaluate use of REX for the early rehabilitation of amputees in an acute care setting
- **Appointment of Joseph Cucolo**, ex-President Americas for Zimmer Corporation, as the Company's first US-based Non-Executive Director

Audited results for the period

- **Net loss £4.87m** (16 months to 31 March 2015 – net loss £5.30 million)
- **Period-end available cash reserves £1.86m** (31 March 2015: £4.37 million)

STRATEGIC REPORT

Business Overview

Background to the Company

The Company develops, manufactures and commercialises REX, the first hands-free, self-supporting, independently controlled robotic walking device for use in the rehabilitation of people with major mobility impairment. The REX technology was developed by Rex Bionics Ltd, an Auckland New Zealand-based company founded by two expatriate Scottish engineers, Richard Little and Robert Irving. In May 2014 the Company completed an IPO that raised gross proceeds of £10m to begin the commercialisation of the REX technology.

The market opportunity

Rex Bionics believes that the application of robotic technology for wheelchair users in the rehabilitation clinic and home care settings represents a very substantial and growing market opportunity, a view which is strongly supported by external commentators: a report published in April 2015 by the independent, US-based research group WinterGreen Research, Inc, predicted that the market for robotic exoskeletons for medical applications is poised for significant growth, with global sales forecast to reach $2.1 billion by 2021, from $16.5 million in 2014. The Company further believes that the quality and distinctiveness of the REX technology, and the important differentiating factors that REX offers relative to competing products, will enable it to establish a significant market position over time.

Potential clinical benefits of REX

Wheelchair users are at risk of developing numerous medical complications from extended periods of sitting. These include problems with bowel and bladder function, urinary tract infection, cardiovascular performance, obesity leading to type II diabetes, reduced bone density, spasms and pressure sores. The annual cost to governments and other healthcare payers of treating these secondary medical complications is substantial.

It is well accepted by the clinical community that many of these complications can be alleviated significantly by patients being upright and exercising for even a small amount of time each day. The Company believes that by enabling users to spend more time standing, walking and exercising, REX may offer significant health benefits, including improved sleep, cardiovascular performance, maintenance of joint range, and a reduction in the symptoms of many of the other medical conditions associated with impaired mobility and extended periods of sitting, as well as in the use of prescription drugs to treat those conditions. A programme of clinical trials to evaluate these potential benefits has been underway for over a year, and the Company announced highly positive interim results from the first study in this program in late 2015.

REX is also the only product of its type currently on the market that does not require the use of crutches. The Company believes that this offers two critical advantages for wheel-chair users as well as healthcare providers and payers: first, it offers REX users the freedom to use their arms and hands for work or recreational activities whilst in a standing position, including the ability to carry out physiotherapy exercises designed to strengthen their core and upper body that would be difficult or impossible to carry out in a seated position; second, and important from a competitive perspective, it makes REX the only option for the large number of wheelchair users for whom the use of crutches is precluded by the severity or level of their injury.

Rex Products

The Company currently offers two principal products, REX and REX P (Personal), which are targeted respectively at the professional neuro-rehabilitation clinic and personal homecare markets. The principal differences between the two products are that REX, the rehabilitation clinic device, incorporates adjustment mechanisms that enable it to be rapidly adjusted, typically within five minutes, to fit users of different sizes. This capability is essential in a rehabilitation clinic setting, where a number of different users would be receiving physiotherapy on any given day. The personal device, REX P, is set to the size and specifications of the user/owner and cannot be adjusted, but has the potential for additional functionality that is not required in a rehabilitation clinic setting.

A second generation model, currently in development, is intended to become the platform for the next generation of REX devices. The Company believes that the next generation products will incorporate a number of important enhancements over the current product range, in particular around reduced bulk, weight and noise, increased speed and significantly reduced cost of goods, which would give the Company greatly increased pricing flexibility and improved manufacturing margins.

Clinical indications for REX

Spinal Cord Injury

The Company is initially focusing on the spinal cord injury ("SCI") population. In the US the total number of people living with paralysis as a result of SCI is approaching 300,000 and there are around 12,000 new cases of paralysis as a result of SCI each year. Figures for Europe as a whole are believed to be similar. The majority of SCI victims in the US, approximately 79%, are males and the average age at the time of injury is 42 years. Life expectancy for people with SCI is lower than for people without SCI. The most common cause of SCI in most countries is motor vehicle accidents, followed by industrial accidents and sporting injuries.

According to the US based National Spinal Cord Injury Statistical Center, 59% of SCI injuries result in complete or incomplete quadriplegia, otherwise known as tetraplegia, in which the victim loses total or partial use of all four limbs, compared to 41% that result in complete or incomplete paraplegia, in which only the lower limbs are affected.
This provides REX with an important competitive advantage because it is currently the only device of its kind that does not require the use of the upper limbs or significant upper body strength for its operation.

Other neurological trauma / disease

In addition to SCI, the Company believes that REX may potentially offer an important new treatment option in a number of other indications, notably stroke and other traumatic brain injury, and well as neuro-degenerative diseases such as multiple sclerosis and muscular dystrophy. In the Company's view these indications represent a major additional potential commercial opportunity. The intention is to initiate an initial clinical trial with REX in stroke patients in the course of the next year.

Acute care

REX has also generated recent interest from the clinical community as a means of mobilising patients earlier in an acute care setting, for example following major surgery. Early mobilisation is known to speed up recovery times, thereby reducing time spent in intensive care units and the overall length of hospital stays, as well as leading to improved outcomes. The announcement in January 2016 of a collaboration with the US Army to evaluate REX in the early mobilisation of soldiers who have suffered lower limb loss, before a prosthetic can be fitted, is a very good example of the potential for REX in an acute care environment.

In the US there are around 5,724 hospitals, with 558 being CARF (Commission on Accreditation of Rehabilitation Facilities) accredited, which provide services for in-patient rehabilitation, as well as 102 SCI- specific specialty care clinics.

Additionally, there are 26,000 military veterans with SCI, including 13,000 being treated by the Veterans Affairs (VA) system (for ex-military personnel) in part through the 24 VA SCI units. Aside from the market formed by these facilities, there are a greater number of rehabilitation/fitness centres, outpatient services and general hospitals, all of which also provide some form of treatment for patients with spinal cord injuries.

In Europe, there are around 10,280 accredited and trained physical and rehabilitation medical practitioners across the 28 full members of the EU plus Switzerland, Norway and Iceland.

There are over 300 major dedicated SCI units with rehabilitation facilities across Europe. Some 82 of these major units are in five territories; Germany has 19, France 17, Italy 16, UK & Ireland 15 and Spain 15.

In addition to these major regional units (which tend to be located in University hospitals) there are three to five times as many smaller rehabilitation centres where patients with SCI, strokes, muscular dystrophy and MS undergo some form of rehabilitation to enable them to lead as full and independent life as possible.

Key performance indicators

The Directors monitor the activities and performance of the company on a continuous basis using relevant key financial and non-financial performance indicators. The key performance indicators set out below have been used to assess performance over the year ended 31 March 2016.

Financial	
Unit sales	Seven units sold during the year Sales in the second half year higher than in the first half
Net cash outflows from operations (before changes in working capital)	£3.71m – 24% lower than 16 months ended 31 March 2015
Year-end available cash reserves	£1.86m – in line with internal budget for the year
REX unit materials cost	Cost reduction program ongoing. Manufacturing process changes implemented in second half of the year are expected to result in a reduction of around 20% in materials costs in the next financial year
Non-financial	
Build international distributor network	On track – Key distributor appointments during the year in the US and China, the two most important markets
Clinical trials	On track – Strong recruitment during the year in the RAPPER II trial, and highly positive interim data announced.
Establish international reference centres for REX	On track – further reference centres added during the year in the UK, US, Australia and New Zealand

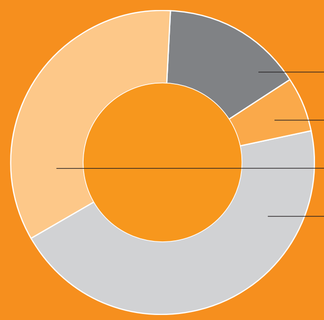
Global reach

✱ Key partnership and distribution agreements signed in the US, China, Hong Kong and Europe, opening up access to some of the world's largest markets

★ Sales of REX units
US – two; Asia – three; UK – one; Australia – one; representing maiden sales of the product since the Company's IPO

● Rex Group Companies

Principal causes of spinal cord injury in the UK



Source: survey of 126 new patient admissions to Duke of Cornwall Spinal Treatment Centre, 1997-99

The wider potential for REX

"We would buy 2 or 3 of these for our rehab hospitals if it was applicable for stroke"

Physical Medicine and Rehabilitation Physician

"This has a lot of application for stroke because you could use this to force patients to use their weaker side. If I bought it for stroke, then the neighboring hospitals would all have to buy it for stroke as well"

Physical Medicine and Rehabilitation Physician

"If you can show benefit in TBI every VA hospital would have one, it is the hottest topic and the VA has funding and a mandate to do more for wounded warriors"

VA hospital Rehab Chief

"Traumatic brain injury rehab could command a higher price tag, it could even be as high as $200,000 - $300,000"

Physical Medicine and Rehabilitation Physician

STRATEGIC REPORT

Chairman & Chief Executive's joint statement

Operationally, the year ended 31 March 2016 has been a period of broad progress across all areas, and we are pleased to be able to report to shareholders on the achievement of a number of important milestones during the period, including the first sales of REX since the Company's IPO, the first successful award under a personal injury claim to include a REX, the appointment of exclusive distributors in the Company's two most important markets, the US and China, and highly positive results from an interim analysis of the RAPPER II clinical trial looking at the feasibility and safety of the use of REX by people with spinal cord injury. As described in our Interim Results announcement in December 2015, we believe that the Company is now demonstrating how REX fits into a new paradigm for the use of robot technology in the rehabilitation of people with mobility impairment.

Sales and Marketing Activities

Product sales

We reported sales of REX of seven units in the year, the first sales of REX since the Company's IPO, with a broad geographic spread across the US, Asia-Pacific and Europe and higher sales in the second half year than the first half. With hindsight the sales cycle for REX has been longer than we initially expected, reflecting both the pressure on healthcare budgets around the world and also the fact that REX together with other exoskeleton products is creating a completely new market segment, which always takes time to develop. With sales and marketing activities now beginning to bear fruit, however, we expect revenues to continue to grow.

Distributor appointments

A critical objective of the Company's sales and marketing strategy has been the establishment of a network of specialised distributors and commercial partners in our key target markets around the world to support the international commercialisation of REX. We have made good progress over the year, with appointments in the US, China, Hong Kong, Scandinavia, the Benelux countries and Russia. More recently, in May 2016, we announced the appointment of a new agency agreement with Avicenna Partners in the United Arab Emirates, our first commercial partner in the Middle East, and we intend to make further appointments during the forthcoming year.

The early appointment of experienced partners in the US and China was particularly important, given the size and commercial significance of those markets. Our distributor in the US, appointed in September 2015, is EnableMe (formerly Ri LLC), a specialist supplier of movement therapy equipment to neuro-rehabilitation clinics throughout the US. Headquartered in St Petersburg, Florida, EnableMe was established in 2003 by Mike Laky, a seasoned rehabilitation industry specialist, and already has long-term contracts in place with the leading US hospital chains including the Veterans Administration, HealthSouth and Select Healthcare. With a network of sales representatives in the field, it offers broad geographic coverage for Rex products across the US, as well as providing the required FDA-compliant regulatory systems.

Our commercial partner in China, appointed in July 2015, is MAAB Group, an investment and trading company that specialises in sourcing and bringing innovative medical technologies into China. MAAB is headquartered in Hong Kong and was founded by industry veterans with a mix of expertise ranging from market access to sales and marketing. It is currently the appointed China partner and distributor for a number of cutting edge medical devices and diagnostic products from the UK, New Zealand and Denmark.

Under the terms of the collaboration, MAAB will manage the application process for China Food and Drug Administration (CFDA) for any regulatory approvals required for REX in the Chinese market, as well as the sales, marketing and distribution of the product. An initial product launch was held in early 2016 and limited pre-marketing of REX in the Chinese market is now underway (within the restrictions set by CFDA).

Chairman & Chief Executive’s joint statement continued

The rapid growth of China's emerging middle class, coupled with the Chinese government’s increasing commitment to improving healthcare access, has led to a sharp increase in the demand for care in China, which we believe represents a clear opportunity for REX. The strategic investment of £1m by MAAB’s associate Maxhealth Medicine Group Co., Ltd, a publicly quoted regional distributor of healthcare products in Eastern China, as part of the fundraising completed by the Company on 10 August 2016 provides evidence of MAAB and Maxhealth’s confidence in the potential for REX in the Chinese market.

Most recently we announced a new agreement with Avicenna Partners in Dubai to provide Robot Assisted Physiotherapy with REX throughout the United Arab Emirates. Avicenna owns and operates the Amana Healthcare Rehabilitation Hospital, an Abu Dhabi-based neuro-rehabilitation clinic, and has plans to open further rehabilitation hospitals in the UAE. This is the Company’s first formal collaboration in the Middle East and represents an ideal base from which to develop our business in that region.

Collaboration with the US Army
In another potentially significant development, we were pleased to announce in January 2016 a Collaborative Research and Development Agreement (CRADA) with the US Army Medical Research and Materiel Command to modify the REX technology to enable an evaluation of its use in the early ambulation of patients with lower limb loss.

After limb trauma and limb amputation, ambulation is limited in the early months due to the length of time post-injury, as much as three months, that is required to allow for residual limb tissue recovery before the socket and prosthetic fitting process can begin. The US Army has been investigating ways in which soldiers with limb loss could benefit from being upright while awaiting prosthetic fitting and from improved access to early and intensive standing rehabilitation, which it believes offers the prospect of shorter rehabilitation times and decreased complications of prolonged immobility. It concluded, however, that there are currently no devices to accommodate early standing for patients with limb loss.

This new agreement therefore sets the stage for follow-on research at the Walter Reed National Military Medical Center (WRNMMC), Bethesda, MD, which will consist of a program of design modifications to REX, specifically to its harness system, to enable its use by individuals who have suffered lower limb loss. If successful, it would represent the first use of REX in an acute care setting, which could open up a substantial new market opportunity for the product.

Marketing activities
During the year, the Company has continued to pursue a focused but highly active marketing and PR campaign to create greater international awareness of REX. We have exhibited at a number of major international neuro-rehabilitation conferences, including in Boston, Dallas, Dubai, Rome, and Shanghai, where we were honoured to receive a visit to our stand by His Royal Highness Prince William. REX has also made regular appearances on local and national television programs in a number of countries during the year, including an appearance on the Canadian version of Dragon’s Den, in which a REX user standing in his REX made a successful pitch to the Canadian Dragons to provide financial backing for him to open a private rehabilitation clinic. More recently in the US, demonstrations of REX in Michigan and Florida were covered by local television news channels in those states. A recent story about a UK man who used a REX to walk his daughter down the aisle at her wedding received international coverage.

Personal injury claims
An area of increasing commercial focus for the Company is the potential for funding for one or more REXs to be included as part of the settlement under a personal injury insurance claim. Evidence for the significant opportunity that this represents was provided by the announcement in September 2015 that Ben Barnes, who sustained a spinal cord injury in a road traffic accident, had become the first recipient of a British High Court damages settlement enabling him to purchase his own REX for use at home. As part of his overall settlement, Mr Barnes was awarded a total of £550,000 for orthotics, which included the cost of a REX for home rehabilitation, its replacements and associated costs.

In another UK case during the year, a man who had sustained spinal cord damage as a result of alleged clinical negligence was awarded interim funding for an intensive course of robot-assisted physiotherapy with REX, pending a final settlement of his insurance claim.

The Company views these awards as an endorsement from the courts and the insurance industry of the principle that the REX robot technology can help people with spinal cord injuries to remain healthy and enable them to resume activities they may have thought were no longer within their capabilities.

NZ Government funding to support US commercial development
We are grateful to the Callaghan Institute, an arm of the New Zealand Government, for its continued support throughout the year to the Company’s Auckland-based subsidiary Rex Bionics Ltd, in the form of R&D grant funding for the next generation REX program. During the period we were also delighted to receive formal notification from New Zealand Trade and Enterprise, the New Zealand government’s international business development agency, that it will provide up to NZD100,000 in funding to support the development of the Rex business in the US market.

Clinical Data
Another strategic imperative during the year has been the commencement of a series of post-marketing trials designed to generate clinical data to support the use of REX and its commercialisation in a range of clinical indications.

In June 2015 the Company announced the enrolment of the first recruit in our RAPPER II (Robot-Assisted PhysiotheraPy Exercises with REX) clinical trial, the first substantive, controlled study in this program. The objective of the RAPPER II study is to evaluate the safety and feasibility of a set of customised exercises performed in a REX.

Recruitment rates at the first trial centre, PhysioFunction in Northampton, UK, were rapid, and recruitment has accelerated in recent months with the addition of new trial centres at major neuro-rehabilitation units in the UK, Australia and New Zealand, establishing RAPPER II as a genuinely international clinical trial. We expect all of these sites, and others, to continue to act as Reference Centres for REX.

Highly positive results from an interim analysis of data from the first 20 volunteers to be recruited into the trial were presented at international neuro-rehabilitation conferences in Perth, Australia and Vienna in late 2015. Key findings from this first interim analysis included the following:

- 19 out of 20 volunteers (95%) were able to complete the walk/exercise protocol (“Treatment Success”), which was the primary end-point of the trial;
- The mean time from transfer to mobilisation was seven minutes and in less than ten minutes all the users were able to use the joystick to control the REX;
- There were no Serious Adverse Events and no treatment-related Adverse Events.

We are very encouraged by the outcome, which we believe provides compelling evidence that the REX can be used safely by most people with a spinal cord injury, and requires only brief and simple training to be used successfully.

In addition to the formal study end-points, all the volunteers who completed the treatment were asked to respond to a 16 item questionnaire covering aspects of their experience of using the REX. Overall, 84% of all the volunteers' answers to all of the questions were positive. In answers to specific questions, 100% of volunteers could “see the benefits of using REX regularly”, 95% “would like to use REX on a weekly basis”, and 79% of volunteers “felt a sense of wellness after using REX”. Responses to questions relating to Confidence, Safety, Stability, Comfort and Ease of Control of REX were in the 84-95% positive range.

The pattern of responses suggests that the REX will be able to deliver the proven benefits to wheelchair users of standing and walking, and they will provide important support to take to reimbursement agencies.

The results from the interim analysis of the RAPPER II trial data represented a first step in generating the clinical data that the Company believes will form an essential part of the commercial strategy for REX. In the subsequent cohort of recruits, we expanded the study protocol to include new, more detailed questionnaires and an extended, two-day and seven-day follow-up.

Enrolment in the RAPPER II study now exceeds 50, and a second interim analysis of the results was presented on 17 August 2016 at the 2016 meeting of the Military Health System Research Symposium in Orlando, Florida, US, which confirmed that the positive results seen with the first 20-volunteer cohort have been maintained, with a 96% Treatment Success and no Serious Adverse Events. Of particular note was that out of a total of 53 participants, 15 were quadriplegic, with 38 paraplegic, and the results were essentially the same. This confirms that the benefits of the REX technology are available to people with more severe injuries, in the Cervical 4-7 range in the spinal column, as well as in other cases of severe neurological impairment.

The investigators have now agreed that, in view of the strength and clarity of the data, the trial should be closed. The final steps for RAPPER II are the presentation of the Quality of Life data at the American College of Rehabilitation Medicine's 93rd Annual Conference (30 October - 4 November 2016) in Chicago, Illinois, US; and the publication of the trial results in a peer-reviewed journal, expected in 2017.

Technology Update
Research and development efforts over the year have focused on design improvements to the current product line in parallel with continued work on the mechanical and operating system platform for the next generation of REX robots.

A highlight was the successful demonstration of the direction of REX by “Mind Control” technology at the 2015 Meeting of Robotics: Science and Systems in Rome, in which Robert Camm, a 21 year-old quadriplegic man from Gloucestershire, UK, with a C3 level complete spinal injury, walked in the REX while in complete and sole control of the device. The Mind Control technology used at this conference was developed by the Company’s collaborators at the Laboratory for Non-invasive Brain-Machine Interface Systems, Department of Electrical and Computer Engineering at the University of Houston in Texas.

Independent of its collaboration with the University of Houston, the Company has ongoing collaborations with other leading edge research institutes in the field, including a separate, well-advanced research program with the Centre for Neuroprosthetics at the EPFL in Lausanne, Switzerland that also explores the use of mind control of robots.

The Auckland development team has also delivered two important product enhancements during the period. The first is a software upgrade that provides physiotherapists with a set of repeatable exercises that they can offer to their patients by putting the REX into “RAPPER” mode. This upgrade is in a phased global roll-out and the early customer feedback indicates that it will materially assist sales efforts. The second product enhancement is a reporting package that allows physiotherapists and patients to monitor their REX exercise performance in each session and over time.

STRATEGIC REPORT

Chairman & Chief Executive’s joint statement continued

Manufacturing Update
The move to new manufacturing facilities in Albany, just outside Auckland, in the second half of 2014 presented an opportunity for the Company not only to expand its manufacturing capacity but also to revalidate its production and quality management systems and, where appropriate, to introduce new, more rigorous procedures and controls to meet the challenges of manufacturing a highly complex medical device to the demanding standards required by national regulatory authorities around the world.

The success of the New Zealand manufacturing team in achieving this objective was recognised in October 2015 by the formal certification of the new facility to ISO 13485:2003 and ISO 9001:2008, confirming the compliance of Rex Bionics’ quality management systems with the international regulatory requirements for medical devices. It gives us confidence that our manufacturing operations are well placed to meet the anticipated growth in product demand.

New Board Appointment
On 11 January 2016 we announced the appointment of Joseph A. Cucolo as a Non-Executive Director of the Company. Joe, who lives in upstate New York becomes the Company’s first US-based Director, and his appointment provides further evidence of our intention to increase our commercial focus on the US market. He has had a long and successful career with Zimmer Holdings Inc., one of the largest medical device companies in the world, most recently as President of Americas with responsibility for a $2.5 billion business covering the United States, Canada and Latin America.

We would like to take this opportunity to welcome Joe to the Board. We look forward to working with him and to benefitting from his exceptional sales & marketing experience and extensive contact network within the US clinical community.

As announced in our Company update in September 2015, Richard Little, the co-founder of Rex Bionics and its Chief Technology Officer, has indicated his intention to resign from his position in order to develop a new business in a non-competitive field. Richard will continue to work with Rex Bionics on a consultancy basis, in order that his knowledge and experience remains available to the Company. Duncan Clement, Rex Bionics’ Director of Engineering, who first worked with Rex in 2008, will continue to lead the Company’s R&D group, as he has done since his appointment to the role 2015. At the date of this report, Richard remains with the Company on a full-time basis.

Strategic update and outlook
The Board has recently completed a thorough strategic review on commercialisation progress and capital availability and concluded that, while it has taken longer than expected to achieve first commercial revenues, the market opportunity remains significant; the RAPPER II data shows that the REX product is safe and effective and there are many wheelchair users for whom REX is the only viable option for the achievement of an improvement in health and fitness for work and for recreation. The Board has therefore concluded that the Company should adopt a strategic positioning that more explicitly promotes REX’s unique potential for patients with the most severe neurological injuries (typically people with quadriplegia and people who have experienced a stroke that has proved resistant to rehabilitation).

The Board further concluded that, notwithstanding the equity fundraising that was successfully concluded on 10 August 2016, the capital required by the Company appears unlikely to be readily available from new public market portfolio investors at this time and therefore it is appropriate to evaluate alternative opportunities with a view to maximising value for the shareholders and to build on the successes to date. Accordingly, the Company has begun to evaluate potential future strategic options, including seeking alternative sources of funding, strategic partnerships or other transactions. The participation by Maxhealth, an associate of our Chinese distributor, in the August 2016 fundraising is a good example of this new approach.

At the current burn rate the net proceeds of the fundraising will extend the Company’s cash runway into the second quarter of 2017. The new funds will be used to maintain commercial momentum during the strategic re-positioning and review of further funding opportunities. Additional funding will continue to be required, but the Board remains confident that this will be forthcoming if the progress achieved over the last period in the development of the business can be maintained.

In conclusion, we would like to thank our shareholders for their continued support. We continue to believe that, despite the difficult funding environment, the application of robotic technology for wheel-chair users in the rehabilitation and home care settings offers a substantial and growing market opportunity. We look forward to providing further updates over the next period.

David Macfarlane
Non-Executive Chairman

Crispin Simon
Chief Executive

STRATEGIC REPORT

Financial Review

The Financial Review should be read in conjunction with the Consolidated Financial Statements and the notes thereto on pages 26 to 51. 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 2016, 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 are wholly-owned. As a result of the change in the Company’s accounting reference date in the previous financial period, prior period comparatives where shown are for the sixteen-month period ended 31 March 2015. The prior period figures include the results of the New Zealand, the US and Australia from the later of the date of the Company’s IPO, May 2014, and the date on which the subsidiary commenced operations.

Consolidated Statement of Comprehensive Income
The net loss for the year ended 31 March 2016 amounted to £4.87 million (net loss, sixteen months ended 31 March 2015: £5.30 million). The prior period figure included non-recurring transaction costs of £0.64 million relating to the acquisition costs of Rex Bionics Ltd and the Company’s IPO on AIM.

Current year revenues were £0.45 million, representing the first product sales since the Company’s IPO in May 2014. The prior period comparative figure of £0.18 million related to sales & marketing and other support services provided by the Company to Rex Bionics Ltd prior to its acquisition.

The gross margin of £0.08 million, 17% of sales revenues, reflects a combination of low average selling prices due in particular to promotional pricing for demonstration devices supplied to new distributors, and to high unit costs in the start-up phase of commercial production.

Other income of £0.17 million (sixteen months ended 31 March 2015: £0.06 million) relates entirely to receipts under a New Zealand Government research & development grant awarded to Rex Bionics Ltd in July 2014.

Administrative expenses for the period of £5.62 million (sixteen months ended 31 March 2015: £5.65m) included research & development expenditure of £0.65 million (sixteen months ended 31 March 2015: £0.51 million), relating primarily to design improvements and additional features on the existing products, including the development of Rex-Link software to enable the operation of REX by thought control or remote control, in addition to improved diagnostics capabilities.

Also included in administrative expenses was amortisation of £1.12 million (sixteen months ended 31 March 2015: £0.64 million) on the fair value of intellectual property intangible assets acquired as part of the acquisition of Rex Bionics Ltd. The current period increase reflects a change in accounting estimate to reduce the period over which these assets are amortised from fifteen years to ten years

The taxation credit of £0.32 million (sixteen months ended 31 March 2015: 0.17 million) relates to a reduction in the deferred tax liability on intellectual property assets of Rex Bionics Ltd capitalised following its acquisition by the Company as a result of a fall in the net book value of those assets since the acquisition date due to amortisation.

Consolidated Statement of Financial Position and Cash Flows
The net assets of the Group at 31 March 2016 were £12.32 million (31 March 2015: £15.65 million). The major elements of the decrease in net assets during the year were:

- Net proceeds of shares issues £1.90 million;
- Net loss £(4.87) million;
- Effect of foreign exchange rate changes £(0.25) million

Net funds
Available cash reserves at 31 March 2016 of £1.86 million (31 March 2015: £4.37 million) comprised cash and short term deposits with maturities of less than three months, primarily denominated in Pounds Sterling and New Zealand Dollars. The Group had no bank borrowings at 31 March 2016 (31 March 2015: £nil).

The major elements of the decrease of £2.51 million in net funds during the period were the net operating outflows before changes in working capital of £3.88 million and capital expenditure of £0.50 million, offset by net proceeds of financing activities of £1.9 million, a decrease in working capital of £0.34 million, and an increase in restricted cash of £0.17 million.

Principal risks and uncertainties
The Board considers that the principal risks and uncertainties facing the Group may be summarised as follows:

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 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.

STRATEGIC REPORT

Financial Review continued

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 clinical trials may be delayed or extended, or 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-imbursement 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-imbursement 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-imbursement by ensuring that, to the extent possible, Rex products meet all the criteria for re-imbursement, including undertaking clinical trials designed to provide the data required by re-imbursement agencies, and by staying abreast of any changes in the re-imbursement rules.

By order of the Board

Keith Robinson
Company Secretary

25 August 2016

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 *Chief Executive Officer*

Crispin joined Rex as Chief Executive Officer in August 2014. 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 business: 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.

Peter Worrall *Chief Financial Officer*

Peter joined the Board in February 2013. He was previously Chief Executive of Pharminox Limited, a company focused on the discovery and development of drugs to treat cancer, and before that Corporate Development Director of Vernalis plc, a company formed from the merger of British Biotech plc and Vernalis Group plc (formerly Vanguard Medica Group plc). He joined Vanguard as Chief Financial Officer in 1993 as a venture capital backed start-up company, and saw it through a number of private and public funding rounds, including its IPO on the Main Market of the London Stock Exchange in May 1996, as well as the acquisition of Cerebrus Ltd in late 1999. He became acting Chief Executive in early 2003, and led the merger discussions with British Biotech later that year. In his earlier career Peter spent twelve years working for medical technology companies in the intravenous infusion pump field. He qualified as a chartered accountant in 1980.

Richard Little *Chief Technology Officer**

Richard joined the Board in May 2014 on completion of the acquisition of Rex Bionics Ltd, a company which he formed in 2007 with fellow engineer Robert Irving to develop innovative medical robotic technology that could bring new-found mobility to many thousands of users worldwide. With an extensive career including marine engineering, research and development, contract programme management and information technology, Richard has held senior leadership roles in medical technology, automotive and military industries. These include a programme management role for Navman, Finance Manager for BAE Systems and Group Technical Director for Taisun (CIMC Raffles), based in Singapore, where he was responsible for transitioning four manufacturing companies to Asia and for the technical leadership for the group.

* *Co-founder of Rex Bionics Limited*

Jeremy Curnock Cook *Non-Executive Deputy Chairman*

Jeremy joined the Company in February 2012 and served as interim Chief Executive Officer until October 2014 when he moved to his current position. He is currently managing director of the Australian fund management company Bioscience Managers Pty Limited, where he is responsible for the IB Australian Bioscience Fund I as well as the Asia Pacific Healthcare Fund. He was formerly managing director of the Rothschild Bioscience Unit, at the time one of the U.K.'s largest and most established biotechnology investment managers, with over $1bn under management invested in more than 160 companies. At Rothschild he was responsible for the conception and launch of the quoted investment trust International Biotechnology Trust (IBT), as well as the first dedicated biotechnology fund for the Australian market, and a joint venture with Johnson & Johnson Development Corporation for the creation of Healthcare Ventures, an investment vehicle dedicated to seed stage investments in Europe. He has served on more than 30 boards of directors in the healthcare and medical sciences sector in the UK, Europe, USA, Canada, Japan and Australia. In his earlier career he founded the International Biochemicals Group (IBG) a company focused on the development and commercialisation of products containing tailored microbial strains for application in industrial pollution control and agriculture, which was successfully sold to Royal Dutch Shell in 1985.

Joseph Cucolo *Non-Executive Director*

Joseph joined the Company in January 2016. He is a US citizen and lives in upstate New York. Before joining Rex he had a long and successful career with Zimmer Holdings Inc., one of the largest medical device companies in the world, latterly as President of Americas with responsibility for a $2.5 billion business covering the United States, Canada and Latin America. He left Zimmer in 2015 to pursue new business interests following Zimmer's acquisition of its major competitor, Biomet. Earlier in his career, Joseph was the sole owner and President of Zimmer New England, an independent distributorship in the northeast region of the United States.

Dr William Hunter *Non-Executive Director*

William joined the Company in July 2012. He is currently Interim President, Director and CEO of Cardiome Pharma Corporation, a commercial-stage NASDAQ and TSE listed healthcare company with an approved drug treatment (BRINAVESS™) for atrial fibrillation. Prior to Cardiome, he co-founded Angiotech Pharmaceuticals in 1992 and was Chief Executive Officer in 1997 when Angiotech was a venture-stage, private, pre-clinical company with less than 50 employees. He led Angiotech through three rounds of private equity financing, its IPO and listing on the Toronto Stock Exchange and NASDAQ, totalling over $1bn in equity and debt financings, a debt restructuring and eight separate corporate acquisitions. During that time, Angiotech grew to become a profitable, diversified, healthcare company with over 1,400 employees, several thousand commercially available products, 12 facilities in five countries and worldwide annual revenues exceeding US$250m. He currently also serves as a director of Zalicus Inc (NASDAQ: ZLCS) and has previously served on the boards of Aspreva Pharmaceuticals, Anormed Pharmaceuticals, Active Pass Pharmaceuticals, Neuromed Pharmaceuticals and Angiotech Pharmaceuticals.

John Plimmer *Non-Executive Director*

John joined the Board at the time of the Company's IPO in May 2014 and is a New Zealand citizen, resident in London, UK. He is a private equity investor and former corporate finance adviser. His main business interests today involve direct investing in and advising start-up and early-stage businesses. From 1981 to 1998, he had an extensive career in Corporate Finance with the Hambros Bank Group in Melbourne, Sydney and London. In 1995, he was appointed a Director of the Board of Hambros Bank Limited in London. From 1998 to 2012, John was the Managing Director JZ International (JZI), the London based European affiliate of The Jordan Company, a US$6 billion private equity partnership. At JZI, he established the executive team and implemented the investment strategy; this entailed: investing, managing and realising a portfolio of private SME investments across a range of industry sectors in the UK, The Netherlands, Nordic countries, Italy and Spain.

Victoria Provis *Senior Independent Non-Executive Director*

Victoria joined the Board at the time of the Company's IPO in May 2014. She has over 30 years' experience in the corporate communications, strategic consulting and human resources sectors. She spent her early career in corporate communications, working with firms such as KPMG, Burson Marsteller and McKinsey & Company, before moving into the world of executive search in 1993. From 1995 to 2011, she was a partner with leading UK search firm Odgers Berndtson in London, building its specialist corporate communications practice as well as handling non-executive director appointments across a wide range of businesses. She also opened and chaired the firm's Cardiff office from 2005. She currently holds a portfolio of non-executive appointments. Since 2008, she has been a Trustee of Amgueddfa Cymru/National Museum Wales, where she chairs the Development Board and also sits on the Appointments and Remuneration Committee. In January 2014 she was appointed by the Welsh Government to be a member of the Wales Tourism Advisory Board. She was also a member of Glas Cymru/Welsh Water from 2007-15, and sits on the Advisory Council of UWC Atlantic College, where she was Vice Chair of the Governing Board from 2002-8.

SENIOR MANAGEMENT

Tracey White *General Manager Rex Bionics Ltd*

Tracey joined Rex Bionics Ltd in July 2014. She has a broad background in sales & marketing of medical devices, as well as finance and general management of small businesses and corporates. Prior to joining Rex she spent six years as General Manager of Healthcare with Siemens New Zealand, where she had responsibility for sales, service support and project delivery. Tracey has held leadership positions for over 20 years in healthcare, tourism and broadcasting, and is passionate about business development, strategic planning, financial management and customer service. She is a qualified chartered accountant.

Duncan Clement *Research and Development Director Rex Bionics Ltd*

Duncan joined Rex Bionics Ltd in 2008 and is a key member of the REX Research & Development team. Before emigrating to New Zealand in 2004, he spent eight years with Quantel, a UK-based world-class manufacturer of high-end visual effects and editing systems for film and television. Duncan has extensive experience in complex technology project delivery and, since re-locating to New Zealand, has worked with key corporates across a range of industry sectors, including IT/Telecommunications, healthcare, insurance and manufacturing.

Jiva Muthu *Quality and Regulatory Manager Rex Bionics Ltd*

Jiva joined Rex Bionics Ltd in February 2016. He has extensive experience in the medical device field encompassing the complete product lifecycle from product development through to market approvals, having previously spent 16 years in medical device manufacturing with Fisher & Paykel Healthcare in New Zealand, where he held roles in engineering, R&D management, Marketing, Quality and Regulatory. He has a Bachelor of Engineering and a Master of Engineering Studies in Medical Devices and Technologies from Auckland University.

Mike Orange *Production Manager Rex Bionics Ltd*

Mike joined Rex Bionics Ltd in May 2015 and is a qualified engineer with over 25 years' experience across a broad range of engineering disciplines. He initially qualified as a Licensed Aircraft Engineer, and subsequently spent eight years working as an aircraft engineering contractor with a number of different airlines throughout the world before returning to New Zealand to start his own hydraulic engineering company designing and maintaining hydraulic systems for forestry and heavy industry. More recently he has been heavily involved in the installation and running of mechanised production lines in beverage and packaging plants, as well as working with a start-up operation to create from scratch and launch an FMCG skincare product that is now retailed throughout New Zealand.

Simon van Rossum *Financial Controller Rex Bionics Ltd*

Simon joined Rex Bionics Ltd in September 2014. Previously he spent seven years as a manager and consultant at Deloitte, where he led and contributed to a broad range of financial and IT projects focussed on process improvement and IT system implementation, working with small to mid-sized businesses in manufacturing, services and FMCG sectors. Before joining Deloitte Simon spent ten years in the hospitality industry. He has a BCom Hons from Auckland University and is a qualified chartered accountant.

Keith Robinson *Company Secretary*

Keith acts as a consultant to the Company. He is a senior corporate lawyer with over 35 years' legal experience in the City of London and covers all areas of company and commercial work, including acquisition and disposals, joint ventures, agency/distribution arrangements and public company transactions. He has advised on flotations on AIM, the Official List of the London Stock Exchange, ISDX and various overseas markets, and has also served as a non-executive director on AIM-listed companies. He is currently a Corporate Finance Consultant at Sherrards Solicitors LLP.

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 2016.

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.

Change of accounting reference date
During the prior period the Company's accounting reference date was changed from 30 November 2014 to 31 March 2015. Comparative prior period figures, where shown, are for the sixteen months ended 31 March 2015.

Research and development
In the year ended 31 March 2016 the Group invested £0.65 million (sixteen months ended 31 March 2015: £0.51 million) in research & development activities, of which all was expensed as research.

Dividends
The directors do not propose the payment of a dividend.

Going concern
The financial statements have been prepared on a going concern basis, notwithstanding the trading losses being carried forward and the expectation that the Group and Company will continue to make trading losses for some time to come.

The Group and Company are currently consuming cash resources, and will continue to do so until sales revenues are sufficiently high to generate net cash inflows. Until the Group and Company begin to generate positive net cash flows, they remain dependent upon securing additional funding, primarily through the injection of equity capital from share issues. During the current period the Group and Company have met their day to day financing requirements through the proceeds of an issue of equity share capital by the Company in June 2015 of £2.12 million before expenses.

At 31 March 2016 the Group had available cash reserves of £1.86 million. On 10 August 2016 the Company completed a fundraising of £2.3 million before expenses (£2.1 million after expenses) from a subscription for ordinary shares by new and existing shareholders. The funds were received in two instalments: £1.08 million on 2 August 2016 and £1.22 million on 10 August 2016. Subscribers in the fundraising also received warrants to subscribe for ordinary shares on the basis of one warrant for each ordinary share subscribed. The warrants are exercisable on or before 30 June 2017 and, if exercised, could raise up to a further £2.3 million before expenses.

Based on their current projections the Directors estimate that the new funds raised, together with available cash reserves at 31 March 2016 will extend the Group and Company's cash runway into the second quarter of 2017. The Directors anticipate that they will be able to obtain further funding from existing shareholders before then, including through the full or partial exercise of the warrants, and also intend to seek further funding from new investors, although there can be no certainty that further funding will be available on acceptable terms or at all. This represents the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

After taking into account current cash resources including funds raised in the August 2016 fundraising, their expectation of being able to raise further funds during the year, their financial forecasts for the Group and Company, and after making due and careful enquiries and considering all uncertainties, the Directors believe that the Group and 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). 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.

Substantial shareholdings
As at 25 August 2016 the Company had been advised of the following shareholdings with interests of 3% or more in its ordinary share capital:

Name of shareholder	Number of ordinary shares	% of share capital
Hunter Hall Investment Management Ltd	4,583,336	17.96%
Asia Pacific Healthcare Fund II	3,657,743	14.34%
Paul Matthews	3,456,372	13.55%
Maxhealth Medicine Group Co., Ltd	3,333,333	13.06%
Fidelity Management & Research	1,428,936	5.60%
NZVIF Investments Ltd	1,406,683	5.51%
Haiyin Equity Investments LC	1,083,333	4.25%

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

Executive Directors	Non-Executive Directors
Crispin Simon	David Macfarlane
Peter Worrall	Jeremy Curnock Cook
Richard Little	Joseph Cucolo *(appointed 7 January 2016)*
	Dr William Hunter
	John Plimmer
	Victoria Provis

Directors' interests in ordinary shares
The Directors who held office at 31 March 2016 had the following interests in the ordinary shares of the Company at that date, which are beneficially held unless otherwise disclosed:

	Ordinary shares of £1 each 31 March 2016			Ordinary shares of £1 each 31 March 2015		
	Shares	Options	Warrants	Share	Options	Warrants
David Macfarlane	**37,777**	**8,334**	-	21,111	8,334	-
Crispin Simon	**60,000**	**215,959**	-	35,000	178,616	-
Peter Worrall	**19,556**	**184,247**	-	19,556	142,893	-
Richard Little	**712,042** [1]	**50,000**	-	712,042	107,170	-
Jeremy Curnock Cook	**2,559,131** [2]	**71,446**	**28,571** [3]	1,709,132	71,446	28,571
Joseph Cucolo	-	**22,988**	-	-	-	-
William Hunter	**59,377**	**5,556**	**7,900**	59,377	5,556	7,900
John Plimmer	**69,444**	**5,556**	-	27,778	5,556	-
Victoria Provis	**13,333**	**5,556**	-	5,000	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.

On 2 August 2016, Jeremy Curnock Cook's interest in shares and warrants increased to 3,725,798 shares and 1,195,238 warrants as a result of the subscription by Asia Pacific Healthcare Fund II for 1,166,667 ordinary shares in the Company's August 2016 equity fundraising, in which Asia Pacific Healthcare Fund II also received 1,166,667 warrants over ordinary shares.

Between 31 March 2016 and the date of this report there has been no other change in the interests of Directors in shares, warrants or share options 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.

Events after the reporting period
As noted above, on 10 August 2016 the Company completed a fundraising of £2.3 million before expenses (£2.1 million after expenses) from a subscription by new and existing shareholders for an aggregate of 7,683,333 ordinary shares. Subscribers in the fundraising also received warrants to subscribe for ordinary shares of the Company on the basis of one warrant for each share subscribed. The warrants are exercisable on or before 30 June 2017 and, if exercised, could raise up to a further £2.3 million before expenses.

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*
25 August 2016

Corporate Governance Statement

Rex Bionics plc is committed to maintaining a high standard of corporate governance. The Company does not comply with the provisions of the UK Corporate Governance Code (the 'Code') in its entirety and it is not required to do so. However, the Board recognises the importance of sound corporate governance and takes appropriate measures to ensure that the Company complies with the main provisions of the Code as far as practicable and to the extent appropriate given the Company's size, assets, liabilities and other relevant information. The summary below describes the extent to which the Company complies with the Code.

Composition of Board
At 31 March 2016 the Board comprised the Non-Executive Chairman, the Non-Executive Deputy Chairman, four additional Non-Executive Directors and three Executive Directors. The Directors' biographies appear on pages 14 to 15 and detail their experience and suitability for leading and managing the Group.

The responsibilities of the Non-Executive Chairman and the Chief Executive Officer are clearly divided. The Non-Executive Directors bring a valuable and varied range of expertise and experience from different backgrounds in assisting the Group to achieve its strategic goals. All of them are considered to be independent except Jeremy Curnock Cook, who until October 2014 served as Chief Executive Officer. They receive a fixed fee for their services and reimbursement of reasonable expenses for attendance at Board and Committee meetings. As disclosed under Directors' Interests on page 17, the independent Non-Executive Directors each hold a small number of options and also, in the case of William Hunter, a small number of warrants, but their holdings are not considered to be sufficiently material to impair their independence.

Senior Independent Non-Executive Director
The senior Independent Non-Executive Director is Victoria Provis.

Role of the Board
The Board retains full and effective control of the Group and has a schedule of matters specifically reserved for its approval. These include responsibility for formulating the Group's corporate strategy, business plans and financial budgets, monitoring financial and operational performance, approval and review of major capital expenditure, corporate governance and risk management.

Regular formal meetings of the full Board are held every two to three months and additional meetings are held as and when considered necessary. During the year ended 31 March 2016 the Board met eleven times, with each member attending as follows:

Director	Number of meetings held whilst a Board member	Number of meetings attended
David Macfarlane	11	11
Crispin Simon	11	11
Peter Worrall	11	11
Richard Little	11	8
Jeremy Curnock Cook	11	8
Joseph Cucolo	2	2
William Hunter	11	8
John Plimmer	11	11
Victoria Provis	11	8

It is the duty of the Chairman to ensure that all Directors are properly briefed in advance on matters to be discussed at Board Meetings. Prior to each Board meeting, Directors are sent an agenda and Board papers for each agenda item. Additional information is provided at the request of individual Directors.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for Board compliance with the applicable rules and regulations. All Directors have access to the services of the Company Secretary and independent professional advice at the Company's expense if required. The Board is responsible for approving the appointment and removal of the Company Secretary.

Matters are delegated to the Board Committees, Executive Directors and the Senior Management Team where appropriate.

Audit Committee
The Audit Committee currently comprises John Plimmer (Chairman), David Macfarlane and Victoria Provis. John Plimmer is considered to have the most significant, recent and relevant financial experience of the Non-Executive Directors. The Company Secretary acts as Secretary to the Committee.

The Committee has unrestricted access to the Group's auditors and its remit includes:

- primary responsibility for ensuring that the financial performance of the Group is properly measured and reported on and that it reviews the interim financial performance and annual financial statements before they are submitted to the Board;
- reviewing accounting policies and material accounting judgements for appropriateness;
- reviewing reports from the Group's auditors relating to financial controls and reporting thereon to the Board;
- recommending to the Board the appointment of auditors and their fees;
- monitoring the scope, results and cost-effectiveness of the audit.

In certain circumstances the Board permits the auditors to provide non-audit services, for example in relation to the provision of tax advice, where it considers that the auditors can add value. The Committee has approved this policy and monitors its application in order to safeguard auditor objectivity and independence.

The Group does not currently have an internal audit function, which the Board considers appropriate given the current size of the Group. This policy is reviewed annually by the Committee.

Attendance at Audit Committee meetings during the year ended 31 March 2016 was as follows:

Director	Number of meetings held whilst a Committee member	Number of meetings attended
John Plimmer	2	2
David Macfarlane	2	2
Victoria Provis	2	2

Remuneration Committee
The Remuneration Committee currently comprises Victoria Provis (Chairman), David Macfarlane and John Plimmer. Victoria Provis is the Senior Independent Non-Executive Director and is considered to have the most significant, recent and relevant experience for the purposes of the Remuneration Committee. The Company Secretary acts as Secretary to the Committee.

The Committee is responsible for making recommendations to the Board on remuneration policy for Executive Directors and the terms of their service contracts, with the aim of ensuring that their remuneration, including bonuses and share options, is based not solely on their own performance but also on the performance of the Group as a whole. The Committee administers the Company Share Option Plan and approves all grants thereunder. It also advises on remuneration policy for the Group generally.

Attendance at Remuneration Committee meetings during the year ended 31 March 2016 was as follows:

Director	Number of meetings held whilst a Committee member	Number of meetings attended
Victoria Provis	4	4
David Macfarlane	4	4
John Plimmer	4	4

Nominations Committee
The Nominations Committee currently comprises David Macfarlane (Chairman), John Plimmer and Victoria Provis. The Company Secretary acts as Secretary to the Committee.

Corporate Governance Statement continued

The Committee nominates and recommends the appointment of new Directors to the Board, considers succession planning for Directors and other members of the Senior Management Team, and membership of the Audit and Remuneration Committees. In making recommendations, the Committee takes into account the balance of skill, knowledge and experience of the Board and gives due regard to the benefits of diversity on the Board, including gender.

Attendance at Nominations Committee meetings during the year ended 31 March 2016 was as follows:

Director	Number of meetings held whilst a Committee member	Number of meetings attended
David Macfarlane	1	1
John Plimmer	1	1
Victoria Provis	1	1

Investor relations

The Board appreciates that effective communication with the Company's shareholders and the investment community as a whole is a key objective. The views of both institutional and private investors are important, and can be varied and wide-ranging, as is their interest in the Group's strategy, performance and reputation. The Executive Directors have overall responsibility for ensuring effective communication and the Company maintains a regular dialogue with its shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year. The views of shareholders are sought through direct contact and via feedback from the Company's advisers and are communicated to the Board. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which is sent to shareholders at least 14 clear days before the meeting date. The Company website www.rexbionics.com is updated regularly and includes additional information on the Group, including on its products, technology and commercial activities.

Internal Control

The Directors are responsible for establishing and maintaining the Group's internal control systems and for monitoring their effectiveness. In the context of the Group's business any such internal control system can only be expected to manage rather than eliminate the risks arising from its operation. It can only therefore provide reasonable and not absolute assurance against material loss or misstatement.

The Group has a clearly defined organisational structure with well delineated authorisation limits and lines of accountability. Internal controls are designed, implemented and maintained by personnel with the appropriate qualifications and experience. Key controls include:

- Close management of the business by the Executive Directors and Senior Management Team;
- A schedule of matters reserved for the approval of the Board;
- A detailed risk identification and evaluation exercise for all major transactions contemplated by the Board;
- Detailed monthly management and reporting against formal budgets approved by the Board and Senior Management Team;
- Standard financial, accounting and management controls to ensure that the assets of the Group are properly protected;
- Maintenance of detailed accounting records.

By order of the Board

Keith Robinson
Company Secretary

25 August 2016

Remuneration Report

The Board presents the Remuneration Report for the year ended 31 March 2016. As an AIM quoted company, Rex Bionics Plc is not required to comply with the Directors' Remuneration Report Regulations 2002. The following disclosures are made voluntarily.

Remuneration Committee

Responsibility for the Company's remuneration policy has been delegated by the Board to the Remuneration Committee. Details of the membership of the Committee and its terms of reference are set out in the Corporate Governance Statement on page 18. The Committee is required to meet at least twice a year. All members of the Committee attended all meetings in the period under review. The Chief Executive Officer may be invited to attend meetings of the Committee to assist in its deliberations but is not permitted to be present when his own remuneration is discussed.

Remuneration Policy

Executive remuneration

The Group's remuneration policy is designed to enable it to offer competitive packages to attract, retain and motivate senior executives of the highest calibre. The Committee seeks to ensure that executive remuneration packages are appropriate in relation to the executive's performance, scale of responsibility and experience and are not excessive by comparison with the remuneration packages for similar executive positions in companies considered to be comparable. Regular reviews of the policy are carried out, supported by independent advice where appropriate, to ensure that the range and level of emoluments and incentive schemes continue to match current market practice.

Executive remuneration currently comprises a base salary, which is reviewed annually, and a discretionary annual bonus entitlement for exceptional performance against pre-agreed personal and corporate objectives set by the Committee in consultation with the Chief Executive. The maximum annual bonus payable to Group executives is currently in the range 20-35% of base salary. The Company retains the discretion to pay annual bonus awards either in cash or in nominal value share options under the Company's Deferred Bonus Share Plan.

Certain executives who make extensive use of their own private car on Group business also receive an annual car allowance.

The Group does not currently provide contributions to Executives' personal pension schemes, medical insurance on behalf of Executives and their families, or life insurance.

Chairman and other Non-Executive Director remuneration

The Chairman and other Non-Executive Directors receive a fixed annual fee to cover preparation for and attendance at meetings of the full Board and committees thereof. With the exception of the Chairman, Non-Executive Directors who chair committees of the Board receive an additional fee for chairing such committees. The Chairman and the Executive Directors are responsible for setting and reviewing the level of Non-Executive remuneration. Non-Executive Directors are also able to claim reimbursement for their reasonable expenses of attending Board and Committee meetings.

Share Option Plan

Under the terms of their service agreements Executives are eligible to participate in the Rex Bionics Plc Share Option Plan, established in May 2014 to provide a mechanism to reward Rex Bionics Executives and staff for sustained improvements in the performance of the Group over an extended period. An explanation of the Plan is set out in Note 19 to the Consolidated Financial Statements.

The Non-Executive Directors each received a small grant of options under the Plan at the time of their appointment to the Board, but have no right to receive further grants of options under the Plan in the future. Non-Executive Director options are not subject to performance conditions.

Deferred Bonus Share Plan

In December 2015 the Committee approved the establishment of the Rex Bionics Deferred Bonus Share Plan to enable annual bonus awards to Executives and staff to be satisfied by the grant of nominal value options in lieu of cash. The main purpose of this Plan is to increase the interests of employees in the Group's long-term business goals and performance through share ownership. Further details of the Plan are set out in Note 19 to the Consolidated Financial Statements.

Remuneration Report continued

Directors' Interest in Share Options

The interests of Directors in options over ordinary £0.10p shares in the Company during the period were as follows:

Share Option Plan	Date of grant	At 31 March 2015	Granted during the year	Cancelled during the year	At 31 March 2016	Exercise price - £	Earliest exercise date	Expiry date
David Macfarlane	8 May 2014	8,334	-	-	8,334	1.800	8 May 2015	8 May 2024
Crispin Simon	21 November 2014	178,616	-	(178,616)	-	1.655	21 November 2015	21 November 2015
	30 June 2015	-	180,000	-	180,000	0.600	30 June 2016	30 June 2025
Peter Worrall	8 May 2014	142,893	-	(142,893)	-	1.800	8 May 2015	8 May 2024
	30 June 2015	-	150,000	-	150,000	0.600	30 June 2016	30 June 2025
Richard Little	8 May 2014	107,170	-	(107,170)	-	1.800	8 May 2015	8 May 2024
	30 June 2015	-	50,000	-	50,000	0.600	30 June 2016	30 June 2015
Joseph Cucolo	19 January 2016	-	22,988	-	22,988	0.435	19 January 2017	19 January 2026
Jeremy Curnock Cook	8 May 2014	71,446	-	-	71,446	1.800	8 May 2015	8 May 2024
William Hunter	8 May 2014	5,556	-	-	5,556	1.800	8 May 2015	8 May 2024
John Plimmer	8 May 2014	5,556	-	-	5,556	1.800	8 May 2015	8 May 2024
Victoria Provis	8 May 2014	5,556	-	-	5,556	1.800	8 May 2015	8 May 2024
Deferred Bonus Share Plan								
Crispin Simon	9 December 2015	-	35,959	-	35,959	0.100	9 December 2015	9 December 2018
Peter Worrall	9 December 2015	-	34,247	-	34,247	0.100	9 December 2015	9 December 2018

Warrants

At 31 March 2016 William Hunter had a beneficial interest in warrants over 7,900 ordinary £0.10p shares and Jeremy Curnock Cook was deemed to have an interest in warrants over an aggregate of 28,571 ordinary £0.10p shares. The warrants were granted on 8 May 2014 and are exercisable between 1 April 2016 and 31 March 2024 at an exercise price of £1.80p per share.

Audited Information

The following section (Directors' Remuneration) contains the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, forms part of the financial statements for the year ended 31 March 2016 and has been audited by the Company's auditor Grant Thornton UK LLP.

Directors' Remuneration

The aggregate remuneration received by directors who served during the year ended 31 March 2016 and the sixteen months ended 31 March 2015 was as follows:

	Year ended 31 March 2016			Sixteen months ended 31 March 2015		
	Salary/fee £'000	Bonus £'000	Total £'000	Salary/fee £'000	Bonus £'000	Total £'000
Executive Directors						
Crispin Simon	150	15[1]	165	76	-	76
Richard Little	118	22	140	115	41	156
Peter Worrall	114	14[1]	128	142	-	142
Christopher Stainforth	-	-	-	4	-	4
Non-Executive Directors						
David Macfarlane	50	-	50	54	-	54
Jeremy Curnock Cook	30	-	30	63	-	63
Joseph Cucolo	6	-	6	-	-	-
William Hunter	25	-	25	33	-	33
John Plimmer	30	-	30	27	-	27
Victoria Provis	30	-	30	27	-	27
Total	553	51	604	541	41	582

[1] Paid in the form of nominal value share options under the Company's Deferred Bonus Share Plan.

By order of the Board

Keith Robinson *Company Secretary*
25 August 2016

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 the AIM rules for companies and 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

25 August 2016

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 2016 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 the directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 23, 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 (APB'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 FRC's website at 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 2016 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.

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 to the financial statements concerning the group and parent company's ability to continue as a going concern. The group incurred a net loss of £4,875,000 during the year ended 31 March 2016.

As explained in Note 2, the group and parent company are currently dependent upon equity funding to continue operating as a going concern as sales revenues are not sufficient to cover the costs of operation. The group raised £2,305,000 before expenses on 10 August 2016 however these funds together with current cash balances are not able to sustain the entity as a going concern for the foreseeable future in the absence of further fundraising, of which there is no certainty.

These conditions, along with the other matters explained in Note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and parent company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Christopher Smith
Senior Statutory Auditor

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

25 August 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

Company registration no: 06425793

	Note	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Revenue		**451**	176
Cost of sales		(373)	-
Gross profit		78	176
Other income		174	63
Administrative expenses		(5,619)	(5,649)
Loss from operations	6	(5,367)	(5,410)
Finance income		174	50
Finance costs		-	(113)
Loss on ordinary activities before tax		**(5,193)**	(5,473)
Tax credit	7	**318**	172
Loss for the period		**(4,875)**	(5,301)
Other comprehensive income, net of tax			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(285)**	46
Other comprehensive (expenses) / income		**(285)**	46
Total comprehensive loss for the period, net of tax		**(5,160)**	(5,255)
Basic and diluted loss per share – from continuing activities (pence)	8	**(28.8)**	(53.4)

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

Consolidated Statement of Financial Position

As at 31 March 2016

	Note	Group 31 March 2016 £'000	Company 31 March 2016 £'000	Group 31 March 2015 £'000	Company 31 March 2015 £'000
Assets					
Non-current assets					
Goodwill	9	**3,258**	-	3,258	-
Other intangible assets	10	**9,351**	-	10,513	-
Property, plant and equipment	11	**444**	**218**	251	130
Investments	13	-	**12,700**	-	15,600
		13,053	**12,918**	14,022	15,730
Current assets					
Inventories	14	**416**	**37**	494	27
Trade and other receivables	15	**284**	**616**	220	122
Restricted cash	16	**168**	-	-	-
Cash and cash equivalents	17	**1,862**	**1,215**	4,368	1,431
		2,730	**1,868**	5,082	1,580
Total assets		**15,783**	**14,786**	19,104	17,310
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	19	**14,643**	**14,643**	14,289	14,289
Share premium	19	**9,630**	**9,630**	8,087	8,087
Share option reserve		**327**	**327**	277	277
Foreign currency translation reserve		**(239)**	-	46	-
Other reserve		-	-	113	41
Retained losses		**(12,039)**	**(11,341)**	(7,164)	(5,871)
		12,322	**13,259**	15,648	16,823
Liabilities					
Non-current liabilities					
Deferred tax liability	12	**2,543**	-	2,861	-
		2,543	-	2,861	-
Current liabilities					
Trade and other payables	20	**918**	**1,527**	595	487
		918	**1,527**	595	487
Total equity and liabilities		**15,783**	**14,786**	19,104	17,310

The financial statements were approved by the Board of Directors and authorised for issue on 25 August 2016.
They were signed on its behalf by

Crispin Simon
Director

Peter Worrall
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 2016

	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
Balance at 30 November 2013	340	-	1,247	92	-	-	(1,885)	(206)
Prior year adjustment							(24)	(24)
Comprehensive income								
Loss for the period	-	-	-	185	-	113	(5,255)	(4,957)
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	-	-	46	-	-	46
Total comprehensive loss	-	-	-	185	46	113	(5,255)	(4,911)
Transactions with owners								
Issue of share capital:								
As consideration for acquisitions	7,668	-	2,805	-	-	-	-	10,473
To subscribers in IPO	5,555	-	4,445	-	-	-	-	10,000
On conversion of loan notes at IPO	726	-	254	-	-	-	-	980
Share issuance costs	-	-	(664)	-	-	-	-	(664)
Total transactions with owners	13,949	-	6,840	-	-	-	-	20,789
Balance at 31 March 2015	14,289	-	8,087	277	46	113	(7,164)	15,648
Comprehensive income								
Loss for the period	-	-	-	50	-	(113)	(4,875)	(4,938)
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	-	-	(285)	-	-	(285)
Total comprehensive loss	-	-	-	50	(285)	(113)	(4,875)	(5,223)
Transactions with owners								
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)
Total transactions with owners	(12,506)	12,860	1,543	-	-	-	-	1,897
Balance at 31 March 2016	**1,783**	**12,860**	**9,630**	**327**	**(239)**	**-**	**(12,039)**	**12,322**

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 2016

	Ordinary Share capital £'000	Deferred Share capital £'000	Share premium £'000	Share Option reserve £'000	Other reserve £'000	Retained losses £'000	Total £'000
Balance at 30 November 2013	340	-	1,247	92	-	(1,885)	(206)
Prior year adjustment						(24)	(24)
Comprehensive income							
Loss for the period	-	-	-	185	41	(3,962)	(3,736)
Other comprehensive income							
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	185	41	(3,962)	(3,736)
Transactions with owners							
Issue of share capital:							
As consideration for acquisitions	7,668	-	2,805	-	-	-	10,473
To subscribers in IPO	5,555	-	4,445	-	-	-	10,000
On conversion of loan notes at IPO	726	-	254	-	-	-	980
Share issuance costs	-	-	(664)	-	-	-	(664)
Total transactions with owners	13,949	-	6,840	-	-	-	20,789
Balance at 31 March 2015	14,289	-	8,087	277	41	(5,871)	16,823
Comprehensive income							
Loss for the period	-	-	-	50	(41)	(5,470)	(5,461)
Other comprehensive income							
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	50	(41)	(5,470)	(5,461)
Transactions with owners							
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)
Total transactions with owners	(12,506)	12,860	1,543	-	-	-	1,897
Balance at 31 March 2016	**1,783**	**12,860**	**9,630**	**327**	**-**	**(11,341)**	**13,259**

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 2016

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Cash flows from operating activities		
Loss from operations	**(5,367)**	(5,475)
Adjustments for:		
Depreciation	**254**	87
Amortisation of intangible assets	**1,187**	644
Share based payments	**50**	185
Finance charge	**-**	113
Cash flows from operations before changes in working capital	**(3,876)**	(4,446)
Decrease / (increase) in inventories	**78**	(383)
Increase in receivables	**(64)**	(210)
Increase in restricted cash	**(168)**	-
Increase in payables	**322**	205
Net cash outflows from operating activities	**(3,708)**	(4,834)
Cash flows from investing activities		
Finance income	**61**	50
Purchase of property, plant and equipment	**(464)**	(379)
Purchase of intangible assets	**(44)**	-
Subscription for convertible loan notes	**-**	(980)
Net cash outflows from investing activities	**(447)**	(1,309)
Cash flows from financing activities		
Proceeds of share issues	**2,125**	10,000
Share issuance costs	**(228)**	(664)
Proceeds of convertible loan note issues	**-**	980
Net cash inflows from financing activities	**1,897**	10,316
Net (decrease) / increase in cash and cash equivalents	**(2,258)**	4,173
Cash and cash equivalents at the beginning of the period	**4,368**	174
Effect of foreign exchange rate change	**(248)**	21
Cash and cash equivalents at end of period	**1,862**	4,368

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 2016

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Cash flows from operating activities		
Loss from operations	**(5,472)**	(3,986)
Adjustments for:		
Depreciation	**133**	47
Share based payments	**50**	185
Impairment charge on investments in subsidiary undertakings	**3,400**	1,810
Finance charge (credit)	**(41)**	41
Cash flows from operations before changes in working capital	**(1,930)**	(1,903)
(Increase) in inventories	**(10)**	(27)
(Increase in receivables	**(494)**	(112)
Increase in payables	**1,039**	97
Net cash outflows from operating activities	**(1,395)**	(1,945)
Cash flows from investing activities		
Investment in subsidiary undertakings	**(500)**	(6,936)
Finance income	**2**	15
Purchases of property, plant and equipment	**(220)**	(178)
Net cash outflows from investing activities	**(718)**	(7,099)
Cash flows from financing activities		
Proceeds of share issues	**2,125**	10,000
Share issuance costs	**(228)**	(664)
Proceeds of convertible loan note issues	**-**	980
Net cash inflows from financing activities	**1,897**	10,316
Net (decrease) / increase in cash and cash equivalents	**(216)**	1,272
Cash and cash equivalents at the beginning of the period	**1,431**	174
Effect of foreign exchange rate change	**-**	(15)
Cash and cash equivalents at the end of the period	**1,215**	1,431

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 2016

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. The Company's Ordinary Shares are traded on the Alternative Investment Market of the London Stock Exchange Plc ("AIM") under the ticker "RXB".

The principal activities of the Group are 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.

2 Basis of preparation and statement of compliance with IFRSs

The Consolidated Financial Statements of the Group cover the year ended 31 March 2016. During the previous reporting period the Company changed its accounting reference date from 30 November 2014 to 31 March 2015. Prior year comparatives, where shown, cover the 16-month period ended 31 March 2015.

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 25 August 2016.

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 expectation that the Group and Company will continue to make trading losses for some time to come.

The Group and Company are currently consuming cash resources, and will continue to do so until sales revenues are sufficiently high to generate net cash inflows. Until the Group and Company begin to generate positive net cash flows, they remain dependent upon securing additional funding, primarily through the injection of capital from share issues. During the current year the Group and Company have met their day to day financing requirements through the cash reserves brought forward from the previous period and the proceeds of an issue of equity share capital by the Company in June 2015 that raised £2.12 million before expenses

At 31 March 2016 the Group had available cash reserves of £1.86 million. On 10 August 2016 the Company completed an equity fundraising raising £2.3 million before expenses via a subscription by certain new and existing shareholders, with the potential to raise up to a further £2.3 million before expenses on or before 30 June 2017 to the extent that warrants attaching to the shares issued in the subscription are exercised. The Directors anticipate obtaining further funding from existing shareholders in the current financial year, including from the exercise of the warrants, and will also seek funding from new investors. They have a reasonable expectation that additional funding can be raised, although there can be no certainty that additional funds can be raised on acceptable terms or at all. This represents the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

After taking into account current cash resources, their expectation of being able to raise further funding during the year to 31 March 2017, their financial forecasts for the Group and Company and measures that can be taken to reduce expenditure in the absence of additional funding so as to ensure that the Group and 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 2015. 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 2017
IFRS 16	Leases	1 January 2019

The Directors anticipate that, with the exception of IFRS 15 and IFRS 16, the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company. IFRS 15 is expected to have greater impact in future accounting periods as the Group's revenues grow.

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. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

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 has been made in respect of product sales during the year, but due to the early commercialisation stage of commercialisation of the product and limited experience of its reliability in the field, actual warranty costs may differ from management's estimates.

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. Further details are shown in note 9.

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.

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

Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2016

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 by the Group.

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

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 acquire and c) acquisition-date fair value of any existing equity interest in the acquire, 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.

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. Segmental analysis provided in the current year comprises a split of revenues by major geographic areas of operation.

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. In the current period the period over which intellectual property rights acquired as part of the acquisition of Rex Bionics Ltd in May 2014 are being amortised was changed from 15 years to 10 years from the date of acquisition, following a re-assessment of the period over which the Group expects to receive economic benefit from the relevant assets.

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 are 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 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

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For the year ended 31 March 2016

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 2016

4 Segment Information

Geographical information

Although the Group has operations in the UK, New Zealand, Australia and the United States, all manufacturing is currently based in New Zealand. Products are sold predominantly through a network of international distributors with distribution rights in their local market. In presenting segment information on the basis of geographical segments, segment revenue is based on the geographical location of the customer, which may be a distributor or an end-user.

The breakdown of product revenues by major geographical region is as follows:

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
North America	144	-
Europe and the Middle East	95	-
Asia Pacific	212	176
	451	176

5 Interest in subsidiaries

Set out below are details of subsidiaries held directly by the Company:

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Percentage of ownership held by the Group at Period-End March 2016	March 2015
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, incorporated 21 May 2014	United Kingdom	Dormant	100%	100%

6 Loss from operations

Consolidated

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
The loss from operations is arrived at after charging (crediting):		
Non-recurring transaction costs	-	636
Depreciation of property, plant and equipment	254	87
Amortisation of:		
intangible assets	1,187	644
Operating lease rentals:		
land and buildings	143	124
commercial vehicles	10	-
Research and development costs	647	511
Share based compensation	50	185
Finance (credit) charge	(113)	113
Foreign exchange	19	(22)

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 2016 £'000	16 months ended 31 March 2015 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	84	42
Total audit fees	84	42
Fees payable to the Company's auditor and its associates for other services to the Group		
Reporting accountant services at Company's IPO	-	134
Other services	-	1
Total non-audit fees	-	135

Employees

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

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Production	8	5
Research and development	11	6
Sales and marketing	6	3
Administration	8	5
Total	33	19

Their aggregate remuneration comprised:

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Wages and salaries	2,223	1,649
Social security costs	122	54
Total cash-settled remuneration	2,345	1,703
Accrued holiday pay	17	24
Accrued bonus payments	100	86
Share based payment	59	-
Total remuneration	2,521	1,813

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 18-21. Their aggregate compensation is shown below:

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Salaries and fees	1,044	809
Amounts paid to third parties	-	48
Share-based payment	50	-
Total remuneration	1,094	857
Salaries	945	733
Social security	69	61
Fees	30	15
	1,044	809

Notes to the Consolidated and Company Financial Statements

For the year ended 31 March 2016

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% (16 months ended 31 March 2015: 21.5%) and the reported tax credit in profit or loss are as follows:

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Loss before tax	(5,193)	(5,473)
Corporation tax rate in United Kingdom	20.0%	21.5%
Expected unutilised tax losses	(945)	(1,177)
Adjustment for tax-rate differences in foreign jurisdictions	(154)	(356)
Effects of:		
Unrecognised deferred tax	1,099	1,533
Deferred tax credit	(318)	(172)
Actual tax credit	(318)	(172)
Tax credit comprises:		
Current tax credit	-	-
Deferred tax credit:	318	172
Tax credit	318	172

Note 12 provides information on deferred tax liabilities.

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 2015 or 2016. At 31 March 2016, there were 1,340,599 options and 142,014 warrants outstanding (31 March 2015: 1,024,029 options and 142,014 warrants outstanding) as detailed in note 19.

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Loss attributable to equity holders in the parent:		
Loss for the period	(4,875)	(5,303)
Number of ordinary shares:		
Weighted average number of shares in issue during the period	16,945,235	9,939,029
Basic and diluted earnings per share (pence)		
Basic and fully diluted loss per share	(28.8)	(53.4)

9 Goodwill

The movements in the net carrying value of goodwill are:

	Year ended 31 March 2016 £'000	16 months ended 31 March 2015 £'000
Gross carrying amount		
Opening balance	3,258	-
Acquired through business combination	-	3,258
Net exchange difference	-	-
Closing balance	3,258	3,258

9 Goodwill (continued)

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 2016 £'000	31 March 2015 £'000
Development, manufacture and commercialisation of medical robotic equipment	3,258	3,258
Goodwill at period end	3,258	3,258

The recoverable amount of this CGU has been assessed using a discounted cash flow model incorporating a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful life of the CGU products using appropriate growth rates and discount rates as determined by Management. The present value of anticipated cash flows from the operating segment based on the assumptions made about future revenue growth, gross margins, operating expenses and tax rates is set out in the table below:

	31 March 2016 £'000	31 March 2015 £'000
Development, manufacture and commercialisation of medical robotic equipment	12,700	15,600

Growth and discount rates

The growth and discount rates assumed in the model are set out in the table below

	31 March 2016	31 March 2015
Terminal growth rate	0.0%	0.0%
Discount rate	20.0%	20.0%

The Directors believe that the key assumptions in the discounted model relate to sales growth, gross margin, discount rate, warranty provision rate, terminal growth rate, and delay in FDA approval for home use of REX in the US. The Directors estimate that a decrease of the sales growth by 3-4% would result in the carrying amount of the cash generating unit exceeding the recoverable amount of the cash generating unit by approximately £0.8 million - £1.1 million; that a decrease in gross margin rate of 6-7% would result in the carrying amount of the cash generating unit exceeding the recoverable amount of the cash generating unit by approximately £1.7 million -£2.0 million; that an increase in the discount rate of 1-2% would result in the carrying amount of the cash generating unit exceeding the recoverable amount of the cash generating unit by approximately £1.1 million - £2.2 million; that an increase in the warranty provision rate of 2-3% would result in the carrying amount of the cash generating unit exceeding the recoverable amount of the cash generating unit by approximately £0.3 million - £0.4 million; that an increase in the terminal growth rate of 2-3% would result in the recoverable amount of the cash generating unit exceeding the carrying amount of the cash generating unit by approximately £1.4 million - £2.2 million; and, that a delay of 3-6 months in the receipt of FDA approval for home use of REX in the US would result in the carrying amount of the cash generating unit exceeding the recoverable amount of the cash generating unit by approximately £1.3 million - £1.7 million.

10 Other Intangible assets

Cost	Intellectual Property Rights £'000	Software intangibles £'000	Total £'000
At 1 April 2015	11,085	95	11,180
Additions	37	7	44
Net foreign exchange differences	8	(4)	4
At 31 March 2016	11,130	98	11,228
Amortisation			
At 1 April 2015	635	32	667
Charge for the period	1,155	32	1,187
Net foreign exchange differences	20	3	23
At 31 March 2016	1,810	67	1,877
Net book value			
At 31 March 2016	9,320	31	9,351
At 1 April 2015	10,450	63	10,513

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For the year ended 31 March 2016

10 Other Intangible assets (continued)

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. At the date of acquisition, the two key patent families covering the technology had an average remaining life of approximately 15 years, excluding any supplementary patent protection that may be available in due course.

Following a review during the year it was decided to change the amortisation rate so as to amortise the relevant assets over 10 years rather than 15 years from the date of acquisition, to reflect the Group's current estimate of the period over which it expects to receive economic benefit from the intellectual property rights acquired.

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

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

Consolidated

	Leasehold Improvements £'000	Plant and Equipment £'000	Office & Computer Equipment £'000	Demonstration Inventory £,000	Total £'000
Gross carrying amount					
At 1 April 2015	7	110	90	133	340
Additions	-	49	17	398	464
Net foreign exchange differences	-	-	-	(9)	(9)
At 31 March 2016	**7**	**159**	**107**	**522**	**795**
Depreciation and impairment					
At 1 April 2015	-	24	20	45	89
Depreciation	1	36	34	183	254
Net foreign exchange differences		2	2	4	8
At 31 March 2016	**1**	**62**	**56**	**232**	**351**
Net book value at 31 March 2016	**6**	**97**	**51**	**290**	**444**
Net book value at 1 April 2015	7	86	70	88	251

All depreciation and impairment charges are included in administrative expenses.

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

Company

	Plant and Equipment £'000	Office & Computer Equipment £'000	Demonstration Inventory £,000	Total £'000
Gross carrying amount				
At 1 April 2015	-	7	171	178
Additions	2	1	217	220
At 31 March 2016	**2**	**8**	**388**	**398**
Depreciation and impairment				
At 1 April 2015	-	2	46	48
Depreciation	1	2	129	132
At 31 March 2016	**1**	**4**	**175**	**180**
Net book value at 31 March 2016	**1**	**4**	**213**	**218**
Net book value at 1 April 2015	-	5	125	130

12 Deferred tax

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

	Acquired intellectual property assets £'000	Total £'000
At 1 December 2013	-	-
Arising on additions through business combinations	3,033	3,033
Credit to income	(172)	(172)
At 31 March 2015	2,861	2,861
Credit to income	(318)	(318)
At 31 March 2016	**2,543**	**2,543**

The Credit to income in the period represents the reduction in the deferred tax liability on acquired intangible assets as a result of the amortisation of those assets between the date of acquisition and the end of the reporting period.

At the reporting date, the Group has unused tax losses of £10.43 million (31 March 2015: £5.7 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	Total £'000
At 1 December 2013	-	-
Additions	17,410	17,410
Impairment charge	(1,810)	(1,810)
At 31 March 2015	15,600	15,600
Additions	500	500
Impairment charge	(3,400)	(3,400)
At 31 March 2016	**12,700**	**12,700**

At the end of the period the Directors reviewed the above investment in subsidiary for impairment and concluded that as the carrying amount exceeds the recoverable amount at 31 March 2016, an impairment charge is required to be recognised in the current year. The same value-in-use model and assumptions were used as for the impairment testing carried out in note 9.

14 Inventories

Consolidated

Inventories consist of the following:	**As at 31 March 2016 £'000**	As at 31 March 2015 £'000
Raw materials	**178**	90
Work-in-progress	**141**	404
Finished goods	**97**	-
	416	494

Company

Inventories consist of the following:	**As at 31 March 2016 £'000**	As at 31 March 2015 £'000
Raw materials	9	6
Work-in-progress	28	21
	37	27

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15 Trade and other receivables

Consolidated

Trade and other receivables consist of the following:	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Trade receivables	80	18
Trade receivables, all current	80	18
Other receivables	45	86
Prepayments and accrued income	159	116
Other receivables	204	202
Total trade and other receivables	284	220

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 2016 £'000	As at 31 March 2015 £'000
Trade receivables from third parties	63	-
Trade receivables from other Group companies	496	-
Trade receivables, all current	559	-
Other receivables	13	61
Prepayments and accrued income	44	61
Other receivables	57	122
Total trade and other receivables	616	122

16 Restricted cash

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
New Zealand Dollar fixed rate deposits of less than three months' maturity at inception	168	-
Total restricted cash	168	-

The restricted cash balance at 31 March 2016 relates to a guarantee bond of £168 thousand 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.

17 Cash and cash equivalents

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Sterling fixed rate deposits of less than three months' maturity at inception	-	1,007
New Zealand Dollar fixed rate deposits of less than three months' maturity at inception	241	2,526
Cash available on demand	1,621	835
Total cash and cash equivalents	1,862	4,368

18 Financial instruments

	31 March 2016		31 March 2015	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial assets				
Loans and receivables				
Trade and other receivables	125	125	104	104
Total	125	125	104	104
Financial liabilities held at amortised cost				
Other financial liabilities				
Trade and other payables (less than one year)	918	918	595	595
Total	918	918	595	595

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 2016 Floating rate financial assets £'000	As at 31 March 2015 Floating rate financial assets £'000
Pounds Sterling	1,215	1,432
New Zealand Dollars	585	2,936
US Dollars	57	-
Australian Dollars	5	-
Total	1,862	4,368

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. Contracts in place at 31 March 2016 had a weighted average period to maturity of 151 days and a weighted average annualised rate of interest of 3.4% (31 March 2015: weighted average period to maturity of 45 days and weighted average annualised rate of interest of 3.1%).

Sensitivity analysis

It is estimated that a decrease of quarter of one percentage point in interest rates would have increased the Group's loss before taxation by approximately £5,000 (sixteen months ended 31 March 2015: £7,000).

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 2016 and 31 March 2015 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.

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For the year ended 31 March 2016

18 Financial instruments (continued)

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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade and other receivables (current assets)	**125**	104	**76**	17
Cash and cash equivalents	**1,862**	4,368	**1,215**	1,431
Total	**1,987**	4,472	**1,291**	1,448

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 Group 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 until they become more certain.

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
31 March 2016			
Financial assets	9	1,769	107
Financial liabilities	2	337	10
Total exposure	**7**	**1,432**	**107**
31 March 2015			
Financial assets	-	2,954	-
Financial liabilities	-	344	13
Total exposure	-	2,610	13

The following table illustrates the sensitivity of profit and equity with regard to the Group's financial assets and financial liabilities and the NZD/GBP exchange rate 'all other things being equal'. It assumes a +/- 10% change of the NZD/GBP exchange rate for the period ended 31 March 2016 (sixteen months ended 31 March 2015: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the GBP had strengthened against the NZD by 10% (2015: 10%) this would have had the following impact:	**Loss for the year**
31 March 2016	Increased by £130k
31 March 2015	Increased by £300k

If the GBP had weakened against the NZD by 10% (2015: 10%) this would have had the following impact:	**Loss for the year**
31 March 2016	Reduced by £159k
31 March 2015	Reduced by £366k

18 Financial instruments (continued)

Exposures to foreign exchange rates vary according to the level of activity at the Group's overseas operations. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

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 2016 £'000	31 March 2015 £'000
Total borrowings	**918**	595
Less cash or cash equivalents	**(1,862)**	(4,368)
Net cash	**944**	3,773
Total equity	**12,322**	15,648

Borrowings comprise trade and other payables, analysis of which is set out in Note 20.

19 Share capital and share premium

Consolidated
Issued share capital
At 31 March 2016 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.

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19 Share capital and share premium (continued)

	Ordinary Shares		Deferred Shares		
	Number of shares	Nominal value £	Number of shares	Nominal value £	Share premium £
Issued and fully paid at 1 December 2013					
Ordinary Shares of £0.01p each	33,954,938	339,550	-	-	1,246,711
Consolidation of 1 £1 share for 100 £0.01p shares 29 April 2014	339,550	339,550	-	-	1,246,711
Issue of share capital:					
As consideration for acquisition of Rex Bionics Ltd	7,668,330	7,668,330	-	-	2,805,641
For cash to subscribers in IPO	5,555,556	5,555,556	-	-	4,444,444
On conversion of UMT Loan Notes at IPO	725,924	725,924	-	-	254,076
Share issuance costs	-	-	-	-	(663,174)
At 31 March 2015	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

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 2016 there were options outstanding over 1,199,436 un-issued ordinary shares of £0.10p granted under the Share Option Plan (31 March 2015: 1,024,029) and 141,163 un-issued ordinary shares of £0.10p granted under the Deferred Bonus Share Plan (31 March 2015: Nil), equivalent in aggregate to 7.52% of the issued share capital (31 March 2015: 7.17%), 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	9 December 2018
Total	141,163			

19 Share capital and share premium (continued)

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 2016		16 months ended 31 March 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	1,024,029		-	
Granted during period	1,102,988		1,024,029	
Exercised during period	-		-	
Lapsed/cancelled during period	(927,581)		-	
Number of options outstanding at period-end	1,199,436	£0.693	1,024,029	£1.729

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 2016, 32,149 options were capable of being exercised (31 March 2015: Nil). The options outstanding at 31 March 2016 had a weighted average remaining contractual life of 9.2 years (31 March 2015: 9.4 years).

Deferred Bonus Share Plan	Year ended 31 March 2016		16 months ended 31 March 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	-		-	-
Granted during period	141,163		-	-
Exercised during period	-		-	-
Lapsed/cancelled during period	-		-	-
Number of options outstanding at period-end	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 2016, 141,163 options were capable of being exercised (31 March 2015: Nil). The options outstanding at 31 March 2016 had a weighted average remaining contractual life of 9.73 years (31 March 2015: n/a).

Warrants

At 31 March 2016 there were warrants outstanding over 142,014 ordinary £0.10 shares in the Company, equivalent to 0.80% of the issued share capital (31 March 2015: 142,014 warrants, 0.99% 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

No warrants were granted during the year ended 31 March 2016.

At 31 March 2016, no warrants were capable of being exercised. All warrants outstanding at 31 March 2016 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 2016 was 8.0 years (31 March 2015: 9.0 years).

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

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20 Trade and other payables

Consolidated

Trade and other payables consist of the following:	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Trade payables	197	134
Other Payables	7	5
Accrued payroll taxes and social security costs	59	87
Other accrued expenses and deferred income	655	369
	918	595

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 20 days (sixteen months ended 31 March 2015: 24 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 2016 £'000	As at 31 March 2015 £'000
Trade payables	106	16
Intercompany payables	994	255
Accrued payroll taxes and social security costs	21	29
Other accrued expenses and deferred income	406	187
	1,527	487

21 Commitments under operating leases

	As at 31 March 2016		As at 31 March 2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payable within one year	152	9	132	-
Payable in one to five years	-	7	-	-
Payable after five years	-	-	-	-
Total	152	16	132	-

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. The lease on the Auckland facility was renewed in January 2016 and runs until February 2022 at an initial rental of NZD304 thousand (£146 thousand) per annum, subject to the Company's right to terminate the lease on 12 months' notice at any time. The Shrewsbury facility was renewed in February 2016 for the period May – October 2016 at a rental of £909 per month.

Other lease commitments relate to two commercial vehicles used for sales and service support in the UK and continental Europe. Both vehicles were leased in May 2015 for a 36-month period, at a combined rental of £729 per month.

Lease expense during the year amounted to £153 thousand (sixteen months ended 31 March 2015: £137 thousand), representing the minimum lease payment.

22 Related party transactions and balances

Consolidated

During the year ended 31 March 2016, the Group incurred consultancy fees from JLCC Ltd, a company of which the Director Jeremy Curnock Cook is a director, amounting to £30 thousand (sixteen months to 31 March 2015: £38 thousand). At the reporting date, the amount unpaid in respect of these charges was £68 thousand (2015: £38 thousand).

During the year ended 31 March 2016, the Group incurred consultancy fees from Bioscience Managers Pty Ltd, an Australian company of which Jeremy Curnock Cook is Managing Director, amounting to £50 thousand (sixteen months ended 31 March 2015: £50 thousand). At the reporting date, the amount unpaid in respect of these charges was £38 thousand (31 March 2015: £nil).

Details of key management personnel and their compensation are given in note 6 and in the Remuneration Report on pages 21 to 22.

Company

In the year ended 31 March 2016 the Company charged Rex Bionics Ltd a total of £0.35 million (sixteen months ended 31 March 2015: £0.41 million) for the provision of corporate, management, sales & marketing and other support services to Rex Bionics Ltd. These amounts were outstanding at the reporting date.

The Company provided loans to Rex Bionics Ltd during the year amounting to £0.50 million (sixteen months ended 31 March 2015: £6.94 million to fund Rex Bionics Ltd's business and working capital requirements. The Company does not charge Rex Bionics Ltd interest on these loans and does not intend to call them in within the next twelve months. Accordingly, they are classified under investments in subsidiary undertakings in the Company Statement of Financial Position. An impairment charge of £3.40 million (sixteen months ended 31 March 2015: £1.81 million) has been made against these balances at the reporting date, further details of which are set out in Note 13.

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 purchases of Rex products and ancillary equipment was £1.34 million (sixteen months ended 31 March 2015: £255 thousand).

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 2016 or 31 March 2015.

25 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2016 or 31 March 2015.

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 2016 was £5.47 million (sixteen months ended 31 March 2015: loss £3.99 million).

The average number of employees of the Company in the year, including Executive Directors was 7 (sixteen months ended March 2015: 6). The Directors' remuneration is detailed in the Remuneration Report on pages 21 to 22.

27 Events after the reporting period

Consolidated

On 10 August 2016 the Company completed a fundraising of £2.3 million before expenses (£2.1 million after expenses) from a subscription by new and existing shareholders for ordinary shares. Subscribers in the fundraising also received warrants to subscribe for ordinary shares on the basis of one warrant for each share subscribed. The warrants are exercisable on or before 30 June 2017.

Company

Except for the equity fundraising 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 2016 (including comparatives) were approved by the Board of Directors on 25 August 2016.

Crispin Simon
Director

Peter Worrall
Director

Notice of the Annual General Meeting is being sent separately to shareholders and will also be available on our website.

REX
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