CAMBRIDGE
COGNITION

Cambridge Cognition Holdings plc

ANNUAL REPORT & ACCOUNTS 2017

Cambridge Cognition Holdings plc

Contents

Cambridge Cognition Holdings plc

Corporate Directory

Directors:	Michael Lewis	(Non-Executive Chairman)
	Steven Powell	(Chief Executive Officer)
	Nicholas Walters	(Chief Financial Officer)
	Eric Dodd	(Non-Executive)
	Nicholas Kerton	(Non-Executive)
	Andrew Blackwell	(Non-Executive, resigned 1 July 2017)
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	Link 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 4JN	

CHIEF EXECUTIVE'S REVIEW

Financial summary

- Total revenues of £6.73m (2016: £6.88m)
- Gross profit increased to £6.11m (2016: £5.89m)
- Adjusted* loss before tax of £0.07m (2016: profit of £0.20m)
- Loss before tax of £0.28m (2016: profit of £0.11m)
- Loss per share of 1.3 pence per share (2016: earnings of 1.4 pence per share)
- Cash balance of £1.86m (2016: £2.38m)

*Adjusted for share-based payments charge

Operational highlights

- Revenues excluding hardware up 5% at £6.62m (2016: £6.32m)
- Service revenues up 33% at £3.30m, representing 49% of group revenue
- Core business sales orders increased by 18%
- Increased number of pharmaceutical partnerships for near patient technologies centred on CANTAB Recruit and Cognition Kit
- Further investment in R&D and enhanced commercial infrastructure
- Continued investment in technology innovation underpinned by grant funding
- Launch of web based testing and CANTAB Prime 'white label' solutions
- Established new US office in Boston, MA

Overview

2017 was a year of continued market development and investment in technology development for the Group. Total revenue was similar to last year despite the prior year's results including two large contracts not repeated in 2017. Sales of core software and service products were up 5% on the previous year reflecting an increasingly expanded product range and a drive towards partner income to reduce dependence on variable clinical trial revenue.

The change in the revenue mix, with service income increasing from 36% to 49% of Group revenue and a more diverse customer base, confirms that the long-term growth strategy remains on track. The number of sales orders for core products increased 18% in 2017 in comparison to 2016 demonstrating the depth and reach of our commercial team is growing as a result of the investments made in 2016.

Recruit and web-based testing product revenues and sales opportunities have continued to grow as we increasingly transition our cognitive testing nearer to patients and clinical trial subjects and position the Company's offer in all stages of the drug development process. The increased diversity of the product mix enables the Company to provide solutions to customers at all stages of clinical development and in an expanding number of disease applications and this is expected to translate into short term and medium term revenue growth.

The Group continues to expand its technology base, most recently with the commercialisation of wearable technology and the introduction of new programmes with voice technology and data analytics. This resulted in an increase in R&D costs from £0.89m in 2016 to £1.13m in 2017. Our wearables technology received an excellent endorsement with one of the initial studies reporting 95 per cent compliance and the importance of our voice technology developments was recognised by the award of an Innovate UK grant to underpin some of the costs of development.

Financial Results

Group revenues for 2017 and 2016 by product segment are as follows:

	2017 £m	2016 £m	Change £m	Change %
Software	3.32	3.84	(0.52)	(13.5)
Services	3.30	2.48	0.82	33.1
Total Software & Services	6.62	6.32	0.30	4.7
Hardware	0.11	0.56	(0.45)	(80.4)
Total Group Revenues	**6.73**	**6.88**	**(0.15)**	**(2.2)**

Total revenues fell £0.15m (2%) in comparison to 2016. However, revenue from software and services grew by £0.30m (5%) in comparison to 2016. As the table illustrates, the small reduction in total revenues can be, in part, attributed to a fall in hardware sales, which is no longer a key product field following the migration to a cloud platform in 2015 but was inflated in 2016 by a single contract with a large hardware component.

As previously announced, the Company had expected to sign two large contracts with a combined value of approximately £2.3m in the last quarter of the year. The larger of these two projects is expected to commence in the first half of 2018 and we look forward to updating the market in due course.

Service revenues have grown 33% reflecting the positive strategic steps taken to diversify our product offering. Not only does this category include the traditional project and study management services but also the increasing amount of consultancy and bespoke development work being undertaken for customers for Recruit and wearable projects.

Software revenues are down 13.5% reflecting the absence of a major contract win in the year bearing in mind that software revenue is recognised at the start of any project. However, we are achieving a greater number of sales in more stages of the drug development process and across more disease areas than previously.

Gross profit grew from £5.89m in 2016 to £6.11m in 2017, a growth of 4%. Hardware is sold at a far lower gross margin than our high margin software and services, and so the reduced level of hardware sales has resulted in an increased margin of 91% (86% in 2016).

Administration costs rose from £5.86m in 2016 to £6.49m in 2017, a rise of £0.63m or 11%. As noted above, there was a £0.24m rise in research and development costs and an increase of £0.54m in our sales and marketing spend. Though changes in the sales team were substantially completed in 2016, the impact of the costs over a full year drove this increase. These increases apart, our operational and corporate costs remain under tight control.

The loss before tax in the year was £0.28m, against a profit before tax of £0.12m in 2016. The R&D tax credits available as cash was restricted this year given the profit returned in 2016. The loss attributable to shareholders after tax credit and minority interests is £0.26m, which equates to a loss per share for the year of 1.3 pence. This contrasts to a profit per share of 1.4 pence in 2016.

Despite the loss, operating cash before movements in working capital remained positive at £0.01m. Working capital movements included a small increase in receivables, payments of expenses accrued in 2016 and the depletion of deferred revenues which drove net cash from operating activities to an outflow of £0.62m (2016: £0.47m inflow). Capital expenditure remained stable at £0.05m. Cash outflow was mitigated by £0.19m of proceeds from exercised share options, and totalled £0.48m. The cash balance of £1.86m at year-end means that the Group remains sufficiently resourced for its ongoing operations and implementation of the current strategic plan.

The balance sheet remains satisfactory, with the reduction in cash being more than reflected in a £0.66m reduction in current liabilities. The Group has no long-term debt.

Operational Review

As reported in last year's strategic report, we identified that we could realise efficiency gains in commercial operations by combining the previously separate business units of Pharmaceutical Clinical Trials and Academic Research into a single, product sales group. This reorganisation was completed with effect from 1st January 2017 and our Operational Review is no longer categorised along these lines.

During the year we have continued to support drug development companies in their pursuit of new treatments but with a particular focus on four disease areas, Alzheimer's disease, Parkinson's disease, Schizophrenia and Depression. Our expertise, extensive data resources and investment in R&D in these areas has maintained our position as a leading provider of cognitive assessments to the research community and pharmaceutical companies involved in drug development in these areas.

Away from our core areas of disease focus in March we announced the publication of Amgen's EBBINGHAUS study. We supported this landmark study with not only software but also data analytics. Given both the number of participants and time points and its focus in cardiovascular disease this study highlighted that use of CANTAB software is not limited to cognitive assessment in the CNS field alone.

The introduction of web based testing, also in March, has enabled researchers to run testing of trial participants remotely. A highly significant innovation, this enables 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.

From the expansion of the product range in 2016 we have had continued success with our new products, which have contributed strongly to the results for 2017 helping to diversify the product offering and reduce our exposure to the variability of revenue streams from large clinical trials.

In particular, we announced in November 2017 that in a study sponsored by Takeda Pharmaceuticals, Cognition Kit wearable technology demonstrated exceptional levels of patient compliance, with users 95% or more compliant with evaluations of their mood and cognitive function. This demonstrates that high frequency, near-patient testing will be well tolerated by patients validating our initial investment in these technologies. Revenue from wearable technology projects totalled £0.60m in 2017 compared with £0.04m in 2016 when the technology was first commercialised.

We also announced the launch of our CANTAB Prime offering during the year answering a market demand to make our technologies available in other formats; often for use in non-clinical trial applications and therefore a potential source of longer term, annuity income. CANTAB Prime uses modular software architecture to apply existing product components within the customer framework enabling the collection, analysis and reporting of cognitive measures from within third party platforms. CANTAB Prime can offer a 'white-label' solution to a multitude of users across a spectrum of market segments. CANTAB Prime has already opened up new opportunities previously closed to us; in particular, where users were not willing to adopt a product that stood in isolation outside their core systems. Initial deals incorporating CANTAB Prime executed in the first year of launch have generated over £0.20m of revenue.

As part of a move to patient-centric technology advancements, we also announced results of the first move away from touch screen testing toward a new delivery format. We have an ongoing programme to use automated voice recognition technology to monitor patient response to pain and depression treatments. To ensure that we can continue to innovate within the constraints of our financial resources we were pleased to report that we have been awarded grant funding of £0.29m from Innovate UK to advance our work in biomarkers in this field. We expect this project to conclude and commence commercialisation in late 2018.

We continue to work with customers and partners to develop technologies and applications that meet the demands of the market both now and in the future. We see that these demands continually combine and cut across the traditional view of clinical, research and healthcare applications – the CANTAB Prime concept is a key example of that. Our approach of focussing on customer need and identifying the practical use of our innovations early in the research cycle is helping us drive meaningful and exciting innovation.

Innovation

Two years ago, the Group adopted a new strategy for growth which, in addition to a new market development approach, included a reinvigorated R&D programme with investment in both technology development and neuroscience. The expanded R&D group, under the leadership of Dr Jenny Barnett, CSO and Ricky Dolphin, CTO, has already yielded several important additions to the CANTAB estate including Cognition Kit, Recruit and Prime which are making a significant impact on revenue growth. Through this activity, the Group is also enhancing its profile as technology leader, which in turn is having a positive impact on commercial activities.

Looking ahead, the Group's key R&D activities are focussed on four main areas:

1. Continued product enhancement and database expansion in the Group's key strategic areas of Alzheimer's disease, depression, Parkinson's disease and Schizophrenia.

2. Continued development of remote, patient centric, testing solutions to support pharmaceutical partners with their digital health solutions as well as improving clinical trial efficiency. CANTAB Recruit for remote trial subject screening has already been used in two of the world's largest Alzheimer's disease studies with over 30,000 subject assessments completed and this type of solution affords the Group the opportunity to develop Software as a Service (SaaS) income.

3. Monitoring of brain health through speech. The Group has already delivered the first prototype cognitive tests delivered by an automated voice platform and this has resulted in new, filed intellectual property. The next step will be the development of voice delivered technology which incorporates artificial intelligence to provide in depth analysis of cognitive health based on voice biomarkers.

4. In parallel with enhancement of current products for cognitive assessment of patients suffering from depression, the Group is also working to bring a new package of products to market for cognitive assessment of mental health. This will incorporate new and novel tests for measurement of social cognition. We now know that aspects of social cognition – emotional processing, decision-making and recall for example – are core symptoms of not just disorders like schizophrenia and autism but are also highly prevalent in eating disorders, substance abuse, and neurological conditions like frontotemporal dementia. These types of symptoms are hugely important to patients' quality of life since they affect relationships and employment. They have been under-recognised historically because they are hard to measure. Recognising these difficulties, and potentially improving them using personalised digital tools such as the Emotional Bias Intervention which we are developing with our academic collaborators is an important new target across CNS disorders.

These four programmes are expected to deliver products and technologies for commercialisation in the next two years and will provide solutions to the increasing global appetite for digital health solutions. This in turn will have a positive impact on revenue growth and company profile and provide a rich source of news-flow.

The impact of the new accounting standard for revenues: IFRS 15

The Group is adopting the new revenue accounting standard, IFRS 15, using the prospective method with effect from 1 January 2018. While the current results are not impacted by the new standard, its impact is significant enough that we have set out an estimate of what the results would have been had the standard been adopted in the preparation of accounts in earlier years.

The main impact of IFRS 15 on the Group's accounts is that software revenue from Connect, Recruit, Mobile and Insight products will now be recognised over the period that the software is used by customers rather than recognised at the start of the contract.

In previous years, there have been fluctuations in results from one year to the next dependent on whether a year includes a large contract win or not. We believe this new standard will result in a smoother spread of revenue over the life of a contract.

As noted above, prior year results have not been restated for accounting purposes, however, our estimate of revenues on an IFRS 15 basis is as follows:

	As reported previously	Estimated under IFRS 15	Difference
2015	£5.04m	£4.98m	(£0.06m)
2016	£6.88m	£5.15m	(£1.73m)
2017	£6.73m	£6.89m	£0.16m

Outlook

The challenges of global brain health continue to rise with an ever increasing economic cost. The products and technologies developed by the Group over the past five years to supplement the core technology have seen a gradual progression of our offering in line with customer needs. With a clear focus on the needs of patients and healthcare providers in our four core disease states, we have driven testing closer to the patient using wearable and voice activated technologies. This provides a data rich assessment of brain health and provides a detailed assessment of pharmaceutical and non-pharmaceutical intervention in these complex disease areas.

With growing recognition as an innovator in cognitive assessment, we are now building partnerships with our new technologies that will drive further revenue growth. With a strong sales order pipeline the Board expects further growth to be delivered this 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 and so far only 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 new technologies will be limited to the extent of any surplus cash reserves of the Group and the positive cash flow derived from the core business and recently launched products.

The directors have prepared a strategic plan, including financial forecasts and cash flows, for the period to December 2020. 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.

Product and market development

Future success of the Group is principally focussed on growth of near term revenues through existing products 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. As noted in the Strategic Report, we have seen early successes in our most recent product innovations. However, there can be no certainty that new products will be adopted or new markets successfully opened and this will determine the extent of future growth prospects.

Uncertainty remains around the impacts of Brexit. The directors and management continue to monitor developments and plan for potential impacts.

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 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. 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 2017, one customer accounted for 14% of the total revenue of the business though no other customer accounted for more than 10%. In 2016 the two biggest customers accounted for 21% and 11% of the total revenue. 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 is 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	2017 result	2016 result	Movement	Summary management commentary
Revenue	£6.73m	£6.88m	£0.15m decrease (2%)	Whilst the headline figure has decreased, the underlying strength of our key software and services areas, as well as new product growth, gives us a sound base for the future.
Order pipeline	£1.97m	£2.68m	£0.71m decrease (26%)	Although the number of orders has increased 18%, highlighting the increased diversity of our product offering, the absence of any large orders in 2017 led to a reduction in the pipeline.
Operating margin	(4%)	2%	6 percentage point decrease	As well as the revenue result, this reflects the investments made in research and development and the sales infrastructure.
Cash flow	£0.48m outflow	£1.57m inflow	Decrease in inflow of £2.05m	The outflow in 2017 was driven by working capital movement. Cash flow from operating activities before working capital movement was positive.

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, and in particular the increased investment in research and development. Unfortunately, this cannot be readily measured in the style of a KPI. The directors are pleased with the innovation successes during 2017, 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
21st March 2017

Cambridge Cognition Holdings plc

Report of the Directors for the year ended 31 December 2017

The Directors present their report on the affairs of the Group and Company together with the financial statements for the year to 31 December 2017. 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 improving brain health by developing and marketing near-patient cognitive testing technologies for pharmaceutical and healthcare industries 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 25.

SHARE ISSUES

The issued share capital of the Company is set out at Note 19 to the accounts. During 2017, 268,635 Ordinary shares were issued to satisfy the exercise of employee share options.

DIRECTORS

The Directors who held office at 31 December 2017 and their interest in the share capital of the Company were:

	Ordinary Shares of 1p each	
Name	**2017**	**2016**
Michael Lewis (Chairman)	33,375	33,375
Steven Powell	70,541	70,541
Nicholas Walters	186,937	186,937
Eric Dodd	-	-
Nicholas Kerton	22,899	172,900

On 1 July 2017, Andrew Blackwell resigned 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 1 March 2018 were:

Name	No. of Ordinary Shares	%
Euroblue Investments Limited	4,312,714	20.8
Hargreave Hale	3,246,110	15.7
Michael Buxton	2,889,589	14.0
Octopus Investments Nominees Ltd	2,232,779	10.8
AXA Investment Mangers UK Limited	714,285	3.5
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
21st March 2018

Corporate Governance Report for the year ended 31 December 2017

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, 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.

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 ATTRAQT PLC, an AIM-listed software 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 and Nicholas Kerton. The Nomination Committee is comprised of Michael Lewis (Chair), Eric Dodd and Nicholas Kerton. The Remuneration Committee is comprised of Michael Lewis (Chair), Eric Dodd and Nicholas Kerton.

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. The Committee notes the auditors' inclusion of revenue occurrence as a key audit matter.

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 reviews the Group's risk management and continues to believe that 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 2017 was as follows:

	Board	Audit	Nomination	Remuneration
No. of Meetings	8	2	1	4
M. Lewis	8	2	1	4
Dr S. Powell	8	-	-	-
N. Walters	8	-	-	-
E. Dodd	7	1	1	4
Dr N. Kerton	8	2	1	4

Cambridge Cognition Holdings plc

Remuneration Report for the year ended 31 December 2017

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

Michael Lewis (Chair)
Eric Dodd
Nicholas Kerton

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**	**2017 Total £'000**	**2016 Total £'000**
Current Directors:						
Remuneration as Executives:						
Steven Powell	150	-	-	-	**150**	174
Nicholas Walters	48	-	-	-	**48**	77
Nicholas Kerton*	-	-	-	-	**-**	17
Remuneration as Non-Executives:						
Michael Lewis	44	-	-	-	**44**	44
Eric Dodd	30	-	-	-	**30**	30
Andrew Blackwell**	15	-	-	-	**15**	30
Nicholas Kerton	30	-	-	-	**30**	27
Total	**317**	**-**	**-**	**-**	**317**	399

* Resigned as an Executive Director and appointed as a Non-Executive Director on 15 February 2016
** Resigned as Non-Executive Director on 1 July 2017

Payments were also made to third parties for the services of Nicholas Walters. See note 26 to the consolidated financial statements.

Share Options:

	Granted	Number of Options	Performance criteria	Exercise price in pence	Exercise period
Nicholas Kerton	Sept 2014	75,000	Vested (1)	60 pence	To 30 Sep 2024
Steven Powell	July 2015	62,500	Vested (2)	82.5 pence	Dec 2017 - July 2025
	Nov 2016	550,000	(3)	1 penny	Nov 2019 – Nov 2026
Nicholas Walters	Nov 2016	150,000	(3)	1 penny	Nov 2019 – Nov 2026

Performance Criteria

(1) 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

(2) 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 was fulfilled on 4 May 2017

(3) 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 rata 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.

Upon his resignation as a Non-Executive Director on 1 July 2017, Andrew Blackwell forfeited 112,567 options. On 11 October 2017, he exercised 225,135 options at an exercise price of 70 pence.

On 31 December 2016, 62,500 options in favour of Steven Powell were forfeited as the performance criteria of a share price of at least 200 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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Cambridge Cognition Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Parent company statement of financial position, the Parent company statement of changes in equity and notes to the Consolidated and Parent company financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall group materiality: £202,000, which represents 3% of the group's revenue;
- Key audit matter was identified as revenue occurrence;
- We performed full scope audit procedures on the financial statements of Cambridge Cognition Holdings Plc and Cambridge Cognition Limited which itself accounts for 68% of the group loss before tax.
- We performed targeted audit procedures on the financial information of Cambridge Cognition LLC and Cantab Corporate Health Limited and performed analytical procedures on Cambridge Cognition Trustees Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue Occurrence Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Revenue is a material figure in the financial statements (2017 £6,730,000; 2016 £6,876,000). The group has a high volume of revenue transactions, which exposes the Group to the risk of invalid transactions within the revenue population not being captured We therefore identified revenue occurrence as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Evaluating the group's stated accounting policies in respect of revenue recognition, whether these were consistent with International Accounting Standard (IAS) 18 'Revenue' and whether they were applied accurately and consistently by the group. • Testing a sample of signed contracts, ensuring revenue recognised agreed to the contract and is in line IAS 18 and group accounting policy. • Agreeing a sample of invoices raised to milestones per the contract terms. • Recalculating the year end accrued and deferred revenue balances for a sample of contracts.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
	• For other revenue streams, we agreed a sample of sales invoices to cash receipts. The group's accounting policy on revenue recognition is shown in note 3.3 to the financial statements and related disclosures are included in note 5. **Key observations** Our audit work did not identify any material misstatements in the occurrence of revenue recognised in the year or any material instances of revenue not being recognised in accordance with the stated accounting policy.

We did not identify any Key Audit Matters relating to the audit of the financial statements of the parent company.

Our application of materiality

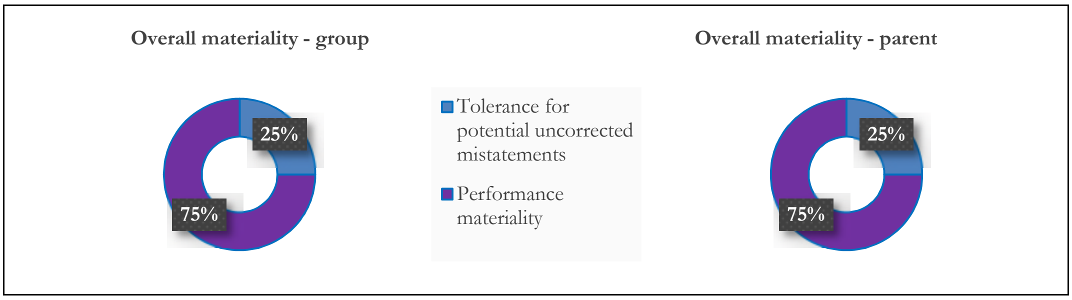
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£202,000 which is 3% of group revenue. This benchmark is considered the most appropriate because the group's results fluctuate annually. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016 to reflect the decrease in group revenues.	£10,000 which is 5% of losses before tax. This benchmark is considered the most appropriate because the entity is cost based and not revenue generative. Materiality for the current year is similar to the level that we determined for the year ended 31 December 2016.

Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions on the basis that these are material by nature.	We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions on the basis that these are material by nature.
Communication of misstatements to the audit committee	£10,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£1,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Assessing the risk of material misstatement to the group's financial statements. We considered the transactions undertaken by each entity and therefore where the focus of our work was required;
- Full scope audit procedures were completed for the main trading subsidiary, Cambridge Cognition Limited. Targeted audit procedures were performed for Cambridge Cognition LLC and Cantab Corporate Health Limited. Analytical procedures were performed on Cambridge Cognition Trustees Limited. All accounting is centralised and we completed our onsite audit work at the group's main operating location with all audit work undertaken by the group audit team;
- The entities which were subject to full scope procedures made up of 48% of group revenue and the remainder was subject to targeted audit procedures. The group total assets subject to full scope procedures amounted to 77% and the remainder was subject to targeted audit procedures.
- The audit risks identified for the main trading component, Cambridge Cognition Limited, are the same audit risks identified for the group as a whole; and
- Full scope audit procedures were performed for the parent company, Cambridge Cognitions Holdings Plc, which is a non-trading holding company.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 3 to 15, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 10 and 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

21 March 2018

Cambridge Cognition Holdings plc

Consolidated Statement of Comprehensive Income

	Notes	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Revenue	5	6,730	6,876
Cost of sales		(622)	(986)
Gross profit		6,108	5,890
Administrative expenses		(6,485)	(5,860)
Other operating income	7	93	86
(Loss)/ profit before tax		(284)	116
Income tax	10	6	106
(Loss)/ profit for the year		(278)	222

Attributable to:			
Equity holders in the Parent		(257)	272
Non-controlling interest		(21)	(50)
		(278)	222

Earnings per share (pence)	11		
Basic and diluted earnings per share		(1.3)	1.4

Other comprehensive income			
(Loss)/ profit for the year		(278)	222
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations		38	4
Total comprehensive income for the year		(240)	226

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 2017 £'000	At 31 December 2016 £'000
Assets			
Non-current assets			
Goodwill	12	352	352
Property, plant and equipment	13	88	117
Total non-current assets		440	469
Current assets			
Inventories	15	33	37
Trade and other receivables	16	2,246	2,177
Cash and cash equivalents		1,859	2,384
Total current assets		4,138	4,598
Total assets		**4,578**	**5,067**
Liabilities			
Current liabilities			
Trade and other payables	18	1,547	2,206
Total liabilities		**1,547**	**2,206**
Equity			
Share capital	19	207	204
Share premium account		7,707	7,517
Other reserves	20	6,023	5,985
Own shares	20	(43)	(47)
Retained earnings		(10,863)	(10,748)
Equity attributable to Parent		3,031	2,911
Non-controlling interest		-	(50)
Total equity		**3,031**	**2,861**
Total liabilities and equity		**4,578**	**5,067**

The financial statements on pages 22 to 44 were approved by the Board of Directors and authorised for issue on 21st March 2018 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 2016	**170**	**6,412**	**5,981**	**(51)**	**(11,099)**	-	**1,413**
Profit for the year	-	-	-	-	272	(50)	222
Other comprehensive income	-	-	4	-	-	-	4
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**
Profit for year	-	-	-	-	(257)	(21)	(278)
Other comprehensive income	-	-	38	-	-	-	38
Total comprehensive income for the year	-	-	38	-	(257)	(21)	(240)
Issue of new share capital	3	190	-	-	-	-	193
Transfer on allocation of shares held in trust	-	-	-	4	(4)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	217	-	217
Transactions with owners	3	190	-	4	213	-	410
Transfer of accumulated loss on acquisition of non-controlling interest	-	-	-	-	(71)	71	-
Balance at 31 December 2017	**207**	**7,707**	**6,023**	**(43)**	**(10,863)**	-	**3,031**

Cambridge Cognition Holdings plc

Consolidated statement of cash flows

	Notes	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Net cash flows from operating activities	21	(624)	473
Investing activities			
Purchase of property, plant and equipment		(48)	(44)
Net cash flow used in investing activities		(48)	(44)
Financing activities			
Proceeds from the issue of share capital		193	1,139
Net cash flows from financing activities		193	1,139
Net (decrease)/ increase in cash and cash equivalents		(479)	1,568
Cash and cash equivalents at start of year		2,384	756
Exchange differences on cash and cash equivalents		(46)	60
Cash and cash equivalents at end of year	21	1,859	2,384

Cambridge Cognition Holdings plc

Notes to the financial statements

1. General information

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') is a neuroscience digital health company specialising in improving brain health by developing and marketing near-patient cognitive testing technologies for pharmaceutical and healthcare industries worldwide.

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 2016. The financial statements have been prepared under the historical cost convention.

The subsidiary undertakings included within the consolidated financial statements as at 31 December 2017 are given in note 14.

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) - the Group is largely unaffected by IFRS 9 given the nature of its activities. Management has reviewed the impact of consideration of the expected lifetime credit losses on its trade debtors balance and believes the impact will be immaterial to the financial statements.
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018) – see note 27 for discussion of the impact of IFRS 15 on the Group
- IFRS 16 Leases (effective 1 January 2019) – see note 22 for discussion of the impact of IFRS 16 on the Group.

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.

3. Significant accounting policies (continued)

3.3 Revenue recognition
The following is a description of revenue recognition policy under the existing accounting standard (IAS 18). For an overview of the impact of the introduction of IFRS 15, see note 27.

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, including consultancy 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. Where the grant relates directly to the Group's principal activities, it is taken as revenue. Where the grant relates to payments for the use of the Group's products or resources to support broader projects, the grant is taken as other income.

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.

3. Significant accounting policies (continued)

3.5 Leasing (continued)

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 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.

3.6 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 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 the 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.

3. Significant accounting policies (continued)

3.9 Taxation (continued)
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.

3.10 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. For impairment review purposes the value in use is assessed with reference to cash flows arising from the Board approved three-year plan using a 7.5% discount rate. If this calculation suggests the recoverability of goodwill is sensitive to any of these factors, appropriate scenario modelling is performed.

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. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)
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.

3.14 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 23.

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 12.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 which met the requirements for capitalsation under IAS 38 – Intangible Assets. The research and development expenditure primarily relates to ongoing research as outlined in the Strategic Report. Therefore, no development costs have been capitalised during 2017 (2016: £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 23. 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. Segmental Information

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

	2017 £'000	**2016 £'000**
Software	3,322	3,837
Services	3,302	2,487
Hardware	106	552
	6,730	6,876

The accounting policies of the reportable segments are the same as the accounting policies described in note 3. Costs cannot be directly attributed to the products and services above so profit measures are not presented.

Geographical information

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

	2017 £'000	**2016 £'000**
United Kingdom	1,087	746
United States of America	4,094	4,042
European Union	578	1,101
Rest of world	971	987
	6,730	6,876

All non-current assets are held in the United Kingdom.

Information about major customers

Revenue amounting to £966,000 (2016: £1,440,000 and £745,000) of reported sales can be attributed to one (2016: two) customer who accounted for more than 10% of reported revenue for the related year. No other customers accounted for more than 10 per cent of reported revenue.

6. Other operating income

Other operating income is made up of the following:

	2017 £'000	**2016 £'000**
Grant income	47	86
Sub-lease income	46	-

7. Operating (loss)/ profit

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

	2017 £'000	2016 £'000
Net foreign exchange losses/ (gains)	32	(164)
Research and development costs	1,129	890
Depreciation of property, plant and equipment	77	68
Staff costs (see note 9)	4,341	3,810

8. Auditor's remuneration

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

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of:		
the Company's annual accounts	14	14
the subsidiaries' annual accounts	21	21
Total audit fees	35	35
Audit-related assurance services	8	7
Taxation compliance services	9	8
Other taxation advisory services	2	10
Total non-audit fees	19	25
Fees payable to affiliate firms of the Company's auditor:		
Taxation compliance services	45	14
Total fees payable to affiliate firms of the Company's auditor	45	14

9. Staff costs

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

	2017 Number	2016 Number
Operations	40	33
Sales and business development	12	14
Administrative support	12	12
	64	59

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	3,605	3,280
Social security costs	315	277
Other pension costs (see note 24)	204	170
Share-based payments charge (see note 23)	217	83
	4,341	3,810

10. Taxation

	2017 £'000	2016 £'000
Corporation tax:		
Current year	4	-
Adjustments in respect of prior years	(10)	(106)
	(6)	(106)
Deferred tax (see note 17)	-	-
Total tax (credit)	(6)	(106)

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated taxable loss (2016: profit) for the year.

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

	2017 £'000	2016 £'000
(Loss)/ profit before tax on continuing operations	(284)	116
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	(55)	23
Expenses not deductible for tax purposes	69	40
Deduction on exercise of share options	(216)	(6)
Movement in unprovided deferred tax	202	(57)
Adjustment in respect of prior years	(10)	(106)
Foreign tax charge	4	-
Tax (credit) for the year	(6)	(106)

The credit in respect of prior years relates to the receipt of R&D tax credits in respect of 2015 (2016: also in respect of 2015). No claim has yet been made for 2016 or 2017 and no credit has been recognised in the financial statements.

11. Earnings per share

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

Earnings

	2017 £'000	2016 £'000
Earnings for the purposes of basic and diluted EPS per share being net (loss)/ profit attributable to owners of the Company	(257)	272

Number of shares

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic EPS	20,398	19,402
Weighted average number of ordinary shares for the purposes of diluted EPS	20,398	19,473

For 2017, 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.

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

12. Goodwill

	Goodwill £'000
Cost and net book value	
At 1 January 2017 and 31 December 2017	352
At 1 January 2016 and 31 December 2016	352

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Forecast cash flows for 2018 and beyond validate the value in use of the goodwill and no impairment provision is required.

13. Property, plant and equipment

	Leasehold Improvements £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2016	76	461	537
Additions	-	45	45
Disposals	-	(2)	(2)
At 31 December 2016	76	504	580
At 1 January 2017	76	504	580
Additions	-	48	48
Disposals	-	-	-
At 31 December 2017	76	552	628
Depreciation			
At 1 January 2016	47	349	396
Charge for the year	13	55	68
Disposals	-	(1)	(1)
At 31 December 2016	60	403	463
At 1 January 2017	60	403	463
Charge for the year	13	64	77
Disposals	-	-	-
At 31 December 2017	73	467	540
Net Book value			
At 31 December 2017	3	85	88
At 31 December 2016	16	101	117

14. Subsidiaries and joint ventures

Details of the Company's subsidiaries at 31 December 2017 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	100%	100%
Cognition Kit Limited	United Kingdom	50%	50%

On 31 May 2017, the Group purchased the 30% of Cantab Corporate Health Limited that it did not previously own for the nominal value of the shares, £30.

The results and assets of Cognition Kit Limited are immaterial to the Group. Accordingly, detailed joint venture disclosures have not been presented.

All the above companies, except Cambridge Cognition Limited, are held via Cambridge Cognition Limited. All UK entities have their Registered Office at the Company's registered office. The Registered office of Cambridge Cognition LLC is 2750 Rasmussen Road, Park City, UT 84098, USA.

All holdings are in ordinary shares.

15. Inventories

	2017 £'000	2016 £'000
Finished goods and goods for resale	33	37

During the year inventories with a total value of £77,000 (2016: £343,000) were included in the income statement as an expense.

16. Trade and other receivables

	2017 £'000	2016 £'000
Amount receivable for the sale of goods and services	1,201	1,454
Allowance for doubtful debts	-	(30)
	1,201	1,424
Prepayments and accrued income	854	596
Other receivables	191	157
	2,246	2,177

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 46 days in 2017 (2016: 66 days).

Ageing of past due but not impaired receivables:

	2017 £'000	2016 £'000
31-60 days	72	97
61-90 days	8	219
91-120 days	-	27
121 or more days	36	191
	116	534

Movement in the allowance for doubtful debts:

	2017 £'000	2016 £'000
Balance at the beginning of the year	30	20
(Decrease)/ increase in provision	(30)	10
Balance at the end of the year	-	30

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.

A total of £34,000 of bad debt was written off in the year, £30,000 of which had been previously provided as above.

17. Deferred Tax

At the reporting date, the Group has unused tax losses of £8.7 million (2016: £8.5 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. Losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of share options.

18. Trade and other payables

Amounts falling due within one year

	2017 £'000	2016 £'000
Trade payables	278	265
Social security and other taxes	92	71
Other payables	28	20
Accruals and deferred income	1,149	1,850
	1,547	2,206

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 48 days (2016: 28 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.

19. Share capital

	2017 £'000	2016 £'000
Issued and fully paid		
20,697,870 (2016: 20,429,235) Ordinary Shares of £0.01 each	207	204

During 2017, 268,635 Ordinary shares were issued to satisfy the exercise of employee share options.

20. Own Shares Reserve and Other Reserve

	2017 £'000	2016 £'000
Own Shares Reserve	43	47

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 2017 was 102,693 (2016: 112,193).

During the year employees exercised 8,000 share options at an exercise price of £0.01 and 1,500 share options at £0.70 which were satisfied by the Employee Benefit Trust. A transfer of £4,000 was made from Own Shares Reserve to Retained Earnings in respect of these exercised options.

The Other Reserve in the consolidated statement of changes in equity is made up of £5,981,000 which arose when the Company became the new Group holding company in April 2013, and £42,000 of cumulative exchange differences on the translation of foreign operations.

21. Notes to the cash flow statement

	2017 £'000	2016 £'000
(Loss)/ profit before tax	(284)	116
Adjustments for:		
Depreciation of property, plant and equipment	77	68
Share-based payment expense	217	83
Operating cash flows before movements in working capital	10	267
Decrease in inventories	4	21
(Increase) in receivables	(52)	(575)
(Decrease)/ increase in payables	(592)	567
Cash generated by operations	(630)	280
Tax credit received less tax paid	6	193
Net cash from operating activities	(624)	473

Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and bank balances	1,859	2,384

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.

22. Operating lease arrangements

	2017 £'000	2016 £'000
Lease payments under operating leases recognised as an expense in the year	171	162

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

	2017 £'000	2016 £'000
Within one year	98	139
In the second to fifth years inclusive	-	91
After five years	-	-

Operating lease payments represent rentals payable by the Group for rent. Property rental across three buildings has an average of 7 months to expiry at 31 December 2017.

IFRS 16 Leases will apply to the Group from 1 January 2019. On application, operating leases with a duration of greater than one year will be recognised as both a fixed asset and a financial liability. These will be realised subsequently in the income statement through depreciation and a combination of cash payments and finance charges respectively. The exact values will depend on the length and cost of leases contracted at that time. As can be seen from above, the only operating leases the Group presently holds relate to property.

23. 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:

	2017		2016	
	Number of share options	**Weighted average exercise price (in £)**	**Number of share options**	**Weighted average exercise price (in £)**
Outstanding at beginning of year	2,155,708	0.35	1,874,888	0.68
Exercised during the year	(278,135)	0.70	(10,000)	(0.01)
Granted during the year	287,200	0.01	1,150,000	0.01
Forfeited during the year	(371,167)	0.71	(859,180)	(0.61)
Outstanding at the end of the year	1,793,606	0.17	2,155,708	0.35
Exercisable at the end of the year	391,406	0.73	333,374	0.64

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of 8.4 years.

Options were granted on 9 May 2017, 28 July 2017 and 1 November 2017. The performance conditions attached to some of 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 £270,000. The inputs into the Binomial Option model for the main tranche of performance related options were as follows:

	May 2017
Share price at date of issue	123p
Exercise price	1p
Expected volatility	43%
Expected life	3 years
Risk-free rate	0.12%
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 £217,000 (2016: £83,000), related to equity-settled share-based payment transactions.

24. 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 £204,000 (2016: £170,000) represents contributions payable to these schemes by the Group at agreed rates. As at 31 December 2017, contributions of £19,000 (2016: £18,000) due in respect of the current reporting year had not been paid over to the schemes.

25. 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 2017.

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:

	2017 £'000	**2016 £'000**
Cash and cash equivalents	1,859	2,384
Equity shareholder funds	3,031	2,861

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

	2017 £'000	**2016 £'000**
Financial assets classified as loans and receivables		
Cash and bank balances	1,859	2,384
Trade and other receivables	1,391	1,538
Financial liabilities at amortised cost		
Trade and other payables	771	1,015

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 2017, the Group's financial liabilities had contractual maturities which are summarised below:

	2017 £'000 Within 1 year	**2016 £'000 Within 1 year**
Trade payables	278	246
Other payables	493	769
	771	1,015

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.

25. 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	
	2017 £'000	**2016 £'000**	**2017 £'000**	**2016 £'000**
US Dollar	31	11	1,124	1,139
Euro	3	-	246	147
Qatari Riyal	-	-	4	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 £55,000 (2016: £56,000). Similarly, with the Euro, the gain/loss would be £12,000 (2016: £7,000), and with the Qatari Riyal the gain/loss would be negligible (2016: £10,000).

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.

26. 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

Cognition Kit Limited is the Group's 50% owned joint venture.

During the year the Group invoiced £56,115 (2016: nil) to Cognition Kit Limited, representing both the value of time and expenses of the Group. At year-end a balance of £5,000 was owed to the Group by Cognition Kit Limited. The Group has also accrued for the repayment of £59,421 of revenue for time spent by the Group's personnel in relation to Cognition Kit Limited (2016: £35,198 accrued in relation to time and expenses).

Further, the Group paid Cognition Kit Limited £6,538 in referral fees in the year (2016: nil). No balance was outstanding at 31 December 2017 (2016: nil).

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 2017 consist of the Directors and three additional senior staff.

	2017 £'000	**2016 £'000**
Short-term employee benefits	631	609
Post-employment benefits	12	9
Termination benefits	-	-
Share-based payments	148	72
	791	690

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 2017 the Group incurred consultancy fees of £36,000 (2016: £48,000) from MCR Holdings, a partnership of which Nicholas Walters is a partner. At 31 December 2017 a balance of £2,714 (2016: £5,481) was outstanding to MCR Holdings.

In addition to the above, during 2016 the Group incurred consultancy fees of £21,000 from Actionreaction Limited, a company of which Nicholas Kerton is a director. At 31 December 2016 a balance of £2,000 was outstanding to Actionreaction Limited. No transactions with Actionreaction Limited occurred in 2017 and no balance is owing.

27. Introduction of IFRS 15: Revenue from contracts with customers

IFRS 15 became effective for the Group on 1 January 2018. The Group has chosen to adopt IFRS 15 as of 1 January 2018 and recognise the cumulative effect of the initial application at that date. This means that the results for 2017 and 2016 as presented in these financial statements are presented under IAS 18: Revenues.

Differences between IAS 18 and IFRS 15 for the Group

There are three changes in accounting policy for the Group given the adoption of IFRS 15.

1) For licences that are hosted on our own servers, we are now measuring these in one of two ways:
    a. For contracts where we also provide study and data management services, and also for any other contract greater than £20,000 in value, we are allocating a per assessment price to the assessments sold and amortising the deferred revenue over the period the assessments are used.
    b. For all other sales, we are recognising revenue on a straight line period of 12 months. This period has been chosen as it best represents the average life of this portfolio of contracts.

    In either of these cases, the customer purchases a right to use our intellectual property as it exists throughout the licence period, and our performance obligation is therefore executed over a period of time.

2) For licences that are not hosted on our own servers, we now only recognise the revenue when the licence period commences, even if the order has been placed and accepted, and software prepared, prior to this date. In this case, the customer purchases a right to use our intellectual property at the point in time the licence commences, and so our performance obligation is discharged upon delivery of the licence.

3) Where commissions are paid based on revenues that are not expected to be recognised within 12 months, the commission is capitalised and held as an asset on the balance sheet, before being amortised in line with the related revenue.

Adjustment to be posted to the accounts dated 1 January 2018

As described above, the Group posted an adjustment to its accounts on 1 January 2018. This adjustment impacts the balance sheet, with the corresponding value being debited or credited to accumulated reserves.

The value of this adjustment with respect to each of the three changes detailed above was as follows:

1) Deferred revenue increased by £1,843,000
2) Deferred revenue increased by £164,000
3) An asset of £50,000 created

This resulted in a total debit to opening reserves of £1,957,000

The following table shows the 31 December 2017 values as per these financial statements and the revised balance as at 1 January 2018.

Balance sheet caption	**As presented at 31 December 2017 (£'000)**	**As revised on 1 January 2018 (£'000)**	**Difference (£'000)**
Prepayments and accrued income (part of trade and other receivables)	854	904	50
Total assets	***4,578***	***4,628***	***50***
Accruals and deferred income (part of trade and other payables)	1,149	3,156	2,007
Total liabilities	*1,547*	*3,554*	*2,007*
Retained earnings	(10,863)	(12,820)	(1,957)
Total equity	*3,031*	*1,074*	*(1,957)*
Total liabilities and equity	***4,578***	***4,628***	***50***

Results for 2017 and 2016 under IFRS 15

As explained above, the audited financial results have not been restated for IFRS 15.

For information, the summary below shows management's estimate of key results had IFRS 15 been applied to prior periods.

	2017 – as reported (£'000)	**2017 – revised for IFRS 15 (£'000)**	**2016 – as reported (£'000)**	**2016 – revised for IFRS 15 (£'000)**
Revenue	6,730	6,896	6,876	5,149
Cost of sales	(622)	(636)	(986)	(934)
Gross profit	6,108	6,260	5,890	4,215
(Loss)/ profit before tax	(284)	(132)	116	(1,559)
(Loss)/ profit for the year	(278)	(126)	222	(1,453)

Cambridge Cognition Holdings plc

Parent Company statement of financial position

	Notes	At 31 December 2017 £'000	At 31 December 2016 £’000
Assets			
Non-current assets			
Investments	2	351	232
Total non-current assets		351	232
Current assets			
Trade and other receivables	3	5,117	4,976
Cash and cash equivalents		562	699
Total current assets		5,679	5,675
Total assets		**6,030**	**5,907**
Liabilities			
Current liabilities			
Trade and other payables	4	62	152
Total liabilities		**62**	**152**
Equity			
Share capital	5	207	204
Share premium account		7,707	7,517
Retained earnings		(1,946)	(1,966)
Total equity		**5,968**	**5,755**
Total liabilities and equity		**6,030**	**5,907**

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 £197,000 (2016: £217,000).

The financial statements of Cambridge Cognition Holdings plc on pages 45 to 48 were approved and authorised for issue by the Board on 21st March 2018 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	Retained earnings £'000	Total £'000
Balance at 1 January 2016	170	6,412	(1,832)	4,750
(Loss) for the year	-	-	(217)	(217)
Issue of new share capital	34	1,219	-	1,253
Share issue costs	-	(114)	-	(114)
Credit to equity of equity-settled share-based payments	-	-	83	83
Transactions with owners	34	1,105	83	1,222
At 31 December 2016	**204**	**7,517**	**(1,966)**	**5,755**
Balance at 1 January 2017	204	7,517	(1,966)	5,755
(Loss) for the year	-	-	(197)	(197)
Issue of new share capital	3	190	-	193
Credit to equity of equity-settled share-based payments	-	-	217	217
Transactions with owners	3	190	217	410
At 31 December 2017	**207**	**7,707**	**(1,946)**	**5,968**

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 26 of the Group accounts and the Directors Remuneration Report)
- Capital management disclosures (though see note 25 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 23 of the consolidated financial statements
- Disclosure exemption on financial instrument disclosures (IFRS 7) as this information has been presented for the Group in note 25 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. The Company accounts for share options granted to the employees of subsidiary undertakings by recognising an increased investment in the subsidiary, with the corresponding credit recognised in reserves.

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. Assets and shares of the EBT are not consolidated into the Parent company. Own shares, as previously presented, in the statement of changes in equity have been reclassified to conform with current accounting treatment under IAS 27. 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.

2. Investments

	Investment in Subsidiaries £'000
Cost	
At 1 January 2017	232
Additions	119
At 31 December 2017	351
Provisions for impairment	
At 31 December 2016 and At 31 December 2017	-
Net Book value	
At 31 December 2017	351
At 31 December 2016	232

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 14 of the Group accounts. All subsidiaries have been included in the consolidated accounts.

3. Trade and other receivables

	2017 £'000	2016 £'000
Amounts due from subsidiary undertakings	5,103	4,951
Other receivables	14	25
	5,117	4,976

£5,100,000 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

	2017 £'000	2016 £'000
Trade payables	27	31
Social security and other taxes	13	13
Accruals	22	108
	62	152

5. Share capital

The details on the share capital of the Company are provided at note 19 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.

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