Registered No: 8211361

Cambridge Cognition Holdings plc

Annual Report and Accounts

31 December 2019

Cambridge Cognition Holdings plc

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Cambridge Cognition Holdings plc

Corporate Directory

Directors:	Steven Powell	(Non-Executive Chairman)
	Matthew Stork	(Chief Executive Officer)
	Nicholas Walters	(Chief Financial Officer)
	Eric Dodd	(Non-Executive)
	Debra Leeves	(Non-Executive)

Secretary: Nicholas Walters

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CHIEF EXECUTIVE'S REVIEW

Financial summary

- Total Revenues of £5.04m (2018: £6.13m)
- Gross profit of £3.89m (2018: £5.23m)
- Loss before tax of £3.12m (2018: loss of £1.49m)
- Loss for the year of £2.90m (2018: loss of £1.44m)
- Loss per share of 12.4 pence (2018: loss of 7.0 pence per share)
- Cash balance at 31 December 2019 of £0.90m (31 December 2018: £1.11m)
- Equity placing raised £1.40m post period end in March 2020

Operational highlights

- Order book at 31 December 2019: £5.69m (31 December 2018: £6.08m)
- Q1 2020 order intake of £2.61m (Q1 2019: £2.12m)
- Strong finish to 2019 and equally strong start to 2020 lays foundation for expected growth in 2020
- New configurable eCOA solution launched in Q3 2019 with early sales wins
- Doubling of digital solution sales including a major contract announced in March 2019
- Focus on commercialising solutions, with new products launched in 2019, and reducing R&D over 2020 as the business moves towards profitability
- Cost reduction measures for 2020 already implemented
- New commercially focussed CEO appointed in May 2019 and subsequently the leadership team strengthened in early 2020 with the appointment of new Chief Operating and Chief Commercial Officers

Overview

I am pleased to present my first annual CEO's review having been appointed to the position in May 2019.

2019 was a year of transition as a shift to a more commercial focus and new technology solutions began to make an impact on sales. At the heart of this transition was the implementation of a new strategy to target two fast growth markets with multiple solutions.

The Group also achieved several product development milestones using the funds raised early in 2019. These included completing the development of a configurable electronic Clinical Outcomes Assessment (eCOA) platform, further development of the digital health solution, completion of a proof of concept of our voice solution, and preparing the digital phenotyping project for spin out.

These developments resulted in first sales of new digital, eCOA and voice solutions. Sales of digital solutions doubled for the second year running, with major contract wins with global pharmaceutical companies. This provides a great platform for potential future growth.

Despite good progress with both development and commercialisation of new technologies, there were several market factors that impacted sales in 2019 and these are outlined below. The Group took action to respond to these factors during the period, continuing product development and expanding marketing, while managing costs to ensure that the loss in 2019 was in line with the expectation set at the half-year.

R&D spending was increased in 2019 to complete the development of new products. In 2020 and beyond, as products become available for commercialisation, we plan to reduce R&D spending to a lower, sustainable level. At the same time, operational cost savings and efficiencies were implemented within the organisation as part of our overall drive towards profitability.

The year-ended with a strong Q4 sales performance with £3.60m of orders taken prior to the end of the year expected to be recognised as revenue in 2020. In 2020, we have already seen a significant contract win of £1.37m and the award of an Innovative Medicines Initiative grant, which we have separately announced.

Despite the global impact of COVID-19, our customers continue to place orders at a level that is most encouraging for the outlook for this year. A strong order intake in Q1 2020 is being followed by good progress with qualified order prospects in Q2 combined with careful cost and cash management.

It is difficult to predict the absolute impact that delays to clinical trials might have on our recognised revenue for the year. A number of customers have temporarily delayed new clinical trials because of the redirection of medical facilities to treat COVID-19 patients and to support social isolation, but once lockdown restrictions begin to lift, these trials should resume. The FDA and other regulatory bodies have announced guidelines to assist the conduct of clinical trials during this period, confirming that there is a willingness to find ways to continue to operate during these difficult times.

Financial Results

Transient, negative market factors impacted on sales of one of the Group's core products, CANTAB™, in 2019. The merger of two large customers meant that an anticipated large order was not placed and the same merger delayed progress (and hence revenue recognition) of a study that was won in 2018. Collectively, these had an adverse impact of approximately £1m on revenues in 2019.

There was also a reduction in the number of clinical trials in two key areas of our business: drug safety and Alzheimer's disease. This reduced sales orders from 2018 levels by approximately £1m in 2019. We believe this dip is temporary, as we have seen a resurgence in opportunities through Q4 2019 and into early 2020, but the arrival of COVID-19 has added a degree of uncertainty.

Despite the positive effect of a large digital order win in March 2019, bespoke work required to fulfil this order did reduce gross margins and also delayed the completion of our new eCOA platform. The impact on gross margins was £0.40m. With the digital developments now complete and the large digital study underway, we are looking forward to seeing the benefits from both these areas in 2020.

The collective impact of these factors was to reduce the value of sales orders booked by the Group in the year to £4.93m, representing a 38% decrease on the prior year order intake figure of £7.93m. Whilst this clearly reduced our revenue for the year, there is comfort that contracted revenues yet to be recognised remain strong at £5.69m as at 31 December 2019. Furthermore, the amount that is estimated to be recognised within one year is £3.60m, ahead of the equivalent value of £3.39m at 31 December 2018. Going forward, we have improved our sales process and operation by, amongst other measures, increasing our sales coverage and having a more targeted lead generation programme.

Group revenues for 2019 by product segment, together with comparative figures, are as follows:

	2019 £m	2018 £m	Change £m	Change %
Software	2.53	3.09	(0.56)	(18.1)
Services	2.34	2.83	(0.49)	(17.3)
Total Software & Services	**4.87**	**5.92**	**(1.05)**	**(17.7)**
Hardware	0.17	0.21	(0.04)	(19.0)
Total Group Revenues	**5.04**	**6.13**	**(1.09)**	**(17.8)**

Overall software and service revenues were lower in the year, compared to 2018. The timing of orders is significant to revenues as there is usually a lag between receipt of order, implementation of study and revenue recognition. The timing of study execution impacts our revenues as the flow of revenue from a committed order can be disrupted when a study is delayed or postponed. With a greater volume and greater product mix of sales, the Group will become increasingly resilient against such external factors.

Hardware revenues are a small proportion of overall revenues, but the requirement for us to provide and provision hardware for a minority of customers remains a necessary part of our business, especially as we increasingly deliver a full range of solutions, particularly for bespoke projects.

Gross profit was £3.89m (77.2% margin) compared with £5.23m (85.3% margin) in 2018. This reduction is a result of a higher cost of sales relating to a large digital sale announced in March 2019, which required a significant level of bespoke work as well as increased hardware supply. We are planning some bespoke work in 2020, though less than in 2019, and so expect margins to improve.

Administration costs increased by 3.9% in the year from £6.75m in 2018 to £7.01m. The key element of this increase was the growth in R&D costs of £0.30m as set out above. Other overhead costs reduced in aggregate, despite investment in strategic and commercial reviews. Indeed, the run rate of costs at the year-end was considerably lower than at the mid-point and costs in 2020 are expected to be at least 15% lower than in 2019.

The loss before tax for the year was £3.12m, compared with a loss of £1.49m in 2018. R&D tax credits were £0.22m. The loss for the year after tax was £2.90m, which equates to a loss per share for the year of 12.4 pence, compared with 7.0 pence in 2018.

Cash outflow from operating activities was £2.32m (2018: £0.64m outflow). Capital expenditure was minimal. After accounting for the £2.27m net received from an equity placing in Q1 2019, overall, cash outflow was limited to £0.21m.

The cash balance of £0.90m at the 2019 year-end was subsequently supplemented by the £1.40m placing in Q1 2020 (£1.28m net) meaning that, as far as can reasonably be forecast given the uncertain impact of COVID-19, after running a series of scenarios the Group has sufficient resources for its ongoing operations and development plans.

The balance sheet remains consistent year-on-year, notwithstanding the introduction of IFRS 16 on leases. The Group has no long-term debt.

Strategic Review

A full strategic review was performed in mid-2019 following my appointment as CEO. The opportunity to accelerate the growth of the business was evident and a well-balanced, multi-product strategy has been agreed. This is being implemented to increase market share in two growth markets in which the Group has strong competitive advantages:

1. The market for eCOA, which is a c.US$1bn market growing at 17% per annum. Products in this market measure clinical outcomes and ultimately help pharmaceutical and biotech companies gain approvals and differentiated label claims for new drugs. The Group targets both clinical trials for drugs for central nervous systems (CNS) disorders, which account for 15% of all clinical trials, and for other drugs that may affect cognition.
2. The market for digital health solutions for CNS disorders, which is estimated to be a US$250m market growing at 20% per annum. The Group is primarily targeting the provision of digital solutions to pharmaceutical companies in this market.

In order to achieve this, the strategy has been refined to:

1. Create the opportunity to build a smoother revenue line through revenue growth, ironing out the fluctuations caused by larger orders for clinical trials, and through longer-term contracts for post-marketing licensing solutions to pharmaceutical companies.
2. Build a diversified product mix based on four product categories of CANTAB™, eCOA, and digital and voice solutions. There is minimal additional sales resource required to support the additional products as they are all purchased by the same target customer groups (pharmaceutical and biotechnology companies and clinical research organisations).
3. Focus on commercialising products, building sales of products already developed and reducing R&D spend as a percentage of revenue as the Group naturally evolves.
4. Build partnerships to access wider opportunities and geographies. There are sizeable healthcare and business-to-consumer opportunities for cognitive assessments, though they take specialist skills and considerable resources. In addition, there are potential partnerships to be made with major clinical research organisations and with companies with existing footprints in major markets such as China.
5. Reduce investment in non-strategic activities. As a direct result, the Group plans to spin out its digital phenotyping programme, which has considerable potential as a separately funded entity.

Operational Review

Improving commercial execution is an ongoing operational goal. There was considerable progress in 2019 with a Group-wide focus on winning new orders supported by an increased spending on sales and marketing. These initiatives began to reap rewards in the second half of the year in terms of lead generation – the Group generated double the number of leads in the second half of the year compared to the first half – and that translated into a sales recovery in the final quarter and a strong, qualified pipeline at the start of the year for the first half of 2020.

There was also good progress in building partnerships that could generate incremental sales growth in 2020. These are supporting geographic expansion in India and China and building commercial relationships with companies that specialise in CNS drugs and clinical trials.

We delivered significant progress across our key areas of innovation in 2019. In the eCOA area, we completed the development of our new, configurable eCOA solution in Q3 2019. This is a significant advance as it provides unique advantages over many competitors. It is an excellent complementary product to our existing core CANTAB™ products and is also applicable outside of the cognition market. We believe there is significant potential for growth in this area.

The digital cognitive assessments that the Group markets are specifically designed to measure cognition day-to-day during clinical trials. During 2019, we achieved a major milestone in developing software to collect, store and report on data from wearable devices as well. This means that the Group can provide information on both cognition and functional – such as the number of steps per day – performance by patients. We won a major order for a clinical trial requiring both sets of data from a top 10 pharmaceutical company in Q1 2019 worth £1.3m. We have seen that the interest and demand for these products is strong and that we are able to build solutions to suit individual customers' complex needs. Overall, digital health orders taken in 2019 were £1.64m, more than double the £0.72m taken in 2018.

In the digital healthcare field we concluded development of our first voice prototype. We completed a proof-of-concept study with 2,868 people, demonstrating that the solution can automate verbal clinical assessments in any environment and that it has the potential to be developed further into a potential digital biomarker. We gained our first sales for the voice solution in clinical trials, which is encouraging evidence of demand of this nascent solution. Whilst this market is not as mature as the eCOA market this is clearly an area of great potential. Over 2020, we will continue development of the voice solution and will develop our minimum viable product, which we aim to launch in Q4 2020.

Our digital phenotyping project has progressed well during 2019, and this is now ready for spin-out, which we aim to complete in 2020, subject to securing an investment partner.

Our operations team continues to provide outstanding customer service, providing essential support needed for clinical trials, for example, working with clinical trial managers to set up studies and ensuring clinical trial sites are well prepared to use the cognitive assessments we are providing. They help differentiate us and provide confidence to customers that their clinical trials will be completed on time and with accurate, reliable data. Responses to our customer survey in 2019 were extremely positive and the satisfaction level was at 100%. This is a testament to the dedication of the Cambridge Cognition team.

In all of these areas and others we continue to take a leadership position in the science that underpins our products. We continue to produce and support publications detailing advances in the area, as well as presenting at conferences and supporting leading academics in the field.

Board Changes

As we transition to the next stage in the development of the Company, we are also implementing change to the Board of Directors. With my appointment as CEO, Steven Powell was appointed as the new non-executive Chairman of the Company, following the retirement of Michael Lewis from his position as non-executive Chairman. Michael had been a board member for 6 years and we thank him for his contribution to the Company.

In the summer of 2019, we were saddened to report the death of Dr. Nick Kerton after a battle with cancer. Nick had been CEO of Cambridge Cognition before moving to a non-executive director role after the diagnosis of his illness. Nick is missed greatly by his family, friends and colleagues.

In building a Board for a new era of the Company, we welcomed Debra Leeves as a non-executive director who brings extensive leadership, commercial and board experience gained in public and private life science companies. We are also announcing the intention of Eric Dodd to retire from the Board and he will not stand for re-election at the forthcoming AGM. Eric has been a Board member for six years and chaired the audit committee. We are grateful to Eric for all of his support. We anticipate appointing at least one new non-executive director to the Board during 2020.

COVID-19

With the arrival of COVID-19, the business has been presented with a new challenge. The Group continues to be fully operational throughout the pandemic, with a flexible workforce using remote systems and working from home. We are also seeing a considerable increase in interest in virtual clinical trials, which we are able to support.

So far, there has been no significant net impact on the business. While certain customers are deferring the start date for their clinical trials and others whose trials are already underway have either halted or slowed the recruitment of subjects into their trials temporarily, our order intake continues at an encouraging rate while other customers trials continue as planned. Where trials are halted or slowed, this can delay revenue recognition and less frequently, billing.

All indications from our scenario planning suggest that our business can withstand reasonable downside risks from COVID-19. We have reduced our costs to conserve our cash and have continued to work to deliver to our contractual obligations. Our current assumptions are that most clinical trials that have been delayed will begin late Q2 or early Q3 2020. However there remains some uncertainty as to when operations will return to near normal and we will be monitoring developments closely in all those countries where we are involved with trials and will adapt our plans accordingly if there is any indication that there will be further delays.

Outlook

With core CANTAB and new eCOA products, the Group is well positioned to address the growing demands in our market. With our eCOA solution we are already winning new business and generating positive customer feedback on early sales of the new offering. Further developments in the digital area, in particular with our voice offering, maintain the Group's profile as a leader in innovation.

We start 2020 with a platform for profitable growth and a strong well-tuned strategy and business plan. We have both a solid commercial base, having made excellent progress with our customers and partners, and competitive product offerings from our innovation advances made during 2019. We have also made internal changes to create more efficient and nimble teams, as demonstrated during the current COVID-19 pandemic.

Following an excellent Q1 2020, we are working through the difficulties caused by the pandemic and we are continuing to build a solid base for growth over the medium-term.

With the financial support from our investors, which is gratefully received, we see an increasing number of opportunities ahead within fast-growth markets and have the resources to capitalise on them. We are developing an exciting digital health business which we believe can build substantial, sustainable shareholder value.

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 2022. The monitoring of cash and future projected cash flows, as well as the sales pipeline is included in monthly reporting 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. As well as driving commercial success, 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 continued success in this area over the last year and more. However, the rate of future growth will be determined by the take up of these products in the various markets we serve.

Covid-19

The impacts of the Covid-19 pandemic have been addressed on page seven above, with the impacts on going concern further discussed in note 3.2. to the accounts. As noted, the business remains fully operational, and we believe the business can withstand reasonable downside risk. However there remains some uncertainty as to when operations will return to near normal, and as such the situation is under constant review.

Brexit

The United Kingdom has left the European Union and we are now in the transition period. Nonetheless, uncertainty remains around the long-term impacts of Brexit. The directors and management continue to monitor developments and plan for potential impacts. The key considerations for the Group are as follows:

- People: the group has a number or EU nationals as employees. The Group is working with these employees to ensure that impacts of Brexit on our people are understood and can be managed. Whilst longer-term implications may be unclear, what does seem clear is that there will be no immediate impact on EU nationals working in the UK.
- Currency: as the Group is a net exporter to the US and the EU, a decline in the value of GBP against the USD and the EUR is of benefit to the group in the immediate term. Strengthening of the GBP will result in a reduction in the GBP value of the Group's revenues.
- Regulations: the Group is working to ensure that compliance with regulations, especially those in relation to data sharing, continue to be adhered to, regardless of the nature of the UK's relationship with the EU.
- Impacts on the broader market: Directors and management continue to consider what impacts there may be on our customers and the broader economy. Virtually all of the Group's suppliers are UK based so there is minimal risk to our supply chain.

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 and rewards commensurate with their seniority 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 2019, one customer accounted for 20% (2018: 12%) of the total revenue of the business though no other customer accounted for more than 10%. Over recent years, the increased diversity of our product offering has led to an increased diversity in our customer base that has continued to mitigate this risk. It is useful to note that for this large customer in 2019, revenue came from a number of projects using a number of our products. Nonetheless, there is a risk that the loss of a major customer 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 sales orders, 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	2019 result	2018 result	Movement	Summary management commentary
Revenue	£5.04m	£6.13m	£1.09m decrease (18%)	Revenue has declined due to both a fall in order intake and delays on some studies that were out of the Group's control.
Sales orders	£4.93m	£7.93m	£3.00m decrease (38%)	This decrease has prompted a full review of the Group's commercial function. We are already seeing improved results in 2020.
Order book (revenue yet to be recognised on orders won)	£5.69m	£6.08m	£0.39m decrease (6%)	Despite the headwinds described above, the Group's order book remains strong and gives us a good platform for 2020 and beyond.
Operating margin	(62%)	(24%)	38 percentage point decrease	As well as the revenue result and change in accounting basis, this reflects the continued investment in research and development. The Group expects to move investment away from research and development into commercialisation in 2020.
Cash flow	£0.21m outflow	£0.72m outflow	Decrease in outflow of £0.51m	This is driven by the operating result, though was mitigated by the March 2019 fundraise.

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. Unfortunately, this cannot be readily measured in the style of a KPI. The directors are pleased with the successes in developing products during 2019, and the plans for continued innovation.

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

Matthew Stork
Chief Executive Officer
29 June 2020

Cambridge Cognition Holdings plc

Report of the Directors for the year ended 31 December 2019

The Directors present their report on the affairs of the Group and Company together with the financial statements for the year to 31 December 2019. 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') specialises in improving brain health by developing and marketing near-patient cognitive testing techniques.

GOING CONCERN AND FINANCIAL RISK MANAGEMENT

The Directors have assessed the Group's ability to continue as a going concern, in particular in light of the Covid-19 pandemic. As noted in the Strategic Review, the business has remained fully operational to date and order intake has been encouraging. The Group also benefitted from the £1.4m equity fundraise in March 2020.

Whilst having proper regard to the possibilities of an extended lockdown period, or a so-called second spike, the Directors believe that the Group will remain a going concern for the foreseeable future. Accordingly, the accounts have been prepared on the going concern basis. More details are given in note 3.2. to the financial statements.

In particular this consideration includes the raising of £1.3m (net) through a share placement on 10 March 2020.

Further information on the Group's financial risk management strategy can be found in note 26 to the accounts.

SHARE ISSUES

The issued share capital of the Company is set out at Note 20 to the accounts. In 2019 3,472,223 shares were issued to raise £2.3m (net). On 10 March 2020, 7,000,000 shares were issued in connection with the raising of £1.3m (net) referred above.

DIRECTORS

The Directors who held office at 31 December 2019 and their interest in the share capital of the Company were:

	Ordinary Shares of 1p each		
Name	**23 June 2020**	**31 December 2019**	**31 December 2018**
Steven Powell (Chairman)	216,375	141,375	70,541
Matthew Stork	125,000	50,000	-
Nicholas Walters	300,826	200,826	186,937
Eric Dodd	-	-	-
Debra Leeves	50,000	-	-

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 financial statements for each financial year. Under that law, the Directors have 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 Generally Accepted Accounting Practice and applicable law including FRS 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, UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 23 June 2020 were:

Name	No. of Ordinary Shares	%
Nigel Wray	4,851,547	15.6
Canaccord Genuity Group Inc	3,116,475	10.0
Michael Buxton	2,889,589	9.3
W B Nominees	1,730,208	5.6
AXA Investment Managers S.A.	1,650,000	5.3
Octopus Investments Nominees Ltd	1,429,771	4.6
Lombard Odier	1,388,889	4.4
Brett Gordon	1,300,000	4.2

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
29 June 2020

Chairman's Statement

As Chairman of the Cambridge Cognition Holdings plc ("the Company") Board, it is my responsibility to ensure that the Board is performing its role effectively and has the capacity, ability, structure and support to enable it to continue to do so.

We believe that a sound and well understood governance structure is essential to maintain the integrity of the Group in all its actions, to enhance performance and to impact positively on our shareholders, staff, customers, suppliers and other stakeholders.

In 2018, the Company adopted the QCA Corporate Governance Code ("the QCA Code") as the benchmark for measuring our adherence to good governance principles. These principles provide us with a clear framework for assessing our performance as a board and as a company, and the report below shows how we apply the Code's ten guiding principles in practice.

The QCA Code requires that some disclosures are available on the Company website, whilst others are required in the Company's Annual Report and Accounts and the Company has followed this recommendation. The Corporate Governance disclosure on our website can be found at
http://www.cambridgecognition.com/investors/corporate-governance/

All members of the Board of the Company believe in the value and importance of good Corporate Governance. The Chairman is personally responsible for establishing and monitoring Corporate Governance.

The Company is listed on the AIM Market of the London Stock Exchange ("AIM").

The Board considers that it does not depart from any of the principles of the QCA Code, the Board continues to monitor and develop its governance processes to maintain best practice. The Board recognises the importance of our wider stakeholders in delivering our strategy and business sustainability.

Steven Powell

Chairman

Disclosure of those principles recommended under the QCA Code

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

The Company has a rolling three-year detailed strategic plan that is updated and approved by the Board annually. This is supported by an annual operating plan, which is also subject to Board review.

The Company's Strategic Report, including an assessment of principal risks and uncertainties and key performance indicators can be found on pages three to nine of this Annual Report and Accounts.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risks are considered as part of the strategic planning process referred to above. The CEO is also ultimately responsible for the quality management of the company and reports to the Board on key matters. The Board will periodically receive presentations on specific operational and financial risks.

The principal risks and uncertainties of the Group are summarised on pages eight and nine of this Annual Report and Accounts.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

Profiles of each of the Directors are given below.

The Board consists of two executive directors, the non-executive Chairman and two further independent directors. The non-executive Chairman holds some shares, especially from his time as the Group's CEO. One non-executive director holds shares after the March 2020 placing. These holdings are not considered material.

All directors are expected to devote sufficient time to their duties as may be necessary. Typically, this would be around two days per month for the non-executive directors.

The Board is provided with monthly business and finance reports from the CEO and CFO respectively. Further information will be given to the Board for discussion at meetings as relevant.

The Board is supported by three sub-committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. All non-executive directors sit on all sub-committees. Board and Committee attendance for 2019 is as follows:

	Board	Audit	Nomination	Remuneration
No. of Meetings	12	2	1	2
S. Powell	12	1 (of 1)	-	1 (of 1)
M. Stork	8 (of 8)	-	-	-
N. Walters	12	-	-	-
E. Dodd	12	2	1	2
D. Leeves	6 (of 6)	1 (of 1)	-	1 (of 1)
M. Lewis	4 (of 4)	1 (of 1)	1	1 (of 1)
N. Kerton	4 (of 4)	1 (of 1)	1	1 (of 1)

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Profiles of each of the Directors are given below.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Since the Company's listing in 2013, board evaluation has been an informal process led by the Chairman and principally consisting of one on one meetings to gather, compare and consider the views of each of the directors. This approach has, to date, been deemed appropriate given the small size of the Company.

On adoption of the QCA code, the Board intended to conduct formal internal performance reviews every year supplemented by an external evaluation review every alternate year. However, given the numerous changes to the Board in 2019 the introduction of this was postponed to 2020.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board ensures that the Company culture is based on ethical values through the following means:

- The employee handbook clearly setting out values and employment codes
- All new employees benefit from an induction programme which emphasises our ethical values and behaviours
- These behaviours are re-iterated through the various employee communication and reward channels
- Particular training on topics relating to ethical behaviour, ranging from compliance in clinical trials to share dealing rules are given at regular intervals and attendance monitored
- Standard Operating Procedures ("SOPs") that outline the Company's process and the values that underpin them are required to be read by employees and documentation of compliance maintained
- Receiving monthly reports from human resources and other departments to ensure that any instances of behaviours not being recognised or respected are considered and resolved appropriately

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Descriptions of the work of the Board and its Committees are below. The Remuneration Report is on pages 16 and 17.

Further information on the Company's Corporate Governance framework, including on those principle of the QCA code not listed here can be found at http://www.cambridgecognition.com/investors/corporate-governance/

Director profiles

Dr Steven Powell *Chairman*

Steven has over thirty years operational and investment experience in pharmaceutical and healthcare companies in the UK, USA, Benelux and Scandinavia. Including his previous executive role at Cambridge Cognition he has held five CEO roles, three in public companies. He was also a partner with a Life Sciences venture capital fund in the Netherlands for 12 years. He graduated in microbiology from the University of Wales and was awarded a PhD from the University of Aberdeen.

Dr Matthew Stork *Chief Executive Officer*

Dr Stork has twenty-five years' experience of managing companies in the med tech sector and expertise in AI, IT, diagnostics, medical equipment, and pharmaceuticals. Before becoming CEO of Cambridge Cognition in 2019, he held managing director and divisional leadership roles within GE Healthcare Digital, InHealth Group, ArjoHuntleigh, Canon Medical Systems (formerly Toshiba) and Smith & Nephew. He has a degree in pharmacy from the University of Bath, a PhD in Artificial Intelligence in Medicine from King's College London, and an MBA from London Business School.

Nick 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.

Debra Leeves *Non-Executive Director*

Ms Leeves is currently CEO of Vertual, the leading provider of virtual and augmented reality training simulation systems in radiotherapy. She has over 25 years of experience in the medical technology and biotechnology industries, and has previously been COO of Beckley Canopy Therapeutics, CEO of Physeon and also held senior roles with companies such as Rex Bionics, Avita Medical, Merck, GlaxoSmithKline, GE Healthcare and Pfizer.

Michael Lewis and *Nick Kerton* did not offer themselves for re-election at the AGM on 23 May 2019 and hence resigned from the Board at that date. The Board was deeply saddened by Nick Kerton's death in August 2019.

Board sub-committees

The Board is supported by three sub-committees, the Audit Committee, Nomination Committee and Remuneration Committee.

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 recognition 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.

Section 172(1) Statement

The directors consider, both individually and collectively that they have taken decisions in a manner they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its stakeholders, having regard to the matters set out in s172(1) of the Companies Act 2006:

a) The likely consequences of any decision in the long-term: the long term success of the Group is always a key factor when making strategic decisions.
b) The interests of the Group's employees: the Group's employees are our key asset and hence we take their wellbeing and development very seriously. The Group believes it offers competitive remuneration packages, and seeks to engage employees regularly.
c) The need to foster the Group's business relationships with suppliers, customers and other: the Group has a dynamic relationship with our customers with regular contacts across organisations; we also seek to have constructive and mutually beneficial relationships with our suppliers. Shareholders are also a key stakeholder and we seek to engage shareholders through both generic and specific outreach, covering both financial results and our innovation and future plans.
d) The impact of the Group's operations on the community and the environment. The Group's aims to execute its operations with due regard to the environment. Charities are supported by donations, fundraising, allowing employees two days leave for charitable activities and the donation of equipment.
e) The desirability of the Group maintaining a reputation for high standards of business conduct: integrity of individuals and corporate integrity are at the heart of all we do, and embedded in our culture through formal and informal means.
f) The need to act fairly as between members of the Group: no single set of stakeholders is prioritised over another – all decisions aim to be equitable across all stakeholders.

Cambridge Cognition Holdings plc

Remuneration Report for the year ended 31 December 2019

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

Steven Powell (Chair)
Eric Dodd
Debra Leeves

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**	**2019 Total £'000**	**2018 Total £'000**
Current Directors:						
Executive Directors:						
Steven Powell (1)	59	-	-	-	**59**	147
Nicholas Walters	48	-	-	-	**48**	48
Matthew Stork (2)	146	-	-	9	**155**	-
Non-Executive Directors:						
Steven Powell (1)	27	-	-	-	**27**	-
Eric Dodd	30	-	-	-	**30**	30
Debra Leeves (3)	15	-	-	-	**15**	-
Michael Lewis (4)	18	-	-	-	**18**	44
Nicholas Kerton (4)	12	-	-	-	**12**	30
Total	**355**	**-**	**-**	**9**	**364**	299

(1) Executive Director until 23 May 2019, Non-Executive Director thereafter
(2) Appointed to the Board 23 May 2019
(3) Appointed to the Board on 1 July 2019
(4) Resigned from the Board on 23 May 2019

Payments were also made to third parties for the services of Steven Powell and Nicholas Walters. See note 27 to the consolidated financial statements.

<u>Share Options:</u>

	Granted	Number of Options	Performance criteria	Exercise price in pence	Exercise period
Nicholas Kerton	Sept 2014	75,000	Vested (1)	60 pence	To August 2020
Steven Powell	July 2015	62,500	Vested (2)	82.5 pence	To July 2025
Matthew Stork	October 2019	392,858	(3)	28 pence	Oct 2022 to Sep 2023

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. The rules of the scheme permit Dr Kerton's personal representatives to exercise the options within twelve months of the date of his death.

(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) 50% of these options will vest if the average closing mid-market price of an Ordinary Share for any three month period before 30 September 2022 exceeds 100 pence and on the last day of that period exceeds 90 pence. 50% of these options will vest if the average closing mid-market price of an Ordinary Share for any three month period before 30 September 2022 exceeds 150 pence and on the last day of that period exceeds 135 pence.

On 31 December 2019, 100,000 options in favour of Steven Powell and 25,000 options in favour of Nicholas Walters were forfeited as the performance criteria were not met. These criteria required that the average closing mid-market price of an Ordinary Share for the final 10 trading days of 2019 was a minimum of 130 pence; and that the Group made a profit after tax in at least one of the years to 31 December 2018 or 31 December 2019.

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 2019 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 2019 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and parent company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group and parent company associated with these particular events.

Independent auditor's report to the members of Cambridge Cognition Holdings plc

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's and parent company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's and parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent company will continue in operation.

Overview of our audit approach

Grant Thornton

- Overall group materiality: £134,000, which represents 5% of the group's estimated loss before taxation at the planning stage of the audit;
- Key audit matters were identified as going concern and revenue recognition; and
- We performed full scope audit procedures on the financial statements of Cambridge Cognition Holdings Plc and on the financial information of Cambridge Cognition Limited. We performed targeted audit procedures on Cambridge Cognition LLC and analytical procedures on CANTAB Corporate Health Limited, Cambridge Cognition Trustees Limited and Cognition Kit Limited. There were no changes in scope from prior year.

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
Going concern	
As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to	We undertook procedures to evaluate management's assessment of the impact of Covid-19 on the company's forecasted cashflow. This included, but was not restricted to:

Key Audit Matter – Group	How the matter was addressed in the audit – Group
unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	• Obtaining management's original forecasts covering the period to December 2021. We assessed how these forecasts were compiled, including assessing their accuracy by validating the reasonableness of underlying assumptions; • Assessing the reliability of management's forecasting by comparing the accuracy of actual financial performance to the forecast information; • Obtaining management's revised forecasts prepared to assess the potential impact of Covid-19. We evaluated the assumptions applied, including the estimated, extended period of disruption due to Covid-19 and the resultant reduction in revenue and cashflow during the estimated period of extended Covid-19 disruption. We also considered whether the assumptions are consistent with our understanding of the business; • Assessing and corroborating mitigating actions taken by management to relevant documentation and evaluation of their application in the revised forecasts for accuracy; • Obtaining management's reverse stress test forecasts and assessing the circumstances and likelihood of events that would lead to elimination of the headroom in their original cash flow forecasts; and • Assessing the adequacy of the going concern disclosures included within the financial statements. Key observations Based on the procedures performed, we have identified no issues regarding management's assessment of the impact of Covid-19 on the company's forecasted cashflow. We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.
The risk of improper recognition of revenue due to multiple revenue streams with different recognition criteria 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	Our audit work included, but was not restricted to: • Obtaining management's assessment of income recognition in accordance with IFRS 15 'Revenue from Contracts with Customers'.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
be misstated due to the improper recognition of revenue due to fraud. The Group recognised revenues of £5.0m (2018: £6.1m). The nature of the Group's revenue includes providing multiple products or services as part of a single arrangement. These products and services may include but are not limited to licences of IP, sale of hardware, study set up, data management services, study management services, support services, training, and other maintenance services. Management apply significant judgement to: • identify the separate performance obligations in an arrangement based on the terms of the contract and the Group's customary business practices • determine whether the performance obligation is satisfied over time or at a point in time; and • select an appropriate method for measuring progress of that performance obligation if it is satisfied over time. A number of the products or services may be sold together as a bundled contract. Determining whether the products or services are distinct from other goods and services in an arrangement is key to the appropriate recognition of revenue. We have therefore identified revenue recognition as a significant risk of material misstatement, which is one of the most significant assessed risks of material misstatement.	• Completing an evaluation of revenue recognition policies for consistency and compliance with IFRS 15. • For a sample of contracts, we: ▪ checked that the performance obligations have been appropriately identified in accordance with the Group's accounting policy; ▪ checked that revenue recognised in the year relates to amounts allocated to performance obligations that were satisfied in the year; ▪ inspected evidence of delivery of the products or rendering of services, such as delivery of licence keys, number of assessments completed in the period, and notifications that the assessments have been completed; ▪ evaluated the significant judgements made by management in identifying the separate performance obligations and selecting an appropriate method for measuring progress ▪ inspected evidence that invoices raised relate to milestones met in the period in accordance with the payment schedule agreed with the customer; and ▪ recalculated the revenue recognised for performance obligations delivered over time and checked the accuracy of deferred revenue and accrued income. • Obtaining an understanding of the performance and progress of material contracts through discussions with the internal study managers to corroborate that revenue has been recognised as performance obligations have been satisfied. • Obtaining management's assessment of revenue recognised under bill and hold arrangements, critically challenging the

Key Audit Matter – Group	How the matter was addressed in the audit – Group
	judgements made and corroborating facts to supporting documentation. • Recalculating the deferred income element of a sample of revenue contracts to test the completeness of the deferred income creditor at the year end. The group's accounting policy on revenue recognition is shown in note 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 during the year or any instances of revenue not being recognised in accordance with stated accounting policies.

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	£134,000 which is 5% of estimated group losses before tax at the planning stage of the audit. This benchmark is considered the most appropriate as this is a key measure of performance from the perspective of the Group's stakeholders. Materiality for the current year is lower than the level that we determined, on the basis of group revenue, for the year ended 31 December 2018.	£133,000 which is 2% of estimated total assets at the planning stage of the audit. This benchmark is considered the most appropriate because the entity is a holding company and therefore its asset base is more relevant to the activities of the parent company. Materiality for the current year is higher than the level that we determined, on the same basis, for the year ended 31 December 2018.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration, auditors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.	We determined a lower level of specific materiality for certain areas such as directors' remuneration, auditors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.
Communication of misstatements to the audit committee	£6,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent auditor’s report to the members of Cambridge Cognition Holdings plc

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:

- Cambridge Cognition Holdings plc has centralised processes and controls over the key areas of audit focus. Group management are responsible for all judgemental processes and significant risk areas. In assessing the risk of material misstatement to the Group financial statements we assessed the significance of each component and determined the planned audit response based on a measure of materiality.
- Full scope audit procedures were completed for the main trading subsidiary, Cambridge Cognition Limited and on Cambridge Cognition Holdings plc. Targeted audit procedures were undertaken on Cambridge Cognition LLC and analytical procedures on CANTAB Corporate Health Limited, Cambridge Cognition Trustees Limited and Cognition Kit Limited.
- The total percentage coverage of full-scope and targeted procedures over the Group’s revenue was 100%.
- The total percentage coverage of full-scope and targeted procedures over the Group’s total assets was 97%.
- Our audit approach in the current year is consistent with the audit approach adopted for the year ended 31 December 2018 being substantive in nature.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report 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 directors’ report.

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 to 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.

Use of our report

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.

Paul C Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
29 June 2020

Cambridge Cognition Holdings plc

Consolidated statement of comprehensive income

	Notes	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Revenue	5	5,042	6,134
Cost of sales		(1,149)	(900)
Gross profit		3,893	5,234
Administrative expenses		(7,011)	(6,749)
Other operating income	6	-	27
Operating loss	7	(3,118)	(1,488)
Interest receivable	10	5	-
Finance costs	10	(4)	-
Loss before tax		(3,117)	(1,488)
Income tax	11	216	46
Loss for the year		(2,901)	(1,442)

Earnings per share (pence)	12		
Basic and diluted earnings per share		(12.4)	(7.0)

Other comprehensive income			
Loss for the year		(2,901)	(1,442)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations	21	87	(92)
Total comprehensive loss for the year		(2,814)	(1,534)

All items of 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 2019 £'000	At 31 December 2018 £'000
Assets			
Non-current assets			
Intangible assets	13	385	390
Property, plant and equipment	14	117	58
Total non-current assets		502	448
Current assets			
Inventories	16	53	26
Trade and other receivables	17	1,703	1,868
Cash and cash equivalents	22	901	1,110
Total current assets		2,657	3,004
Total assets		**3,159**	**3,452**
Liabilities			
Current liabilities			
Trade and other payables	19	4,103	3,978
Total liabilities		**4,103**	**3,978**
Equity			
Share capital	20	242	207
Share premium account	20	9,943	7,707
Other reserves	21	6,018	5,931
Own shares	21	(81)	(94)
Retained earnings		(17,066)	(14,277)
Total equity		**(944)**	**(526)**
Total liabilities and equity		**3,159**	**3,452**

The financial statements on pages 24 to 46 were approved by the Board of Directors and authorised for issue on 29 June 2020 and were signed on its behalf by:

Matthew Stork
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	Total £'000
Balance at 1 January 2018	**207**	**7,707**	**6,023**	**(43)**	**(12,820)**	**1,074**
Loss for the year	-	-	-	-	(1,442)	(1,442)
Other comprehensive income	-	-	(92)	-	-	(92)
Total comprehensive income for the year	-	-	(92)	-	(1,442)	(1,534)
Purchase of own shares	-	-	-	(51)	(1)	(52)
Charge to equity for equity-settled share-based payments	-	-	-	-	(14)	(14)
Transactions with owners	-	-	-	(51)	(15)	(66)
Balance at 1 January 2019	**207**	**7,707**	**5,931**	**(94)**	**(14,277)**	**(526)**
Loss for year	-	-	-	-	(2,901)	(2,901)
Other comprehensive income	-	-	87	-	-	87
Total comprehensive income for the year	-	-	87	-	(2,901)	(2,814)
Issue of new share capital	35	2,465	-	-	-	2,500
Share issue costs	-	(229)	-	-	-	(229)
Transfer on allocation of shares held in trust	-	-	-	13	(13)	-
Credit to equity for equity-settled share-based payments	-	-	-	-	125	125
Transactions with owners	35	2,236	-	13	112	2,396
Balance at 31 December 2019	**242**	**9,943**	**6,018**	**(81)**	**(17,066)**	**(944)**

Cambridge Cognition Holdings plc

Consolidated statement of cash flows

	Notes	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Net cash flows from operating activities	22	(2,320)	(644)
Investing activities			
Interest received		5	-
Purchase of property, plant and equipment		(15)	(25)
Purchase of intangible asset		(40)	-
Net cash flow used in investing activities		(50)	(25)
Financing activities			
Proceeds from the issue of share capital, net of issue costs		2,271	-
Purchase of own shares		-	(51)
Finance lease payments		(113)	-
Net cash flows from financing activities		2,158	(51)
Net (decrease) in cash and cash equivalents		(212)	(720)
Cash and cash equivalents at start of year		1,110	1,859
Exchange differences on cash and cash equivalents		3	(29)
Cash and cash equivalents at end of year	22	901	1,110

Cambridge Cognition Holdings plc

Notes to the financial statements

1. General information

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') specialises in improving brain health by developing and marketing near-patient cognitive testing techniques.

The Company is a public limited company which is listed on the AIM market 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.

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 2018, other than that IFRS 16: Leases which has been adopted in the 2019 financial statements. See notes 3.6 and 23 for more details on the impacts of adopting IFRS 16. The financial statements have been prepared under the historical cost convention.

The subsidiary undertakings included within the Consolidated Financial Statements as at 31 December 2019 are given in note 15.

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

At the date of authorisation of the Consolidated Financial Statements, the standards and amendments that are in issue but not yet effective 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. All of the Group's subsidiaries are wholly-owned.

3.2 Going concern
The Directors have assessed the Group's ability to continue as a going concern, in particular in light of the Covid-19 pandemic. As noted in the Strategic Review, the business has remained fully operational to date and order intake has been encouraging.

With the Group already informed of a great majority of revenue and billing impacting delays, the Group formed two forecasts. The first was a base case based on the information known and a realistic view of future sales, especially in the near term. This case can be characterised as business beginning to return towards pre-Covid levels at the beginning of Q3. There is also a worse case, which builds in further delays, a more pessimistic sales forecast but also some initial cost reduction activities. This case can be characterised as a return towards pre-Covid levels at the beginning of Q4.

The base case shows strong performance, especially in sales which in turn supports a positive and comfortable cash balance right through to the end of 2021, with a positive outlook thereafter. The worse case also shows positive cash through the period, and with the long period to December 2021, would allow for further expenditure modifications not yet budgeted.

The Directors have also given regard to the Group's performance against these two scenarios since they were set and this has been encouraging, especially in the securing of sales orders that will drive future billings and revenue. The Group also benefitted from the £1.4m equity fundraise in March 2020.
Whilst having proper regard to the possibilities of an extended lockdown period, or a so-called second spike, the Directors believe that these two realistic scenarios both show that the Group will remain a going concern for the foreseeable future. Accordingly, the accounts have been prepared on the going concern basis.

3.3 Revenue recognition
Revenue is accounted for in accordance with IFRS 15 Revenue from contracts with customers.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services, net of discounts, VAT and other sales-related taxes. Contracts are identified and the constituent parts are assessed separately to ensure that revenue is recognised appropriately. The Group's sales can be placed into three categories as follows: software, services and hardware. Revenue recognition for each of these items are considered in turn below.

3. Significant accounting policies (continued)

3.3 Revenue recognition (continued)
Software:
The Group sells licences to use its software and/or its software hosting platform. These licences can take different forms, which are described in turn below:

Software licences hosted on our servers:
Where software is hosted on our servers the revenue is recognised over a period of time, as we have a continuing performance obligation to provide services (e.g. to ensure our servers are available).

- For contracts where the software value is greater than or equal to £20,000, and software is sold on a cost per assessment basis, the Group uses the assessment price to recognise the revenue as the assessments are used.

- For contracts where the software value is less than £20,000, and software is sold on a cost per assessment basis, the Group uses a portfolio estimate of the revenue being recognised over 12 months. This period has been chosen as it best represents the average life of this portfolio of contracts.

- For contracts where the licence is sold for unlimited uses over a limited period of time, the revenue is taken equally over the course of the licence period.

Software breakage:
Software is generally sold as non-refundable and so at the end of a contract any remaining deferred software revenue is taken to the income statement, subject to the related cash being received or reasonable expected. In addition, breakage will also be taken where software assessments on a project have not been used for 12 months, and management is not able to establish that the related project is ongoing.

Software licences not hosted on our servers:
Where software is not hosted on our servers, it is used as it exists at the point in time the licence is granted and as such revenue is recognised at that point in time. The time of recognition is once the licence has been delivered to the customer, either through delivery of a physical software key or installation on the client systems, as this is when our performance obligations are satisfied.

Services:
The Group provides a range of services that include supporting clinical studies, bespoke software development and scientific consultancy. Some services will be ongoing services provided over a period of time, whilst some will be clearly tied to a deliverable or other project milestone.

Services delivered over a period of time:
When services are delivered over a period of time (e.g. study support services) the revenue is recognised equally over the relevant period. In some instances, the period in question may be for the life of the contract, and in these instances management will estimate the length of the contract for this purpose. When that estimate changes, revenue that has not yet been recognised will be adjusted prospectively to match the revised estimate. Study support services can be separated into set-up, ongoing management and close out phases with separate performance obligations. Where material and clearly identifiable, these phases will be recognised separately. Where immaterial or not clearly identifiable, these revenues will be recognised evenly over the course of the total relevant period.

Services delivered at a point in time:
Some services, such as training and delivery of scientific reports will be delivered at a point in time and as such will be recognised at a point in time, as the performance obligation is discharged on delivery.
In some cases, whilst the end product is a specific deliverable, it may be that the work required is executed over an extended period of time. In these cases, management may make an estimate of revenue earned to date consistent with the principles of services delivered over a period of time.

Customer support services:
Aside from any specific services contracted, our customers have access to our customer support team should they have problems with their software. The life of this support matches the life of the software licence, and as such this support is not separated from the software licence revenue recognition as described above.

Hardware:
The Group does not manufacture hardware, but will acquire, configure and sell hardware to customers as part of our offering. Hardware revenue is recognised when hardware is despatched to the customer, as the performance obligation is discharged at this point.

3. Significant accounting policies (continued)

3.3 Revenue recognition (continued)

Bill and hold arrangements:
On some occasions, a customer may ask that we purchase and configure hardware on their behalf and then store the hardware awaiting specific despatch instructions. In these cases, the customer assumes ownership of the assets even though they may still be in our physical possession. Once all of the specific criteria under IFRS 15 are met, the Group will recognise this hardware revenue, even though the hardware has not yet been despatched.

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

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 Sales commissions
Commissions are accrued and subsequently paid based on the contractual terms reached with the salesperson. Where commissions are paid related to revenues that are not expected in the same accounting period, the commission amount is capitalised and held as an asset on the balance sheet, before being amortised in line with the related revenue.

3.6 Leasing
The Group adopted IFRS 16 Leases on 1 January 2019.

A contract contains a lease if the contract gives the Group the right to control the use of an asset for a period of time. On commencement of a lease (and on adoption of IFRS 16), the lease liability is measured at the present value of the contracted lease payments, using an estimation of the Group's incremental cost of borrowing, or a rate implicit in the contract if that can be determined. Right-of-use assets are measured at cost compromising the amount of the initial investment of the lease liability and restoration costs.

Subsequent to initial recognition, the lease liability is increased for the related finance charges, and reduced for instalments paid. The asset is depreciated on a straight-line basis over the length of the lease. Upon any subsequent modifications to the lease, the values are reassessed in line with the process outlined for commencement above.

Should the Group enter into any leases with a period of under 12 months, or for assets with a low value, these costs would be recognised directly into the income statement. For 2019, there are no such assets.

Lease disclosures, including those related to the transitional impacts of adopting IFRS 16 are given in note 23.

3.7 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 monthly rates over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

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

3. Significant accounting policies (continued)

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10 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

Property, plant and equipment

Property, plant 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:

Leased buildings (right of use)	-	Period of contracted use (i.e. length of lease)
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

3. Significant accounting policies (continued)

3.11 Tangible and intangible assets (continued)
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.

Purchased licences

Where a licence for software used in the provision of services to customers in purchased, the amount is capitalised and amortised over the period of the licence. The amortisation charge is charged to cost of sales.

Internally-generated intangible assets – research and development expenditure

The Group undertakes research and development expenditure in view of developing new products. Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

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

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

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

3.13 Financial instruments
Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at amortised cost, and financial liabilities at fair value, plus or minus directly attributable transaction costs.

Financial assets
Financial assets are subsequently measured at amortised cost. The Group currently holds no assets at fair value through profit and loss or fair value through other comprehensive income. Accordingly, where the Group believes that there is a change in the fair value of a financial instrument (e.g. a trade receivable is considered unrecoverable) this amount will be adjusted through the income statement. A financial asset is derecognised once the contractual rights expire (e.g. when cash has been received for a trade receivable).

Expected credit losses on trade receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group estimates expected credit losses by taking the credit losses over the preceding 36 months and comparing this to the revenue over the same period. The historical rates are adjusted to reflect current conditions and the Group's view of economic conditions over the expected lives of the receivables. The percentage derived is then applied to the outstanding trade receivables. This has resulted in an immaterial amount and as such no provision has been booked.

Financial liabilities
All the Group's financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Financial liabilities are derecognised when the related obligation is discharged, cancelled or expires.

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 are recognised as the proceeds received, net of direct issue costs.

Hedge accounting
The Group does not have any relationships that qualify for hedge accounting.

3. Significant accounting policies (continued)

3.14 Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 24.

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, supported by management have made in the process of applying the Group's accounting policies. Where estimation uncertainty exists, the directors, supported by management take account of all available information in forming their judgement.

Revenue recognition
In the adoption and subsequent continuous application of IFRS 15, many judgements may be required in recognising revenue and cost. These judgements include

- The extent to which, and the way in which, contracts are separated into their component parts and the values attributed to those parts;
- Whether software licences are granted to allow the customer the benefit of use of our intellectual property over a period of time (including benefitting from future maintenance and improvements) or whether that right is given as the intellectual property exists at the point of time the licence is granted. In the case of the former, software is recognised over the period of use, for the latter revenue is recognised when the licence commences and the customer is able to use the software;
- The adoption of the portfolio approach for lower value sales and the recognition criteria applied;
- Where performance obligations are satisfied over time, the length of time remaining for performance, and whether this needs revising over time; and
- The length of time for performance also dictates the initial deferral and subsequent recognition of commissions in cost of sales.

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 13.

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 capitalisation 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 2019 (2018: £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 24. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit and loss and equity.

5. Revenue

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

	2019 £'000	2018 £'000
Software	2,526	3,088
Services	2,339	2,831
Hardware	177	215
	5,042	6,134

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:

	2019 £'000	2018 £'000
United Kingdom	508	745
United States of America	2,522	4,070
European Union	1,325	612
Rest of world	687	707
	5,042	6,134

Information about major customers

Revenue of £992,000 (2018: £731,000) can be attributed to one (2018: one) 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.

Revenue from contracts with customers

All revenue comes from contracts with customers, with the exception of £63,000 (2018: £276,000) which came from contracts with grant issuing bodies. This amount is included in the Services and United Kingdom sections in the above tables.

Timing of revenue recognition

As explained in note 3.3, some software and services are recognised over a period of time, and some at a point in time. The split of revenue in line with these factors is as follows:

	2019 £'000	2018 £'000
Software – delivered over a period of time	2,167	2,619
Software – delivered at a point in time	359	469
Services – delivered over a period of time	1,605	2,397
Services – delivered at a point in time	734	434
Hardware – recognised at despatch or on satisfaction of bill and hold criteria	177	215
	5,042	6,134

5. Revenue (continued)

Of the £2,847,000 deferred revenue at 31 December 2018, £1,948,000 was recognised as revenue in 2019. Of the £2,007,000 deferred revenue at 1 January 2018 (on transition to IFRS 15), £1,386,000 was recognised as revenue in 2018.

Payment terms can vary from customer to customer and are subject to negotiation. Normally, software will be invoiced at the point of initial sale and services invoiced as delivered. This will mean that a deferred revenue balance is created in respect of software which will be reduced as the software is used.

At 31 December 2019, the Group has sales orders (including both billed and unbilled amounts) worth £5,864,000 for which performance obligations are currently unsatisfied. At that date the Group estimates that £3,598,000 of this will be recognised in 2020, £873,000 will be recognised in 2021 and £1,393,000 in 2022 and thereafter.

Deferred commissions

Deferred commissions is presented as part of 'other receivables' in note 17. The movement of this account specifically is as follows:

	2019 £'000	**2018 £'000**
Opening balance	320	50
Amount of opening balance recognised in year	(158)	(34)
Net addition from sales in year	111	304
Closing balance	273	320

6. Other operating income

Other operating income is made up of the following:

	2019 £'000	**2018 £'000**
Sub-lease income	-	27
	-	27

7. Operating loss

Operating loss has been arrived at after charging:

	2019 £'000	**2018 £'000**
Net foreign exchange losses	70	68
Research and development costs	1,715	1,414
Depreciation of property, plant and equipment	157	55
Amortisation of intangibles	5	2
Staff costs (see note 9)	4,647	4,434

8. Auditor's remuneration

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

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of:		
the Company's annual accounts	22	15
the subsidiaries' annual accounts	25	24
Total audit fees	47	39
Audit-related assurance services	11	9
Taxation compliance services	9	9
Total non-audit fees	20	18
Fees payable to affiliate firms of the Company's auditor:		
Taxation compliance services	12	27
Total fees payable to affiliate firms of the Company's auditor	12	27

9. Staff costs

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

	2019 Number	2018 Number
Operations	50	45
Sales and business development	9	16
Administrative support	12	12
	71	73

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	3,939	3,898
Social security costs	336	327
Other pension costs (see note 25)	247	223
Share-based payments charge (see note 24)	125	(14)
	4,647	4,434

10. Interest receivable and finance costs

The interest receivable for the year can be analysed as follows:

	2019 £'000	2018 £'000
Interest on bank deposits	5	-

The finance costs for the year can be analysed as follows:

	2019 £'000	2018 £'000
Unwinding of discount on finance lease creditor	4	-

11. Taxation

	2019 £'000	2018 £'000
Corporation tax:		
Current year	3	23
Adjustments in respect of prior years	(219)	(69)
	(216)	(46)
Deferred tax (see note 18)	-	-
Total tax credit	(216)	(46)

Corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated taxable loss for the year.

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

	2019 £'000	2018 £'000
Loss before tax on continuing operations	(3,117)	(1,488)
Tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	(592)	(283)
Difference in foreign tax rates	(8)	(4)
Expenses not deductible for tax purposes	27	(10)
Deduction on exercise of share options	(1)	(3)
Movement in unprovided deferred tax on losses	574	300
Adjustment in respect of prior years	(219)	(69)
Foreign tax charge	3	23
Tax credit for the year	(216)	(46)

The adjustment in respect of prior years relates to the receipt of R&D tax credits in respect of 2018 (2018: in respect of 2016 and 2017). No claim has yet been made for 2019 and no credit has been recognised in the financial statements.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This was confirmed in the UK Budget presented on 11 March 2020. These announcements do not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

12. Earnings per share

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

Earnings

	2019 £'000	2018 £'000
Earnings for the purposes of basic and diluted EPS per share being net loss attributable to owners of the Company	(2,901)	(1,442)

Number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purposes of basic EPS	23,414	20,553
Weighted average number of ordinary shares for the purposes of diluted EPS	23,414	20,553

For 2019 and 2018, 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.

13. Intangible assets

	Goodwill £'000	Licences £'000	Total £'000
Cost			
At 1 January 2019	352	40	392
Additions	-	-	-
At 31 December 2019	352	40	392
Amortisation			
At 1 January 2019	-	2	2
Charge for the year	-	5	5
At 31 December 2019	-	7	7
Net Book value			
At 31 December 2019	352	33	385
At 31 December 2018	352	38	390

The goodwill held by the Group is held within Cambridge Cognition Limited and was recognised when the initial trade and assets for Cambridge Cognition Limited were acquired in 2002. The initial amount recognised was the difference between the amount paid for the trade and assets by Cambridge Cognition Limited and the fair value of those assets. The goodwill represents Cambridge Cognition's proprietary software. This software is used across the Group's product offerings, and the group monitors the value of the goodwill at the Cambridge Cognition Limited level. Accordingly, the cash generating unit ("CGU") for the purposes of testing impairment under IAS 36 is the statutory entity of Cambridge Cognition Limited.

The recoverable value of the goodwill and other assets in Cambridge Cognition Limited has been assessed on a value in use basis considering the three-year future forecasts for Cambridge Cognition Limited. These budgets are a result of the overall Group budgeting process. This process considers both prior performance and future projections based on both external and internal factors. A terminal value is calculated based on the third year of forecasts with a nil growth rate. The discount rate used was 7.5%.

As well as the scenario based on these forecasts, management has run alternative scenarios with reasonable downside assumptions to test the valuation. In all scenarios, the goodwill amount is recovered within the initial three year period. Accordingly, no impairment provision has been recorded.

14. Property, plant and equipment

	Leased Buildings £'000	Leasehold Improvements £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2019	-	38	572	610
Additions	201	1	14	216
Disposals	-	-	-	-
At 31 December 2019	201	39	586	826
Depreciation				
At 1 January 2019	-	38	514	552
Charge for the year	115	-	42	157
Disposals	-	-	-	-
At 31 December 2019	115	38	556	709
Net Book value				
At 31 December 2019	86	1	30	117
At 31 December 2018	-	-	58	58

15. Subsidiaries and joint ventures

Details of the Company's subsidiaries at 31 December 2019 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%
Monument Therapeutics Limited	United Kingdom	100%	100%
Cognition Kit Limited	United Kingdom	50%	50%

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 and Monument Therapeutics 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 510 S. 200 W. Suite 200, Salt Lake City, UT 84101, USA.

All holdings are in ordinary shares.

16. Inventories

	2019 £'000	2018 £'000
Finished goods and goods for resale	53	26

During the year inventories with a total value of £131,000 (2018: £115,000) were included in the income statement as an expense.

17. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables from contracts with customers	690	823
Accrued income from contracts with customers	148	223
Prepayments	298	165
Other receivables	567	657
	1,703	1,868

Trade receivables

Trade receivables disclosed above are classified as financial assets 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 impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables at 31 December is 37 days in 2019 (2018: 29 days).

Aging of past due but not impaired receivables:

	2019 £'000	2018 £'000
31-60 days	28	29
61-90 days	3	21
91-120 days	18	42
121 or more days	23	38
	72	130

There is no impairment loss allowance (2018: nil). 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. Under IFRS 9, the credit losses provision for the Group would be immaterial and has not been booked in this or the prior year.

No bad debts were written off in the year (2018:£5,000).

18. Deferred Tax

At the reporting date, the Group has unused tax losses of £10.5 million (2018: £8.9 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.

19. Trade and other payables

Amounts falling due within one year

	2019 £'000	2018 £'000
Trade payables	775	406
Accruals	363	604
Deferred income on contracts with customers	2,746	2,847
Social security and other taxes	94	93
Lease liabilities	92	-
Other payables	33	28
	4,103	3,978

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 (2018: 38 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.

20. Share capital

	2019 £'000	2018 £'000
Issued and fully paid		
24,170,093 (2018: 20,697,870) Ordinary Shares of £0.01 each	242	207

On 12 March 2019, 3,472,223 Ordinary Shares were issued in a placing that raised net proceeds of £2.3m.

On 10 March 2020, 7,000,000 Ordinary Shares were issued in a placing that raised net proceeds of £1.3m.

21. Own Shares Reserve and Other Reserve

	2019 £'000	2018 £'000
Own Shares Reserve	81	94

The Own Shares Reserve represents the cost of shares acquired by the two Cambridge Cognition Employee Benefit Trusts to satisfy options under the Group's share options schemes. The number of shares held by the UK Employee Benefit Trust at 31 December 2019 was 72,893 (2018: 102,693). The number of shares held by the Jersey-based Employee Benefit Trust at 31 December 2019 was 48,250 (2018: 48,250).

During the year employees exercised 28,600 share options at an exercise price of £0.01, and 1,200 share options at an exercise price of £0.70 which were satisfied by the UK Employee Benefit Trust.

	2019 £'000	2018 £'000
Other reserves – merger reserve	5,981	5,981
Other reserves – cumulative translation adjustment	37	(50)
Total other reserves	6,018	5,931

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 £37,000 of cumulative exchange differences on the translation of foreign operations.

22. Notes to the cash flow statement

	2019 £'000	2018 £'000
Loss before tax	(3,117)	(1,488)
Adjustments for:		
Depreciation of property, plant and equipment	157	55
Amortisation of software licences	5	2
Share-based payment expense	125	(14)
Finance costs	4	-
Interest receivable	(5)	-
Operating cash flows before movements in working capital	(2,831)	(1,445)
(Increase)/ Decrease in inventories	(27)	7
Decrease in receivables	148	513
Increase in payables	110	304
Cash generated by operations	(2,600)	(621)
Tax credit received less tax paid	280	(23)
Net cash from operating activities	(2,320)	(644)

Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and bank balances	901	1,110

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

23. Lease arrangements

The Group holds leases for its headquarters and one additional storage building on the same site. These are the Group's only leases. A summary of the lease asset is within note 14, being the column 'Leased Buildings'. The asset addition of £201,000 is the amount brought into the accounts on 1 January 2019 on adoption of IFRS 16.

The changes in the lease liability are as follows:

	2019 £'000
Liability recognised on adoption of IFRS 16	201
Lease repayments	(113)
Finance costs	4
Liability outstanding at year-end	92

All remaining lease payments are due within one year. Included within the liability above is an amount of £16,000 for restoration of the property at the lease's end.

Impact of adoption of IFRS 16

These were the only leases the Group held at 31 December 2018 and the Group has adopted IFRS 16 retrospectively with the cumulative effect of applying the standard at 1 January 2019. These leases were classified as operating leases under the previous leasing standard, IAS 17. At adoption, a 'leased building' tangible fixed asset of £201,000 was created. An equal and opposite lease liability of £201,000 was created. Accordingly, there was no impact on the net opening retained earnings position of the Group. The initial valuation used an incremental borrowing rate of 5.75%.

At 31 December 2018, the Group reported that £198,000 was payable in future lease commitments under IAS 17. When measured at present value under IFRS 16 these cash flows are valued at £185,000. The £16,000 restoration liability is then added to create an opening liability under IFRS 16 of £201,000.

24. 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:

	2019		2018	
	Number of share options	**Weighted average exercise price (in £)**	**Number of share options**	**Weighted average exercise price (in £)**
Outstanding at beginning of year	809,406	0.36	1,793,606	0.17
Exercised during the year	(29,800)	0.04	(2,000)	0.01
Granted during the year	944,215	0.35	404,500	0.01
Forfeited during the year	(407,500)	0.01	(1,386,700)	0.01
Outstanding at the end of the year	1,316,321	0.46	809,406	0.36
Exercisable at the end of the year	378,106	0.75	389,406	0.73

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 3.8 years (2018 7.3 years). The exercise prices of share options outstanding at the period end was as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price (in £)**	**Number of share options**	**Weighted average exercise price (in £)**
Exercise price of one pence	71,490	0.01	477,590	0.01
Exercise price of 28 pence	750,715	0.28	-	-
Exercise price between 60 and 82.5 pence	456,184	0.74	293,884	0.75
Exercise price between 136 and 272 pence	37,932	1.63	37,932	1.63
Outstanding at the end of the year	1,316,321	0.46	809,406	0.36

Options were granted on 16 April 2019 and 30 October 2019. The performance conditions attached to some of these options are such that options vest dependent on the Group 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 in April is £13,000, and for those granted in October is £55,000. The inputs into the Monte Carlo stochastic model for the performance related options were as follows:

	April 2019
Share price at date of issue	69p
Exercise price	72p
Expected volatility	48%
Expected life	3 years
Risk-free rate	0.80%
Expected dividend yields	0.0%

	October 2019
Share price at date of issue	27.5p
Exercise price	28p
Expected volatility	74%
Expected life	3 years
Risk-free rate	0.45%
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 a total charge of £125,000 (2018: credit of £14,000) in relation to equity-settled share-based payment transactions.

25. 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 £247,000 (2018: £223,000) represents contributions payable to these schemes by the Group at agreed rates. As at 31 December 2019, contributions of £30,000 (2018: £22,000) due in respect of the current reporting year had not been paid over to the schemes.

26. 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 2019 (2018: nil). The Group is not subject to any externally imposed capital requirements.

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:

	2019 £'000	**2018 £'000**
Cash and cash equivalents	901	1,110
Equity shareholder funds	(944)	(526)

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

	2019 £'000	**2018 £'000**
Financial assets classified at amortised cost		
Cash and bank balances	901	1,110
Trade and other receivables	847	1,105
Financial liabilities at amortised cost		
Trade and other payables	1,355	1,113

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 of at least a further 12 months. The Group maintains cash and cash equivalents to meet its liquidity requirements for up to a 30-day period.

At 31 December 2019, the Group's financial liabilities had contractual maturities which are summarised below:

	2019 £'000 Within 1 year	**2018 £'000 Within 1 year**
Trade payables	775	406
Other payables	488	707
Lease liability	92	-
	1,355	1,113

26. Financial instruments (continued)

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.

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	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
US Dollar	9	115	819	809
Euro	427	-	469	263
Qatari Riyal	-	-	52	57
Canadian Dollar	-	-	-	21

A movement in the £/$ exchange rate of +/- 5% from 31 December 2019 to the date of realising the US dollar net asset position would result in a gain/loss of £41,000 (2018: £35,000). Similarly with the Euro, the gain/loss would be £2,000 (2018: £13,000). With the Qatari Riyal, the gain/loss would be £3,000 (2018: £3,000). With the Canadian Dollar, the gain/loss would be nil (2018: £1,000).

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. The Group has calculated its expected credit losses and the amount is immaterial. No guarantees have been given in respect to third parties.

Fair value of financial instruments
The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the Statement of Financial Position approximate their fair values.

27. 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 £16,000 (2018: £34,000) in respect of the value of time and expenses of the Group committed to the activities of Cognition Kit Limited - this has been recognised in revenue. At year-end a balance of £nil (2018: £nil) was owed to the Group by Cognition Kit Limited. The Group has also accrued income of £99,000 representing the value of time and expenses of the Group (2018: £88,000) – this has been recognised in accrued income from contracts with customers.

Further, the Group paid Cognition Kit Limited £75,000 in the year (2018: £1,000) – this has been recognised as a cost of sale. A balance of £178,000 was outstanding at 31 December 2019 (2018: nil) in respect of licence fees – this has been included in trade payables. The Group has also accrued costs in respect of licence fees and other services payable to Cognition Kit Limited of £74,000 (2018: £101,000) – this has been included in accruals.

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 2019 consist of the Directors and four additional senior staff.

	2019 £'000	**2018 £'000**
Short-term employee benefits	786	626
Post-employment benefits	37	19
Termination benefits	-	-
Share-based payments	12	(10)
	835	635

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 2019 the Group incurred consultancy fees of £24,000 (2018: £24,000) from MCR Holdings, a partnership of which Nicholas Walters is a partner and consultancy fees of £33,000 (2018: nil) from The Truffaldino Partnership, a company of which Steven Powell is a Director. At 31 December 2019 a balance of £2,699 (2018: £5,820) was outstanding to MCR Holdings.

28. Post Balance Sheet Events

The following events since the balance sheet date require reporting:

Equity Fundraise: as described in the Strategic Report and in note 20, the Group raised £1.40m gross through an equity fundraise in March 2020.

Covid-19: Since the balance sheet date, the Covid-19 pandemic has affected the world. As described in the Strategic Report and in note 3.2, the Group continues to be fully operational throughout the pandemic, with a flexible workforce using remote systems and working from home. While certain customers are deferring the start date for their clinical trials and others whose trials are already underway have either halted or slowed the recruitment of subjects into their trials temporarily, our order intake continues at an encouraging rate while other customers trials continue as planned. So far, there has been no significant net impact on the business, but we remain cautious over the outcome for the full year 2020 until we have a complete understanding of when our customers will return to full operation.

Both of these matters are non-adjusting balance sheet events, and have not led to any changes in the numbers presented for 2019 in this Annual Report and Accounts.

Cambridge Cognition Holdings plc

Parent Company statement of financial position

	Notes	At 31 December 2019 £'000	At 31 December 2018 £'000
Assets			
Non-current assets			
Investments	2	475	375
Total non-current assets		475	375
Current assets			
Trade and other receivables	3	6,804	5,587
Cash and cash equivalents		23	19
Total current assets		6,827	5,606
Total assets		**7,302**	**5,981**
Liabilities			
Current liabilities			
Trade and other payables	4	81	61
Total liabilities		**81**	**61**
Equity			
Share capital	5	242	207
Share premium account		9,943	7,707
Retained earnings		(2,964)	(1,994)
Total equity		**7,221**	**5,920**
Total liabilities and equity		**7,302**	**5,981**

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 £1,095,000 (2018: £34,000).

The financial statements of Cambridge Cognition Holdings plc on pages 48 to 52 were approved and authorised for issue by the Board on 29 June 2020 and were signed on its behalf by:

Matthew Stork
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 2018	207	7,707	(1,946)	5,968
Loss for the year	-	-	(34)	(34)
Charge to equity of equity-settled share-based payments	-	-	(14)	(14)
Transactions with owners	-	-	(14)	(14)
At 31 December 2018	**207**	**7,707**	**(1,994)**	**5,920**
Balance at 1 January 2019	207	7,707	(1,994)	5,920
Loss for the year	-	-	(1,095)	(1,095)
Issue of new share capital	35	2,465	-	2,500
Share issue costs	-	(229)	-	(229)
Credit to equity of equity-settled share-based payments	-	-	125	125
Transactions with owners	35	2,236	125	2,396
At 31 December 2019	**242**	**9,943**	**(2,964)**	**7,211**

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 27 of the Group accounts and the Directors Remuneration Report)
- Capital management disclosures (though see note 26 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 24 of the consolidated financial statements
- Disclosure exemption on financial instrument disclosures (IFRS 7) as this information has been presented for the Group in note 26 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).

Additionally, with respect to intercompany loans, these are assessed for expected credit losses and provision is made where the recoverable value is less than the book value of the receivable.

1.4 Going concern

The Directors have assessed the Company's ability to continue as a going concern, in particular in light of the Covid-19 pandemic. The status of the Company is ultimately dependant on the status of the Group. As noted in the Directors' Report, the business has remained fully operational to date and order intake has been encouraging.

With the Group already informed of a great majority of revenue and billing impacting delays, the Group formed two forecasts. The first was a base case based on the information known and a realistic view of future sales, especially in the near term. This case can be characterised as business beginning to return towards pre-Covid levels at the beginning of Q3. There is also a worse case, which builds in further delays, a more pessimistic sales forecast but also some initial cost reduction activities. This case can be characterised as a return towards pre-Covid levels at the beginning of Q4.

The base case shows strong performance, especially in sales which in turn supports a positive and comfortable cash balance right through to the end of 2021, with a positive outlook thereafter. The worse case also shows positive cash through the period, and with the long period to December 2021, would allow for further expenditure modifications not yet budgeted.

The Directors have also given regard to the Group's performance against these two scenarios since they were set and this has been encouraging, especially in the securing of sales orders that will drive future billings and revenue. The Group also benefitted from the £1.4m equity fundraise in March 2020.
Whilst having proper regard to the possibilities of an extended lockdown period, or a so-called second spike, the Directors believe that these two realistic scenarios both show that the Group will remain a going concern for the foreseeable future. Accordingly, the accounts have been prepared on the going concern basis.

1.5 Employee Benefit Trust

Two Employee Benefit Trusts (EBTs) are maintained in order to facilitate the exercise of employee share options. Assets and shares of the EBTs are not consolidated into the Parent company. 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 2019	375
Additions	100
At 31 December 2019	475
Provisions for impairment	
At 31 December 2018 and At 31 December 2019	-
Net Book value	
At 31 December 2019	475
At 31 December 2018	375

The subsidiary undertakings 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
Monument Therapeutics Limited	United Kingdom	100%	Dormant entity

Other Group subsidiaries, all of which are owned indirectly through Cambridge Cognition Limited are detailed in note 15 of the Group accounts. All subsidiaries have been included in the consolidated accounts.

3. Trade and other receivables

	2019 £'000	**2018 £'000**
Amounts due from subsidiary undertaking	7,769	5,568
Provision against amounts due from subsidiary undertaking	(983)	-
Other receivables	18	19
	6,804	5,587

£7,750,000 of the amounts due from subsidiary undertakings are considered a long term loan to Cambridge Cognition Limited, but are technically repayable on demand. The Company receives interest at a rate of 7.5% per annum on this amount. At 31 December 2019, the recoverable value was estimated at £6,786,000, and hence an expected credit loss of £983,000 was recorded (2018: no impairment charge).

4. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	29	28
Social security and other taxes	16	10
Accruals	36	23
	81	61

5. Share capital

The details on the share capital of the Company are provided at note 20 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.