Registered No: 8211361

Cambridge Cognition Holdings plc

Annual Report and Accounts

31 December 2016

Cambridge Cognition Holdings plc

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Cambridge Cognition Holdings plc

Corporate Directory

Directors:	Michael Lewis	(Non-Executive Chairman)
	Steven Powell	(Chief Executive Officer)
	Nicholas Walters	(Chief Financial Officer)
	Andrew Blackwell	(Non-Executive)
	Eric Dodd	(Non-Executive)
	Nicholas Kerton	(Non-Executive)
Secretary:	Nicholas Walters	
Registered Office:	Tunbridge Court Tunbridge Lane Bottisham Cambridge CB25 9TU	
Company number:	8211361	
Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge CB4 0FY	
Legal Advisers:	Baker Botts (UK) LLP 41 Lothbury London EC2R 7HF	
Bankers	Barclays 28 Chesterton Road Cambridge CB4 3AZ	
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Nominated Advisor and Joint Broker	finnCap 60 New Broad Street London EC2M 1JJ	
Joint Broker	Dowgate Capital Stockbrokers Limited 82 St John Street London EC1M 4DZ	

CHIEF EXECUTIVE'S REVIEW

Key highlights

- Revenue growth of 37% to £6.88m and first operating profit reported
- First contracts won for new wearable and Recruit products
- Business now targeting every stage of the drug development cycle in multiple disease areas
- Oversubscribed placing raised £1.14m, and investment commitments fulfilled
- Net cash of £2.38m (2015: £0.76m)

Overview

2016 was a year of profitable growth, cash generation and strategically significant achievement in both technical and commercial development. Early in 2016 we made a number of important commitments to invest in and advance our Company; the primary commitment being to invest in our sales infrastructure to accelerate revenue growth. This was implemented to plan and resulted in an increase in both field and in-house sales personnel in Europe and the USA. In parallel we launched several new products for application in pharmaceutical clinical trials resulting in our broadest product portfolio to date.

Expansion of the sales team facilitated Group revenue growth of 37% driven by our core offerings of software and services. Throughout the year we also diversified our scientific and clinical focus across a wider range of neurological disorders, including Alzheimer's disease, Multiple Sclerosis and Parkinson's disease as well as psychiatric disorders such as Schizophrenia and ADHD. Our existing core products are supported by depth of data and peer reviewed publications across the breadth of these diseases and we have added a data analytics capability and scientific consultancy to assist both researchers and pharmaceutical companies in their clinical trials.

Another commitment was to develop and commercialise our technical innovation programmes to improve clinical trial efficiency. As a result 2016 was our most productive R&D year to date with the highest number of new products and technologies launched into our core business areas. This was achieved despite reducing the overall R&D spend - £0.89m in 2016 compared to £1.30m in 2015.

Group financial results

£'000	**2016**	**2015**
Hardware	552	329
Software and services	6,193	4,592
Other	131	121
Group	**6,876**	**5,042**

The trading performance for the year was strong combining growth in revenue with a first reported operating profit and positive cash generated from operations.

Revenue grew across all categories by £1.84m (37%). Software and Services continued to dominate contributing 90% of total sales. Although sales of hardware increased in the year, this was attributable to one contract and the underlying shift in product mix from hardware to higher margin software and services continues in line with our long term strategy and following completion of the migration of our test products to our Cantab Connect cloud platform.

Gross margins of 86% were slightly down on the 2015 level of 88%. This was due to the large hardware sale noted above.

Despite the growth in our sales team, as well as other costs associated with a growing business, we were able to restrict increases in administrative costs to a 4% year on year increase (£5.86m in 2016 compared to £5.62m in 2015). One of the cost reductions has been in the area of R&D where spend has fallen to £0.89m in 2016 from £1.30m in 2015. This is in line with the decision taken last year to focus on commercialising our new and emerging technologies through pharmaceutical sales channels and corporate partners.

Grant income of £0.09m (2015: £0.51m) fell significantly as the innovation model moves from direct investment (even if grant supported) to collaborations and partnerships.

These factors combined to produce an operating profit of £0.12m. This contrasts with an operating loss in 2015 of £0.87m, or a £0.66m loss when the exceptional item is excluded.

The profit attributable to shareholders after tax credit and minority interests is £0.27m, which equates to earnings per share for the year of 1.4 pence. This contrasts to a loss of 4.6 pence per share in 2015, or 3.4 pence per share when the exceptional item is excluded.

Following the result of the Brexit referendum, the value of the pound fell against most major currencies. The Group generated 47% of its revenue in US dollars and 7% in Euros but has a natural hedge against dollar revenues by way of its US based office and employee costs. The post Brexit decline in the value of the pound is estimated to have increased revenue by £0.23m and increased profit for the year by £0.10m when compared to results on a constant currency basis.

The Group generates the majority of its cash from operations, further supplemented by grant income and R&D taxation credits. Accordingly, profit before tax excluding non-cash items such as depreciation and share-based payments will broadly equate to cash income, subject to working capital movements. Despite the revenue growth, working capital in 2016 was managed such that operations generated £0.28m of cash from a profit excluding depreciation and share-based payments of £0.27m. Tax credits in respect of both 2014 and 2015 were received during the year, meaning that operating activities generated £0.47m of cash. This, along with the net placing proceeds of £1.14m drove net cash to a year-end position of £2.38m, an increase of £1.62m over the previous year end.

Operational Development

Following a review of our sales and marketing resources, we identified that we could reduce future costs and realise efficiency gains in sales by combining the previously separate business units of Pharmaceutical Clinical Trials, Academic Research and Healthcare into a single Product group.

The technology and innovation team now report as a separate Innovations group and has been tasked with making a growing contribution to income via licensing and collaborative agreements.

For comparative purposes we have set out the results of the three business units as reported previously in Note 6 to the Accounts but we will report these as a single Products division next year.

Products

£'000	**2016**	**2015**
Pharma Clinical	4,799	3,395
Academic	2,001	1,544
Healthcare	76	103
Group	**6,876**	**5,042**

During the year we announced additions to our product portfolio, based on the CANTAB cognitive assessment software, which have extended our product offer across all stages of the drug development cycle.

CANTAB Recruit is an online patient recruitment portal that accelerates the identification of qualified participants for both academic studies and clinical trials. This is key to the success of clinical trials as one-third of total trial costs are within the recruitment phase and 80% of clinical trials are delayed due to recruitment issues. The first sale of this product was secured within five months of its launch.

The 41% growth in our Pharmaceutical Clinical Trials business is a reflection of both underlying growth as well as large contract wins such as the £2.82m double success announced in September 2016. The expansion of the sales team in both the US and Europe is beginning to generate results with both the order book and pipeline of opportunities increasing over the same time last year.

The Academic Research business grew 30% this year and our products have now been used in over 800 universities and research institutions worldwide, leading to over 2,000 peer-reviewed publications and over 100,000 citations. We secured our first sale to an international biobank during the year. Biobanks collect large amounts of data which they catalogue and make available to researchers across many fields. Accordingly, they play a crucial role in biomedical research and we believe similar opportunities can be pursued. Overall, revenues in the Academic Research sector continue to be an encouraging mix of returning customers and new opportunities being developed.

Healthcare Technologies remain an important part of our business both in the UK and overseas markets. CANTAB Mobile, already a Class II Medical Device in the UK, was awarded 510(k) clearance from the United States Food and Drug Administration ('FDA'), enabling it to be marketed as a medical device in the United States. Significant interest has developed in both primary and secondary markets in the US for this iPad-based product designed to detect clinically relevant memory impairment in older adults. A follow on submission of CANTAB Insight will further add to the product suite. Our main focus continues to be near patient testing in primary care both in public service health but also in private clinics and occupational health providers.

Innovation

With the creation of the Innovation group, we have established a cross-functional activity with all R&D projects now targeted with specific, near term commercial goals. Each project is not only focused on a specific sales channel but also has to satisfy a pre-determined customer need. In prior years innovation projects were not always given such clear commercial direction with the result we have now accelerated the time to get new products to market.

The most obvious example of the effectiveness of this is in the development of a novel digital application that provides real-time measurement of mental health. Mental health disorders are characterised by symptoms that can fluctuate regularly, which can create problems for healthcare professionals who see patients infrequently and have little insight to their patients' health in everyday life. By using wearables and smart devices to monitor patients' health more regularly, a richer and more natural profile of mental health can be developed and used to improve the understanding, diagnosis and treatment of mental health disorders. This near-user technology provides greater and more meaningful cognitive data (including, for example, sleep patterns) whilst reducing the need for clinical visits.

The original concept was conceived late in 2015, a development partner was sourced in March 2016, the feasibility study completed by August 2016 and the first commercial order for a pilot study was received as early as February 2017. The pilot study uses a specially designed application on the Apple Watch to monitor and assess cognitive function in patients with major depressive disorder and the next step is an expanded study with greater revenue potential.

However, perhaps the most disruptive technology innovation was announced in March 2017 with the launch of web based testing which enables researchers to run near-patient testing of participants remotely. The innovation will allow studies to gather digital cognitive biomarkers at frequent time-points for more accurate and rapid data to aid earlier decision-making and conduct large-scale research projects virtually, reducing the overall running costs of studies using proven neuropsychological assessments.

Current and future innovations will support one of the Group's aims of expanding our IP portfolio across disease areas and all stages of the drug development cycle. It is these IP products, along with the Group's expertise in tailoring and applying them to specific situations that will create greater value in the Group.

Outlook

Our Company made significant commercial and technical progress in 2016. The current financial year has started well, with continued progress towards both our short and long term goals. The Company is well-positioned to pursue appropriate opportunities for partnerships that drive organic growth and moves the Company into sustainable profitability.

Business partnerships, as exemplified by the recently announced collaboration with Takeda, demonstrate that the Pharmaceutical sector is willing to invest in the validation and adoption of digital health products. We are well placed to take advantage of these opportunities and lead some of the thinking within the industry as to how to deploy disruptive cognitive assessment technologies. Commercialising our IP, both through traditional sales routes and through licensing our technology and IP for use in customers' bespoke products, remains key for future growth.

There are, of course, wider macro economic uncertainties of note when planning for 2017 and beyond. The shape of the United Kingdom's future relationship with the European Union is not yet known and is unlikely to be known and in The US there is likely to be a significant impact on the pharmaceutical and healthcare sectors arising from the political change brought about by the new President.

We will continue to work closely with our customers to understand developments which should position the company well for future growth. It is our goal to establish the Group as an innovative leader in cognitive neuroscience and innovation. Whilst there is still work to do, progress has been encouraging and we look forward to another productive and value-enhancing year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a number of risks and uncertainties in undertaking its day to day operations. The key business risks affecting the Group and how they are managed are set out below:

Financial

The Group has a history of operating losses, with 2016 being the Group's first profitable year. Profitability depends on the success and market acceptance of current and new products and investment in sales infrastructure, without which the Group will make losses and consume cash. Until the profitable commercialisation of new products and markets is proved sustainable the Group will carefully monitor costs and cash flow with reference to ensuring the Group is able to continue as a going concern. In particular the rate of investment in the Healthcare Technology business will be limited to the extent of any surplus cash reserves of the Group and the positive cash flow derived from the Pharmaceutical Clinical Trials and Academic Research businesses.

The directors have prepared a strategic plan, including financial forecasts and cash flows, for the period to December 2018. The monitoring of cash and future projected cash flows, as well as the sales pipeline is included in the monthly finance report to the Board.

As noted in the Strategic Report, the UK's future relationship with the EU is unclear. Currently, sales to the EU amount to 16%, based on 2016 sales, however, we plan to grow in this market so we will continue to monitor developments closely and respond accordingly.

Product and market development

Future success of the Group is principally focussed on growth of near term revenues through existing products and in particular their application in Pharmaceutical Clinical Trials and Academic Research as well as the successful commercialisation of innovative new products and services. The ability to transition current products to new markets and the development of new products and services for both existing and new markets will determine how successful the Group will be in growing the division. At the present time there can be no certainty that new products will be adopted or new markets successfully opened and this could limit future growth prospects.

Technology and regulation

The success of the Group and its ability to compete effectively with other companies partly depends upon its ability to protect its intellectual property and exploit its technology. During the year significant development work has continued on the product range across all three divisions to ensure that the Group's products remain competitive and at the forefront of the sector. The Group files patent applications as it strives to protect and enhance its intellectual property.

Growth management

The Group's ability to manage its growth effectively requires it to continue to improve its operations, financial and management controls, reporting systems and procedures and to train, motivate and manage its employees. During the year, significant recruitment in sales has occurred. The Group's future success depends on its ability to hire, train and retain key technical, scientific, regulatory, sales and marketing personnel. The Group seeks to recruit and retain high calibre staff through offering share ownership incentives and rewards commensurate with their seniority in the business and maintaining open communication with employees.

Reliance on key customers

The Group maintains close relationships with a number of customers but aims not to be overly dependent on any one of them. During 2016 the two biggest customers accounted for 21% and 11% (2015: 17% and 13%) of the total revenue of the business although no other customer accounted for more than 10%. Measures are being taken to continue to diversify the customer base by growing revenues in other areas as the loss of a key customer could impact the Group in the short term although as the Group increases in size the impact of any loss is reduced. There is a risk that the loss of a major customer before any growth in revenue was sufficient to compensate would result in a revenue shortfall.

KEY PERFORMANCE INDICATORS

The directors have monitored the performance of the Group with particular reference to the key performance indicators being revenue and clinical order pipeline, operating margin and cash flow. An overview of the financial results for the year is provided earlier in this report.

KPIs at a glance:

KPI	2016 result	2015 result	Movement	Summary management commentary
Revenue	£6.88m	£5.04m	£1.84m increase (37%)	Revenue growth has been led by our software and service products, which have grown by £1.60m in the year. Revenue from our other products also grew.
Clinical order pipeline	£2.68m	£2.52m	£0.16m increase (6%)	Despite increased revenues, the pipeline value has been strengthened.
Operating margin before exceptional item	2%	(13%)	15 percentage point increase	The increase represents a move into profitability which was led by the increased revenues above. Administrative costs grew by £0.24m (4%) and our direct income from grants has fallen by £0.42m.
Cash flow	£1.57m inflow	£0.76m outflow	Increase in inflow of £2.33m	Key elements of inflow are the share placing of £1.14m and cash from operations of £0.47m (including receipt of R&D tax credits of £0.19m).

The Group monitors progress on a regular basis and will add to the key performance indicators as circumstances dictate. The directors value greatly the progress and innovation demonstrated by the Group, but this cannot be readily measured in the style of a KPI. The directors are pleased with the innovation successes during 2016, and the plans for continued innovation going forward.

Approved by the Board of Directors and signed on behalf of the Board.

Steven Powell
Chief Executive Officer
28th March 2017

Report of the Directors for the year ended 31 December 2016

The Directors present their report on the affairs of the Group and Company together with the financial statements for the year to 31 December 2016. The Group financial statements are prepared under International Financial Reporting Standards (EU-adopted IFRS).

PRINCIPAL ACTIVITIES

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') is a neuroscience digital health company specialising in the precise measurement of clinical outcomes in neurological disorders. It develops and markets validated near patient assessment products using cognition as a biomarker to improve understanding, diagnosis and treatment in brain health worldwide.

GOING CONCERN AND FINANCIAL RISK MANAGEMENT

Having reviewed the financial forecasts and business plan of the Company and its subsidiaries and taking into account the level of cash resources available to them, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Further information on the Group's financial risk management strategy can be found in note 27.

SHARE ISSUES

The issued share capital of the Company is set out at Note 21 to the accounts. In April 2016, 3,386,111 Ordinary shares were issued pursuant to a share placement priced at £0.37 per share.

DIRECTORS

The Directors who held office at 31 December 2016 and their interest in the share capital of the Company were:

	Ordinary Shares of 1p each	
Name	**2016**	**2015**
Michael Lewis (Chairman)	33,375	27,969
Steven Powell	70,541	-
Nicholas Walters	186,937	119,369
Andrew Blackwell	131,095	131,095
Eric Dodd	-	-
Nicholas Kerton	172,900	172,900

On 15 February 2016, Steven Powell was appointed Chief Executive Officer. On the same date, Nicholas Kerton left his post as Chief Executive Officer but remains on the Board as a Non-Executive Director.

DIRECTORS' REMUNERATION AND SHARE OPTIONS

Details of Directors' remuneration and share options are provided within the Remuneration Report and are in addition to the interests in shares shown above.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Accounting Standards and applicable laws including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 and of the profit or loss of the Company and Group for that year. 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 the applicable IFRSs, or for the Parent Company, applicable UK GAAP have been followed, subject to any material departures disclosed and explained in the Company’s financial statements
- prepare the financial statements on a 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and 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 Company’s auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the 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.

DIRECTORS’ INDEMNITY ARRANGEMENTS

During the year the Company purchased Directors' and Officers' liabilities insurance in respect of itself and its directors.

SUBSTANTIAL SHAREHOLDERS

The Company’s major shareholders at 31 December 2016 were:

Name	No. of Ordinary Shares	%
Euroblue Investments Limited	4,312,714	21.1
Octopus Investments Nominees Ltd	2,941,782	14.4
Michael Buxton	2,889,589	14.1
Hargreave Hale	1,877,398	9.2
AXA Investment Mangers UK Limited	979,457	4.8
LGT Capital Partners AG	863,470	4.2
WH Ireland	857,620	4.2
Artemis Fund Managers Ltd	714,285	3.5

AUDITOR

A resolution to re-appoint Grant Thornton UK LLP as the Company’s auditor will be proposed at the forthcoming Annual General Meeting. In accordance with normal practice, the Directors will be authorised to determine the Auditor’s remuneration.

Approved by the Board of Directors

And signed on behalf of the Board

Nick Walters
Company Secretary
28th March 2017

Corporate Governance Report for the year ended 31 December 2016

The Directors are committed to a high standard of corporate governance and although the Company is not obliged to comply with the UK Corporate Governance Code, the twelve principles of good governance produced by the Quoted Companies Alliance have been adopted by the Company as far as is practicable and appropriate given its size, stage of development and status as a Company whose securities are traded on AIM. Without such a sound governance platform the Company will be unable to achieve the strategic ambitions set out in the Strategic Report.

The Board

The Board of Cambridge Cognition Holdings plc is responsible for the long term financial success of the business. The current members of the Board of Directors are:

Michael Lewis – Non-Executive Chairman – Mr Lewis has 25 years global Health and Pharma industry experience. He is currently Executive Chairman of iPlato an m-Health provider with 9M patient connections in the UK, Chairman of Haem02, a biotechnology company developing artificial human haemoglobin, and Chairman of Glyconics Ltd, developing diagnostics for COPD director of Mikale Ltd. Mr Lewis is also a lecturer, speaker and invited Chair of innovation sessions at NHS Expo, Chairs the KTN Medtech group, and was past Chair of the Assisted Living Innovation platform. He previously has held senior roles at Gambro (Brussels), Boston Scientific (Paris), C.R. Bard (New Jersey), Sybron (Switzerland) and Becton Dickinson (UK).

Dr. Steven Powell – Chief Executive Officer – Dr Powell graduated in microbiology from the University of Wales and was awarded a PhD from the University of Aberdeen. He has over thirty years operational and investment experience in pharmaceutical and healthcare companies in the UK, USA and Scandinavia. Including his current role at Cambridge Cognition he has held five CEO roles, three in public companies. In 2003, he joined Gilde Healthcare, a pan-European life sciences investment fund as a partner and remained an adviser to the fund until 2016.

Nicholas Walters – Chief Financial Officer - A chartered accountant, Mr Walters has served as Finance Director, Deputy Chairman and Chairman on a number of Boards. Mr Walters has over thirty years' experience across a wide range of industry sectors and a track record for addressing the fundamentals in these companies and setting them up for sustainable growth. He has experience of start-ups in both the USA and the Far East as CFO.

Dr. Andrew Blackwell – Non-Executive Director - Following an MA and a PhD in psychology from the University of St Andrews, Dr Blackwell undertook postdoctoral training in cognitive neuropsychology and psychopharmacology at the University of Cambridge, working closely with the main inventors of CANTAB, Professors Trevor Robbins and Barbara Sahakian. Dr Blackwell has published numerous papers in quality journals, including Science, American Journal of Psychiatry and Neuropsychopharmacology. He joined Cambridge Cognition in 2006 and was appointed as a director and Chief Scientific Officer in 2007. Dr Blackwell became a Non-Executive Director in July 2015.

Eric Dodd – Non-Executive Director – Mr Dodd brings significant experience in board-level positions to the Company, including having been Chief Financial Officer of Antisoma plc, Morse plc, Stanmore Implants Worldwide Holdings Limited and KBC plc. Mr Dodd is presently Chief Financial Officer at Iptor plc, a private-equity backed technology company.

Dr. Nicholas Kerton – Non-Executive Director – Dr Kerton is an experienced director of public and private companies in the healthcare industry. Having completed a Ph.D. in Organic Synthetic Chemistry at Nottingham University, he progressed through the Wellcome Foundation, and then joined DuPont and Whatman Reeve Angel plc in senior business development and sales roles before moving into microbiology as Managing Director of Malthus Instruments, a subsidiary of Radiometer of Denmark. Dr Kerton was a member of the management team who established Celsis PLC, one of the first biotechnology companies to float on the London Stock Exchange, led the successful sale of Maybridge to Fisher Scientific International, founded Lab21 (a molecular diagnostics service funded by Merlin Biosciences) during which time he acquired three companies, and managed the Sirigen Group from initial venture capital funding in 2008 through to selling the business to Becton Dickinson in August 2012.

The Board is responsible for the long term success of the Company. The Chairman's role is to ensure the Board operates effectively and functions in such a way as to meet its objectives each year. The Chief Executive's role is to ensure the executive team implements and successfully delivers on the strategy to ensure the long term success of the Company. The Non-Executive Directors are expected to offer constructive challenge to the executives and input to the strategic thinking as well as contribute to the working of the three committees detailed below.

Board Committees

The Company has established an Audit Committee, a Nomination Committee and a Remuneration Committee. The Audit Committee is comprised of Eric Dodd (Chair), Michael Lewis, Nicholas Kerton and Andrew Blackwell. The Nomination Committee is comprised of Andrew Blackwell (Chair), Michael Lewis, Eric Dodd and Nicholas Kerton. The Remuneration Committee is comprised of Michael Lewis (Chair), Eric Dodd, Nicholas Kerton and Andrew Blackwell.

The **Audit** Committee's responsibilities include making recommendations to the Board on the appointment of the Company's auditors, approving the auditor's fees, safeguarding the objectivity and independence of the auditors, reviewing the findings of the audit and monitoring and reviewing effectiveness of the Company's systems of risk management and internal control. The Audit Committee is also responsible for monitoring the integrity of the financial statements of the Company, including its annual and half yearly reports and interim management statements.

The main issues considered by the Committee during the year in relation to the financial statements included the appropriateness of revenue recognition policies, adequacy of systems of internal control and going concern. None of these were highlighted by the auditors as being an area of high risk and in the case of going concern, with the successful placing in April 2016 and the Company now trading profitably, any lingering doubts have been removed.

No significant fees were paid in the year to the auditors for services other than audit and tax compliance and related work. The independence and objectivity of the auditors is important to the Company and the Committee keeps track of fees paid to the auditors for any change in this position. Periodically the Audit Committee chairman speaks directly with the audit partner to set out the needs of the committee and to receive any feedback without the presence of any executive directors.

The Committee also commissioned a risk management review in the year and a report was tabled in July 2016. As a consequence of the review and subsequent debate the Company's risk management strategy properly addresses the main risk areas.

The **Nomination** Committee's responsibilities include reviewing the structure, size and composition of the Board, making recommendations to the Board concerning membership of Board committees and identifying and nominating candidates for the Board for Board approval. Every director appointed by the Board is subject to re-election by the shareholders at the AGM following their appointment and every third AGM thereafter.

The **Remuneration** Committee's responsibilities include determining the remuneration of the executive directors, reviewing the design of all share incentive plans and determining each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and the performance targets to be used. Annual performance evaluation is based on targets set at the outset of each year and bonuses paid, as appropriate, in line with the agreed incentive plan.

Board and Committee attendance during 2016 was as follows:

	Board	Audit	Nomination	Remuneration
No. of Meetings	10	2	1	2
M. Lewis	10	2	1	2
Dr S. Powell	10	-	-	-
N. Walters	10	-	-	-
Dr A. Blackwell	10	2	1	2
E. Dodd	10	2	1	2
Dr N. Kerton	9	2	1	2

Remuneration Report for the year ended 31 December 2016

The Company has established a Remuneration Committee. The members of the Remuneration Committee are:

Michael Lewis (Chair)
Eric Dodd
Nicholas Kerton
Andrew Blackwell

The Committee makes recommendations to the board. No director plays a part in any discussion about his own remuneration.

Components of Executive Directors' remuneration

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to enhance the Group's market position and to reward them for increasing value to shareholders. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.
There are five main elements of the remuneration package for the executive directors and senior management:
• Basic annual salary;
• Benefits-in-kind;
• Annual bonus payments;
• Share option incentives; and
• Pension arrangements.

Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors is determined by the Board and reflects their anticipated time commitment to fulfill their duties. The Non-Executive Directors' remuneration is subject to the same principles of the Group Remuneration policy. The letters of appointment of Non-Executive Directors can be terminated with one month's notice given by either party.

Directors' remuneration (audited)
The remuneration of the Directors is as follows:

	Salary /Fee £'000	**Benefits £'000**	**Bonus £'000**	**Pension £'000**	**2016 Total £'000**	**2015 Total £'000**
Current Directors:						
Remuneration as Executives:						
Steven Powell*	131	-	43	-	**174**	10
Nicholas Walters	48	-	29	-	**77**	48
Nicholas Kerton**	17	-	-	-	**17**	153
Andrew Blackwell***	-	-	-	-	**-**	55
Remuneration as Non-Executives:						
Michael Lewis	44	-	-	-	**44**	44
Eric Dodd	30	-	-	-	**30**	30
Andrew Blackwell***	30	-	-	-	**30**	15
Nicholas Kerton**	27	-	-	-	**27**	-
Total	**327**	**-**	**72**	**-**	**399**	355

* Appointed 6 July 2015
** Resigned as Executive Director and appointed as a Non-Executive Director on 15 February 2016
***Resigned as an Executive Director and appointed as a Non-Executive Director on 1 July 2015

Payments were also made to third parties for the services of Steven Powell, Nicholas Walters and Nicholas Kerton. See note 28 to the consolidated financial statements.

Share Options:

	Granted	Number of Options	Performance criteria	Exercise price in pence	Exercise period
Andrew Blackwell	Apr 2013	112,568	Vested	70 pence	To Apr 2023
	Apr 2013	112,568	(1)	70 pence	Jul 2017 - Apr 2023
	Apr 2013	112,567	(2)	70 pence	Jul 2018 – Apr 2023
Nicholas Kerton	Sept 2014	75,000	Vested (3)	60 pence	To 30 Sep 2024
Steven Powell	July 2015	62,500	(4)	82.5 pence	Dec 2017 - July 2025
	July 2015	62,500	(5)	82.5 pence	Dec 2017 - July 2025
	Nov 2016	550,000	(6)	1 penny	Nov 2019 – Nov 2026
Nicholas Walters	Nov 2016	150,000	(6)	1 penny	Nov 2019 – Nov 2026

Performance Criteria

(1) Options will vest if Dr Blackwell continues to be engaged as a non-executive Director until 1 July 2017
(2) Options will vest if Dr Blackwell continues to be engaged as a non-executive Director until 1 July 2018
(3) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 90 pence. This condition was fulfilled on 1 October 2015
(4) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 120 pence. This condition must be met prior to 31 December 2017
(5) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 200 pence. This condition must be met prior to 31 December 2017
(6) 55% of these options will vest if the average closing mid-market price of an Ordinary Share for the final 10 trading days of 2018 is greater than 140 pence per share. A pro rate sliding scale will apply if the average closing mid-market price of an Ordinary Share for the final 10 trading days of 2018 is between 100 pence and 140 pence. 45% of the options granted will vest if the cumulative revenue of the Company reported in the audited accounts for the three financial years ended 31 December 2018 exceeds £23m.

On 31 December 2016, 650,000 options in favour of Nicholas Kerton were forfeited as the performance criteria of a share price of at least 115 pence for two consecutive dealing days before 31 December 2016 was not met. Also, on 31 December 2016, 150,000 options in favour of Nicholas Walters were forfeited as the performance criteria of a share price of at least 120 pence for two consecutive dealing days before 31 December 2016 was not met.

Independent Auditor’s Report to the Members of Cambridge Cognition Holdings plc

We have audited the financial statements of Cambridge Cognition Holdings Plc for the year ended 31 December 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 statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 December 2016 and of the group's profit 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

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

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

Independent Auditor's Report to the Members of Cambridge Cognition Holdings plc

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.

David Newstead

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

Date:

Cambridge Cognition Holdings plc

Consolidated Statement of Comprehensive Income

	Notes	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Revenue	5	6,876	5,042
Cost of sales		(986)	(590)
Gross profit		5,890	4,452
Administrative expenses		(5,860)	(5,620)
Other operating income	7	86	509
Operating profit/ (loss) before exceptional item	8	116	(659)
Exceptional item	9	-	(208)
Profit/ (loss) before tax		116	(867)
Income tax	12	106	85
Profit/ (loss) for the year		222	(782)

Attributable to:			
Equity holders in the Parent		272	(782)
Non-controlling interest		(50)	-
		222	(782)

Earnings per share (pence)	13		
Basic and diluted earnings per share		1.4	(4.6)
Basic and diluted earnings per share excluding exceptional items		1.4	(3.4)

Other comprehensive income			
Profit/ (loss) for the year		222	(782)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations		4	-
Total comprehensive income for the year		226	(782)

All items of other comprehensive income are attributable to the equity holders in the Parent.

The above results relate to continuing operations.

Cambridge Cognition Holdings plc

Consolidated statement of financial position

	Notes	At 31 December 2016 £'000	At 31 December 2015 £'000
Assets			
Non-current assets			
Goodwill	14	352	352
Property, plant and equipment	15	117	141
Total non-current assets		469	493
Current assets			
Inventories	17	37	58
Trade and other receivables	18	2,177	1,641
Cash and cash equivalents		2,384	756
Total current assets		4,598	2,455
Total assets		**5,067**	**2,948**
Liabilities			
Current liabilities			
Trade and other payables	20	2,206	1,535
Total liabilities		**2,206**	**1,535**
Equity			
Share capital	21	204	170
Share premium account		7,517	6,412
Other reserves		5,985	5,981
Own shares	22	(47)	(51)
Retained earnings		(10,748)	(11,099)
Equity attributable to Parent		2,911	1,413
Non-controlling interest		(50)	-
Total equity		**2,861**	**1,413**
Total liabilities and equity		**5,067**	**2,948**

The financial statements on pages 16 to 41 were approved by the Board of Directors and authorised for issue on 28th March 2017 and were signed on its behalf by:

Steven Powell
Chief Executive Officer

Cambridge Cognition Holdings plc

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Own shares £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2015	**169**	**6,335**	**5,981**	**(174)**	**(10,262)**	-	**2,049**
Total comprehensive income for the year	-	-	-	-	(782)	-	(782)
Issue of new share capital	1	77	-	-	-	-	78
Transfer on allocation of shares held in trust	-	-	-	123	(123)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	68	-	68
Transactions with owners	1	77	-	123	(55)	-	146
Balance at 31 December 2015	**170**	**6,412**	**5,981**	**(51)**	**(11,099)**	-	**1,413**
Total comprehensive income for the year	-	-	4	-	272	(50)	226
Issue of new share capital	34	1,219	-	-	-	-	1,253
Share issue costs	-	(114)	-	-	-	-	(114)
Transfer on allocation of shares held in trust	-	-	-	4	(4)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	83	-	83
Transactions with owners	34	1,105	-	4	79	-	1,222
Equity attributable to Parent	204	7,517	5,985	(47)	(10,748)	-	2,911
Non-controlling interest	-	-	-	-	-	(50)	(50)
Balance at 31 December 2016	**204**	**7,517**	**5,985**	**(47)**	**(10,748)**	**(50)**	**2,861**

Cambridge Cognition Holdings plc

Consolidated statement of cash flows

	Notes	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Net cash flows from operating activities	23	473	(708)
Investing activities			
Purchase of property, plant and equipment		(44)	(133)
Net cash flow used in investing activities		(44)	(133)
Financing activities			
Proceeds from the issue of share capital net		1,139	78
Net cash flows from financing activities		1,139	78
Net increase/ (decrease) in cash and cash equivalents		1,568	(763)
Cash and cash equivalents at start of year		756	1,519
Exchange differences on cash and cash equivalents		60	-
Cash and cash equivalents at end of year	23	2,384	756

1. General information

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') is a neuroscience digital health company specialising in the precise measurement of clinical outcomes in neurological disorders. It develops and markets validated, near patient assessment products using cognition as a biomarker to improve understanding, diagnosis and treatment in brain health.

The Company is a public limited company which is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange (symbol: COG) and is incorporated and domiciled in the UK. The address of its registered office is Tunbridge Court, Tunbridge Lane, Bottisham, Cambridge, CB25 9TU.

In the period since the principal trading company, Cambridge Cognition Limited was formed in 2002, it has created a well-established business through sales of its proprietary CANTAB® (Cambridge Neuropsychological Test Automated Battery) software into academic and pharmaceutical research locations around the world.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies operating under IFRS. The accounting policies adopted are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2015. The financial statements have been prepared under the historical cost convention.

The subsidiary undertakings included within the consolidated financial statements as at 31 December 2016 are given in note 16.

2. Outlook for adoption of future Standards (new and amended)

No standards or interpretations that impacted the Group financial statements came into effect during the year.

At the date of authorisation of the Consolidated Financial Statements, the following Standards and Interpretations which have not been applied in the Consolidated Financial Statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

Management has not yet completed detailed analysis of how these new standards may impact the calculation and presentation of the Group's financial statements. It is not anticipated that any of these standards will be early adopted.

All other Standards and Interpretations that are in issue but not yet effected are considered to have no impact on the Group as they do not apply to the Group at present.

3. Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements incorporate the results of the Company and of its subsidiaries.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where a subsidiary is not wholly-owned, it is consolidated in full, and the percentage not owned by the Group is recorded as a non-controlling interest.

3.2 Going concern

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

The directors reached their conclusion following the successful placing of Ordinary shares in April 2016 as well as profitability and cash flow generation at both operating and overall levels in 2016.

3. Significant accounting policies (continued)

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

Sales of goods and licences
The Group recognises revenue when all the following conditions are satisfied:
- the significant risks and rewards of ownership of the goods are transferred to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognised in Statement of Comprehensive Income but not yet invoiced is held on the Statement of Financial Position within 'Accrued income'. Revenue invoiced but not yet recognised in the Statement of Comprehensive Income is held on the Statement of Financial Position within 'Deferred revenue'.

Revenue is classified as follows:

Supply of software licences
Sales from software licences are recognised in full when the licences are provided since there is no significant ongoing obligation to the Group.

Supply of product
Supply of product consists of hardware sold in conjunction with software licence fees and associated other services. Revenue is recognised on despatch of the product when the significant risks and rewards of ownership are transferred to the buyer.

Supply of associated services
Sales of clinical testing services are recognised based on work done, which can include straight-line recognition or be subject to achieving milestones set out in the related service agreements, provided a right to consideration has been established. For example, study management services will normally be recognised over the length of the contract, whereas sales from training are recognised as the training services are performed.

A number of the above elements may be sold together as a bundled contract. Revenue is recognised separately for each component if it is considered to represent a separable good or service and a fair value can be reliably established. The Group derives fair value for its professional services based on day rates for consultants. Where software is included within a bundled arrangement, the residual value of the contract is ascribed to the software after a fair value has been allocated to all other components.

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

3.4 Grants
Grants of a revenue nature are credited to profit and loss to match with the expenses incurred.

3.5 Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

In the event that lease incentives are received at the time the entity enters into an operating lease agreement, such incentives are recognised as a liability and released through profit and loss over the term of the lease agreement. The aggregate benefit of incentives is recognised in profit and loss as a reduction to rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant accounting policies (continued)

3.6 Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). The UK pound is the functional currency of the Company and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

On consolidation, assets and liabilities have been translated into the UK pound at the closing rate at the reporting date. Income and expenses have been translated into UK pound at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

3.7 Post employment benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

3.8 Exceptional items

Where, in the opinion of the Directors, an event or a series of closely linked events that are outside the normal operations of the business have a material impact on the operating result, the impact of this event will be disclosed separately on the face of the income statement. Other key metrics, for example earnings per share, may also include a distinction which excludes any exceptional items. In all cases, amounts will be shown both excluding and including exceptional items.

3.9 Taxation

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

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 or substantively 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 Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting policies (continued)

3.10 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from synergies arising from the combination. Cash-generating units to which goodwill has been attributed under IFRS 3 Business Combinations are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3.11 Tangible and intangible assets

(a) Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures, fittings and equipment	-	25% - 33% per annum straight line
Leasehold improvements	-	straight line over the lesser of 5 years or over the term of the lease

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

(b) Internally-generated intangible assets – research and development expenditure

The Group undertakes research and development expenditure in view of developing new products. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits, for example it is technically and commercially feasible and the Group has sufficient resources to complete development; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First-In-First-Out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.13 Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. Significant accounting policies (continued)

3.14 Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

3.15 Employee Benefit Trust
In order to facilitate the exercise of share options the Group maintains an Employee Benefit Trust (EBT). This is consolidated in accordance with IFRS10. The costs of purchasing own shares held by the EBT are deducted from equity under 'Own Shares' reserve. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group's profit and loss or other comprehensive income. When shares are subsequently transferred to employees for less than their purchase price the difference is a realised loss recognised directly in reserves.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies
The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies.

Revenue recognition
Trading operations within the Group recognise revenue with regard to amounts chargeable to customers under service contracts. In making its judgement, management consider the detailed criteria for the recognition of revenue from the provision of continuous services set out in IAS 18 Revenue. The Directors are satisfied that the significant risks and rewards are transferred and that recognition of the revenue over the duration of the contractual period is appropriate.

Goodwill
The Group reviews the carrying value of its goodwill balances by carrying out impairment tests at least on an annual basis. These tests require estimates to be made of the value in use of its CGUs which are dependent on estimates of future cash flows and long-term growth rates of the CGUs. See note 14.

Capitalisation of development costs
The point at which development costs meet the criteria for capitalisation is critically dependent on management judgement of the probability of future economic benefits. No development was completed in the year ended 31 December 2016 whose benefits could be reliably evaluated separate from existing revenue streams. No development costs have therefore been capitalised during 2016 (2015: £nil).

Recovery of deferred tax assets
Deferred tax assets have not been recognised for deductible temporary differences, share options and tax losses as management considers that there is not sufficient certainty that future taxable profits will be available to utilise those temporary differences and tax losses.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Black-Scholes model or a Binomial Option model, with the assumptions detailed in note 25. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit and loss and equity.

5. Revenue

An analysis of revenue by reportable business unit is as follows:

	2016 £'000	2015 £'000
Pharmaceutical Clinical Trials	4,799	3,395
Academic Research	2,001	1,544
Healthcare Technology	76	103
	6,876	5,042

An analysis of the Group's revenue for each major product and service category is as follows:

	2016 £'000	2015 £'000
Hardware	552	329
Software and services	6,193	4,592
Other	131	121
	6,876	5,042

6. Business and geographical segments

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the three types of market in which the Group operates. The Group's reportable segments under IFRS 8 are therefore as follows:

- Pharmaceutical Clinical Trials: Products and services for use in regulated pharmaceutical clinical trials
- Academic Research: Cognitive test products for researchers working in a non-regulated environment, typically in academia
- Healthcare Technology: Medical software for use in healthcare delivery settings

6. Business and geographical segments (continued)

Segment revenues and results
The following is an analysis of the Group's revenue and results by reportable segment:

	Pharmaceutical Clinical Trials 2016 £'000	Academic Research 2016 £'000	Healthcare Technology 2016 £'000	Consolidated 2016 £'000
Revenue				
External sales	4,799	2,001	76	6,876
Result				
Segment profit/ (loss)	1,060	411	(797)	674
Central costs				(644)
Other income				86
Operating profit				116
Tax				106
Profit after tax				222

	Pharmaceutical Clinical Trials 2015 £'000	Academic Research 2015 £'000	Healthcare Technology 2015 £'000	Consolidated 2015 £'000
Revenue				
External sales	3,395	1,544	103	5,042
Result				
Segment profit/ (loss)	197	303	(1,102)	(602)
Central costs				(566)
Other income				509
Operating (loss) before exceptional item				(659)
Exceptional item				(208)
Operating (loss) after exceptional item and (loss) before tax				(867)
Tax				85
(Loss) after tax				(782)

The accounting policies of the reportable segments are the same as the accounting policies described in note 3. Segment profit represents the profit earned by each segment with an allocation of support function costs. Central costs represent the Company's corporate costs. This measure is reported to the Chief Executive for the purpose of resource allocation and assessment of segment performance.

6. Business and geographical segments (continued)

Segment net assets

	2016 £'000	2015 £'000
Pharmaceutical Clinical Trials	969	895
Academic Research	794	510
Healthcare Technology	13	12
Total allocated assets	1,776	1,417
Unallocated assets	3,291	1,531
Consolidated total assets	5,067	2,948

Trade receivables are allocated to reportable segments. Due to the size and nature of the other assets within the Group these are monitored on a consolidated basis. Goodwill has been allocated to reportable segments as described in note 14.

Geographical information

The revenue from external customers by geographical location is detailed below:

	2016 £'000	2015 £'000
United Kingdom	746	1,054
United States of America	4,042	2,620
European Union	1,101	785
Rest of world	987	583
	6,876	5,042

Information about major customers

Revenue amounting to £1,440,000 and £745,000 (2015: £854,000 and £660,000) of reported sales can be attributed to two customers who each accounted for more than 10% of reported revenue for the related year. Both these customers were in the Pharmaceutical Clinical Trials business unit. No other customers accounted for more than 10 per cent of reported revenue.

7. Other operating income

Other operating income is made up of the following:

	2016 £'000	2015 £'000
Grant income	86	509

8. Operating profit/(loss) before exceptional item

Operating profit/(loss) before exceptional item has been arrived at after charging/ (crediting):

	2016 £'000	2015 £'000
Net foreign exchange (gains)	(164)	(18)
Research and development costs	890	1,304
Depreciation of property, plant and equipment	68	56
Staff costs (see note 11)	3,810	3,587

9. Exceptional item

In the final quarter of 2015, the Company investigated the possibility of acquiring a US based Group. The acquisition was not completed. Expenses in 2015, which principally related to professional fees, totalled £208,000. As these expenses are of a magnitude and nature that the Directors consider to be outside of the Group's normal operating business, they have been separately disclosed as an exceptional item.

10. Auditor's remuneration

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

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of:		
the Company's annual accounts	14	12
the subsidiaries' annual accounts	21	18
Total audit fees	35	30
Audit-related assurance services	7	7
Taxation compliance services	8	6
Other taxation advisory services	10	-
Total non-audit fees	25	13
Fees payable to affiliate firms of the Company's auditor:		
Taxation compliance services	14	-
Other services	-	11
Total fees payable to affiliate firms of the Company's auditor	14	11

11. Staff costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Operations	33	41
Sales and business development	14	9
Administrative support	12	13
	59	63

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	3,280	3,067
Social security costs	277	269
Other pension costs (see note 26)	170	183
Share-based payments charge (see note 25)	83	68
	3,810	3,587

12. Taxation

	2016 £'000	2015 £'000
Corporation tax:		
Current year	-	-
Adjustments in respect of prior years	(106)	(85)
	(106)	(85)
Deferred tax (see note 19)	-	-
Total tax (credit)	(106)	(85)

Corporation tax is calculated at 20.00% (2015: 20.25%) of the estimated taxable profit for the year.

The tax charge for each year can be reconciled to the profit per statement of comprehensive income as follows:

	2016 £'000	2015 £'000
Profit/(loss) before tax on continuing operations	116	(867)
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	23	(176)
Expenses not deductible for tax purposes	40	72
Deduction on exercise of share options	(6)	(45)
Movement in unprovided deferred tax	(57)	149
Adjustment in respect of prior years	(106)	(85)
Tax (credit) for the year	(106)	(85)

The credit in respect of prior years relates to the receipt of R&D tax credits in respect of 2015 (2015: in respect of 2014). No claim has yet been made for 2016 and no credit has been recognised in the financial statements.

13. Earnings per share

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

Earnings

	2016 £'000	2015 £'000
Earnings for the purposes of basic and diluted EPS per share being net profit/(loss) attributable to owners of the Company	272	(782)
Earnings for the purposes of basic and diluted EPS excluding exceptional item	272	(574)

Number of shares

	2016 '000	2015 '000
Weighted average number of ordinary shares for the purposes of basic EPS	19,402	16,831
Weighted average number of ordinary shares for the purposes of diluted EPS	19,473	16,831

For 2016, the impact of diluted shares is so minimal that there is no impact on EPS when rounded to 0.1 pence.

For 2015, the effect of options would be to reduce the loss per share and as such the diluted loss per share is the same as the basic loss per share.

14. Goodwill

	Goodwill £'000
Cost and net book value	
At 1 January 2016 and 31 December 2016	352
At 1 January 2015 and 31 December 2015	352

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to Academic Research.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. In the year to 31 December 2016 the Academic business CGU produced a segment profit of £411,000 (see note 6) and with encouraging prospects for 2016 and beyond, the carrying value of goodwill is fully supported by the Academic results and no impairment provision is required.

15. Property, plant and equipment

	Leasehold Improvements £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2015	38	393	431
Additions	38	95	133
Disposals	-	(27)	(27)
At 31 December 2015	76	461	537
At 1 January 2016	76	461	537
Additions	-	45	45
Disposals	-	(2)	(2)
At 31 December 2016	76	504	580
Depreciation			
At 1 January 2015	38	329	367
Charge for the year	9	47	56
Disposals	-	(27)	(27)
At 31 December 2015	47	349	396
At 1 January 2016	47	349	396
Charge for the year	13	55	68
Disposals	-	(1)	(1)
At 31 December 2016	60	403	463
Net Book value			
At 31 December 2016	16	101	117
At 31 December 2015	29	112	141

16. Subsidiaries and joint ventures

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Cambridge Cognition Limited	United Kingdom	100%	100%
Cambridge Cognition Trustees Limited	United Kingdom	100%	100%
Cambridge Cognition LLC	Delaware, United States of America	100%	100%
Cantab Corporate Health Limited	United Kingdom	70%	70%
Cognition Kit Limited	United Kingdom	50%	50%

Cognition Kit Limited was incorporated on 21 March 2016. For the period to 31 December 2016, and as at 31 December 2016, the results and assets of Cognition Kit Limited are immaterial to the Group. Accordingly, detailed joint ventures disclosures have not been presented.

All the above Companies, except Cambridge Cognition Limited, are held via Cambridge Cognition Limited.

17. Inventories

	2016 £'000	2015 £'000
Finished goods and goods for resale	37	58

During the year inventories with a total value of £343,000 (2015: £234,000) were included in the income statement as an expense.

18. Trade and other receivables

	2016 £'000	2015 £'000
Amount receivable for the sale of goods and services	1,454	1,008
Allowance for doubtful debts	(30)	(20)
	1,424	988
Prepayments and accrued income	596	226
Other receivables	157	427
	2,177	1,641

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

The average credit period offered on sales of goods varies from 30 days to 90 days. The Group has recognised an allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts which are past due at the year-end (see below for aged analysis) but against which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 66 days in 2016 (2015: 59 days).

Ageing of past due but not impaired receivables:

	2016 £'000	2015 £'000
31-60 days	97	168
61-90 days	219	126
91-120 days	27	11
121 or more days	191	37
	534	342

Of the £191k aged 121 or more days, £162k was collected in January 2017.

Movement in the allowance for doubtful debts:

	2016 £'000	2015 £'000
Balance at the beginning of the year	20	20
Increase in provision	10	-
Balance at the end of the year	30	20

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Management considers that all the above financial assets that are not impaired or past due are of good credit quality.

19. Deferred Tax

At the reporting date, the Group has unused tax losses of £8.5 million (2015: £8.4 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses as there is uncertainty over the timing of future taxable profits. Other losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of share options.

20. Trade and other payables

Amounts falling due within one year

	2016 £'000	2015 £'000
Trade payables	265	486
Social security and other taxes	71	70
Other payables	20	24
Accruals and deferred income	1,850	955
	2,206	1,535

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 28 days (2015: 44 days). For all suppliers no interest is charged on the trade payables. Group policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments. The Directors consider that the carrying amount of trade payables approximates their fair value.

21. Share capital

	2016 £'000	2015 £'000
Issued and fully paid		
20,429,235 (2015: 17,043,124) Ordinary Shares of £0.01 each	204	170

In April 2016, 3,386,111 Ordinary shares were issued pursuant to a share placement priced at £0.37 per share.

22. Own Shares

	2016 £'000	2015 £'000
Own Shares Reserve	47	51

The Own Shares Reserve represents the cost of shares acquired by the Cambridge Cognition Employee Benefit Trust to satisfy options under the Group's share options schemes. The number of shares held by the Employee Benefit Trust at 31 December 2016 was 112,193 (2015: 122,193).

During the year employees exercised 10,000 share options at an exercise price of £0.01. A transfer of £4,000 was made from Own Shares Reserve to Retained Earnings in respect of these exercised options.

23. Notes to the cash flow statement

	2016 £'000	2015 £'000
Profit/ (loss) before tax	116	(867)
Adjustments for:		
Depreciation of property, plant and equipment	68	56
Share-based payment expense	83	68
Operating cash flows before movements in working capital	267	(743)
Decrease in inventories	21	127
(Increase) in receivables	(575)	(44)
Increase/ (Decrease) in payables	567	(168)
Cash generated by operations	280	(828)
Tax credit received	193	120
Net cash from operating activities	473	(708)

Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and bank balances	2,384	756

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

24. Operating lease arrangements

	2016 £'000	2015 £'000
Lease payments under operating leases recognised as an expense in the year	162	173

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	139	115
In the second to fifth years inclusive	91	45
After five years	-	-

Operating lease payments represent rentals payable by the Group for rent, copiers and franking machines. Property rental across four buildings has an average of 18 months to expiry at 31 December 2016. The average outstanding rental period for other leases is 18 months.

25. Share-based payments

Equity-settled share option scheme
The Company has a share option scheme for key employees of the Group. The vesting periods vary between 0 and 3 years. Options are forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	1,874,888	0.68	1,850,426	0.53
Exercised during the year	(10,000)	(0.01)	(406,158)	(0.20)
Granted during the year	1,150,000	0.01	547,200	0.83
Forfeited during the year	(859,180)	(0.61)	(116,580)	(0.81)
Outstanding at the end of the year	2,155,708	0.35	1,874,888	0.68
Exercisable at the end of the year	333,374	0.64	369,661	0.65

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of 8.6 years.

Options were granted on 3 November 2016. The performance conditions attached to these options are such that options vest dependent on the Company achieving certain performance hurdles. The performance conditions, which are both market and non-market conditions, have been incorporated into the measurement by actuarial modelling. The aggregate of the estimated fair values of the options granted is £455,933. The inputs into the Binomial Option model are as follows:

	November 2016
Share price at date of issue	68p
Exercise price	1p
Expected volatility	44%
Expected life	3 years
Risk-free rate	0.30%
Expected dividend yields	0.0%

Expected volatility was determined by considering the expected share price movements and other comparable listed companies in the sector. For each option tranche a minimum share price hurdle for the options to vest was set in accordance with the individual terms set out in the option contracts.

The Group recognised total expenses of £83,000 (2015: £68,000), related to equity-settled share-based payment transactions.

26. Post-employment benefit schemes

Defined contribution schemes
The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees.

The total cost charged to income of £170,000 (2015: £183,000) represents contributions payable to these schemes by the Group at agreed rates. As at 31 December 2016, contributions of £18,000 (2015: £17,000) due in respect of the current reporting year had not been paid over to the schemes.

27. Financial instruments

Capital risk management
The Group manages its capital to ensure the Group is able to continue as a going concern while maximising the return to stakeholders through optimising the balance between the Group debt and equity. The Group had no borrowings at 31 December 2016.

The current capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings as follows:

	2016 £'000	**2015 £'000**
Cash and cash equivalents	2,384	756
Equity shareholder funds	2,861	1,413

The Group is not subject to any externally imposed capital requirements.

Significant accounting policies
Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2016 £'000	**2015 £'000**
Financial assets classified as loans and receivables		
Cash and bank balances	2,384	756
Trade and other receivables	1,538	1,339
Financial liabilities at amortised cost		
Trade and other payables	1,015	920

Financial risk management objectives
The Group's Finance function is responsible for all aspects of corporate treasury. It co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal reports which analyse exposures by degree and magnitude. The risks reviewed include market risk (including currency risk), credit risk and liquidity risk.

Liquidity Risk
Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring cash outflows due in day-to-day business. The Board reviews an annual 12 month financial projection as well as information regarding cash balances on a monthly basis, which includes projections to at least the end of the present year. The Group maintains cash and cash equivalents to meet its liquidity requirements for up to a 30-day period.

At 31 December 2016, the Group's financial liabilities had contractual maturities which are summarised below:

	2016 £'000 Within 1 year	**2015 £'000 Within 1 year**
Trade payables	246	486
Other payables	769	434
	1,015	920

Market risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below). The Group has limited exposure to foreign currency exchange rates and does not believe the use of financial derivatives is appropriate.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

27. Financial instruments (continued)

Foreign currency risk management
The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise.

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

	Liabilities		Assets	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
US Dollar	11	40	1,139	921
Euro	-	-	147	179
Qatari Riyal	-	-	207	-

A movement in the £/$ exchange rate of +/- 5% from 31 December 2016 to the date of realising the US dollar net asset position would result in a gain/loss of £56,000 (2015: £44,000). Similarly with the Euro, the gain/loss would be £7,000 (2015: £9,000), and with the Qatari Riyal the gain/loss would be £10,000 (2015: nil).

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group makes appropriate enquiries of the counter party and independent third parties to determine credit worthiness. Use of other publicly available financial information and the Group's own trading records is made to rate its major customers. The Group's exposure and the credit worthiness of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties. Credit exposure is also controlled by counterparty limits that are reviewed and approved by Group management continuously.

The Group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The carrying amount recorded for financial assets in the Statement of Financial Position is net of impairment losses and represents the Group's maximum exposure to credit risk. No guarantees have been given in respect to third parties.

Fair value of financial instruments
Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Statement of Financial Position approximate their fair values.

28. Related party transactions

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

Transactions with Cognition Kit Limited

During the year the Group spent £16,198 in relation to costs for Cognition Kit Limited, the Group's 50% owned joint venture. At the year end, the Group has accrued for the repayment of these costs and £19,000 of revenue for time spent by the Group's personnel in relation to Cognition Kit Limited.

Remuneration of directors and key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. The key management personnel of the Group at 31 December 2016 consist of the Directors and three additional senior staff.

	2016 £'000	**2015 £'000**
Short-term employee benefits	609	527
Post-employment benefits	9	5
Termination benefits	-	-
Share-based payments	72	47
	690	579

Payments in respect of each director are set out in the Remuneration Report. The audited section of that Report forms part of the financial statements.

Other transactions

In addition to the above, during 2016 the Group incurred consultancy fees of £48,000 (2015: £48,000) from MCR Holdings, a partnership of which Nicholas Walters is a partner. At 31 December 2016 a balance of £5,481 (2015: £12,965) was outstanding to MCR Holdings.

Prior to Steven Powell's appointment as CEO on 15 February 2016, the Group incurred consultancy fees of £8,375 from The Truffaldino Partnership, a company of which Steven Powell is a Director. No further amounts were incurred and there is no outstanding balance at 31 December 2016.

Between Steven Powell's appointment as a Director on 6 July 2015 and 31 December 2015, the Group incurred consultancy fees of £40,448 from The Truffaldino Partnership, with a balance of £11,863 outstanding at 31 December 2015.

In addition to the above, during 2016 the Group incurred consultancy fees of £21,000 (2015: £nil) from Actionreaction Limited, a company of which Nicholas Kerton is a director. At 31 December 2016 a balance of £2,000 (2015: £nil) was outstanding to Actionreaction Limited.

Cambridge Cognition Holdings plc

Parent Company statement of financial position

	Notes	At 31 December 2016 £'000	At 31 December 2015 £'000
Assets			
Non-current assets			
Investments	2	232	207
Total non-current assets		232	207
Current assets			
Trade and other receivables	3	4,976	4,763
Cash and cash equivalents		699	40
Total current assets		5,675	4,803
Total assets		**5,907**	**5,010**
Liabilities			
Current liabilities			
Trade and other payables	4	152	260
Total liabilities		**152**	**260**
Equity			
Share capital	5	204	170
Share premium account		7,517	6,412
Own shares		(47)	(51)
Retained earnings		(1,919)	(1,781)
Total equity		**5,755**	**4,750**
Total liabilities and equity		**5,907**	**5,010**

No profit and loss account is presented for Cambridge Cognition Holdings plc as provided by section 408 of the Companies Act 2006. The Company's loss after tax for the financial year was £217,000 (2015: £396,000).

The financial statements of Cambridge Cognition Holdings plc on pages 42 to 45 were approved and authorised for issue by the board on 28th March 2017 and were signed on its behalf by:

Steven Powell
Chief Executive Officer

Cambridge Cognition Holdings plc

Parent Company statement of changes in equity

	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2015	169	6,335	(174)	(1,330)	5,000
Issue of new share capital	1	77	-	-	78
Transfer on allocation of shares held in trust	-	-	123	(123)	-
Credit to equity of equity-settled share-based payments	-	-	-	68	68
(Loss) for the year	-	-	-	(396)	(396)
At 31 December 2015	**170**	**6,412**	**(51)**	**(1,781)**	**4,750**
Balance at 1 January 2016	170	6,412	(51)	(1,781)	4,750
Issue of new share capital	34	1,219	-	-	1,253
Share issue costs	-	(114)	-	-	(114)
Transfer on allocation of shares held in trust	-	-	4	(4)	-
Credit to equity of equity-settled share-based payments	-	-	-	83	83
(Loss) for the year	-	-	-	(217)	(217)
At 31 December 2016	**204**	**7,517**	**(47)**	**(1,919)**	**5,755**

Notes to the Parent Company financial statements

1. Significant accounting policies

1.1 Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. The Company has elected to use Financial Reporting Standard – 'The Reduced Disclosure Framework' (FRS 101). The Company has taken advantage of the following disclosure exemptions afforded by FRS 101:

- Disclosure exemption allowing no cash flow statement or related notes to be presented
- Disclosure exemption allowing the Company not to disclose related party transactions when transactions are entered into wholly within the Group
- Disclosure exemption around Key Management Personnel compensation (though see note 28 of the Group accounts and the Directors Remuneration Report)
- Capital management disclosures (though see note 27 of the Group accounts)
- Disclosure exemption on the effect of future accounting standards
- Disclosure exemption on share-based payment information disclosures (IFRS 2), as this information has been presented for the Group in note 25 of the consolidated financial statements
- Disclosure exemption on financial instrument disclosures (IFRS 7) as this information has been presented for the Group in note 27 of the consolidated financial statements.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year. The accounts are presented in Pounds Sterling ("£"), and to the nearest £1,000.

1.2 Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

1.3 Financial instruments

The Company's financial instruments accounting policy is as per the Group's policy (see note 3.13).

1.4 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Employee Benefit Trust

An Employee Benefit Trust (EBT) is maintained in order to facilitate the exercise of employee share options. This is aggregated into the Parent Company in accordance with UITF Abstract 38. The costs of purchasing own shares held by the EBT are deducted from equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Company's profit and loss account or statement of total recognised gains and losses. When shares are subsequently transferred to employees for less than their purchase price the difference is a realised loss recognised directly in reserves.

2. Investments

	Investment in Subsidiaries £'000
Cost	
At 1 January 2016	207
Additions	25
At 31 December 2016	232
Provisions for impairment	
At 31 December 2015 and At 31 December 2016	-
Net Book value	
At 31 December 2016	232
At 31 December 2015	207

The subsidiary undertaking at the end of the year was as follows:

Name	Country of Operation	Proportion of Ownership and Voting Power Held	Nature of Business
Cambridge Cognition Limited	United Kingdom	100%	Development and sale of computerised neuropsychological tests

Other Group subsidiaries, all of which are owned indirectly through Cambridge Cognition Limited are detailed in note 16 of the Group accounts. All subsidiaries have been included in the consolidated accounts.

3. Trade and other receivables

	2016 £'000	2015 £'000
Amounts due from subsidiary undertakings	4,951	4,738
Other receivables	25	25
	4,976	4,763

£4,400,000 of the amounts due from subsidiary undertakings is considered a long term loan to Cambridge Cognition Limited, and the Company receives interest at a rate of 7.5% per annum on this amount. The remaining balance is of an operating nature and is cleared regularly.

4. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	31	131
Social security and other taxes	13	13
Accruals	108	116
	152	260

5. Share capital

The details on the share capital of the Company are provided at note 21 to the Group's accounts.

6. Employment costs

The only employees of the Company are the Directors. Payments in respect of each director are set out in the Remuneration Report. The audited section of that Report forms part of the financial statements.