Registered No: 8211361

Cambridge Cognition Holdings plc

Annual Report and Accounts

31 December 2020

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	(Executive Director)
	Richard Bungay	(Non-Executive Director)
	Debra Leeves	(Non-Executive Director)
Secretary:	Nicholas Walters	
Registered Office:	Tunbridge Court Tunbridge Lane Bottisham Cambridge CB25 9TU	
Company number:	8211361	
Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge CB4 0FY	
Legal Advisers:	Brown Rudnick LLP 8 Clifford Street London W1S 2LQ	
Bankers:	Barclays 28 Chesterton Road Cambridge CB4 3AZ	
Registrars:	Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL	
Nominated Advisor and Joint Broker:	finnCap 60 New Broad Street London EC2M 1JJ	
Joint Broker:	Dowgate Capital Limited 15 Fetter Lane London EC4A 1BW	

Cambridge Cognition Holdings plc

Strategic Report for the year ended 31 December 2020

CHIEF EXECUTIVE'S REVIEW

Financial summary

- Record sales order intake of £12.7m (2019: £4.9m)
- Revenue up 34% to £6.7m (2019: £5.0m)
- Gross profit up 39% to £5.4m (2019: £3.9m)
- Loss for the year £0.4m, a £2.5m improvement (2019: £2.9m loss)
- Loss per share 1.5 pence (2019: 12.4 pence loss per share)
- Cash balance at 31 December 2020 £3.0m (31 December 2019: £0.9m)

Operational highlights

- Contracted order backlog at 31 December 2020 of £11.2m (31 December 2019: £5.7m)
- Increased commercial focus resulted in increases in sales order volumes, average prices and multi-product sales
- Growth in sales orders across the entire product portfolio: CANTAB™, electronic Clinical Outcomes Assessment ("eCOA"), and Digital Health solutions
- Excellent progress with NeuroVocalix™ in customer-funded proof-of-concept contracts

The Company had a successful year in 2020 delivering considerable sales growth of its digital technology solutions with a record £12.7m of sales orders secured, representing a 158% increase on 2019. This was a result of the implementation of the strategy developed in 2019 to increase focus on commercial activities, while continuing product development and creating operational resilience and flexibility. The COVID-19 pandemic accelerated market interest in virtual clinical trials, creating more opportunities for the Company in 2020 and beyond.

The 31 December 2020 contracted order backlog, which represents contracts not as yet completed where revenue is yet to be recognised, stood at £11.2m, almost double the figure from 2019. We anticipate that over £6.0m of the year-end contracted order backlog will be recognised in 2021, which will provide a solid platform for revenue growth in 2021.

The strong sales order intake helped to generate 34% revenue growth, bringing revenues for the year to £6.7m, and, with careful cost control, a considerably reduced loss of £0.4m and a net cash inflow from operating activities of £1.0m. With steady revenue growth and continued cost management over the year, the Company was profitable in the fourth quarter.

We continued to build the breadth of our digital technology product portfolio, targeted at major pharmaceutical and well-funded biotechnology companies. Key developments included new outcomes instruments and application modules for both our electronic Clinical Outcomes Assessment ("eCOA") and Digital Health solutions. Progress on our voice-based platform, NeuroVocalix™, also continued apace.

The COVID-19 pandemic initially slowed the conversion of contracted orders into recognised revenue. After an adjustment period, the trials that were delayed by the pandemic resumed as contingency measures were put in place at clinical trial sites. Overall, the shortfall in our forecasted revenue was covered by growth in new contracts, some in part due to more spending on virtual clinical trials prompted by the pandemic.

We were grateful for the support of investors in our fundraise in the first quarter of 2020, conducted before COVID-19 was declared as a pandemic. The funds were used to invest in commercialising our solutions, to further develop our new voice solution, and to strengthen our balance sheet.

Overall, after a strong performance in 2020 and with a broader portfolio and a growing market, we are excited about the potential for further growth in 2021.

Financial Results

Record sales orders of £12.7m, a 158% year-on-year increase (2019: £4.9m), arose from increases in both contract volumes and average prices. This reflects the Company's continuing focus on improving commercial execution, with more cross selling between product areas due, in part, to the expanded product portfolio. The Company won seven large orders of over £0.5m each, exceeding previous years. It should be noted that the 2020 performance was accentuated by two large one-off orders that, together, totalled £3.1 million. Such large single orders are outside of the scope of normal business and may not be repeated every year.

Revenue grew by 34% to £6.7m (2019: £5.0m). Revenue is recognised over the term of the contracts and so the £6.7m revenue recognised in 2020 was from contracts won both in 2020 and in prior years:

- £2.6m from the £5.7m contracted order backlog at the end of 2019, and
- £4.1m from the £12.7m orders contracted during 2020.

We anticipate the £11.2m contracted order backlog at the end of December 2020 will generate at least £6.0m of revenue to be recognised in 2021 with the to balance be recognised in subsequent years.

Recognised revenue split by type was as follows:

	2020 £m	**2019 £m**	**Increase £m**	**Increase**
Software	2.7	2.5	0.2	9%
Services	3.7	2.3	1.4	57%
Total Software & Services	**6.4**	**4.8**	**1.6**	32%
Hardware	0.3	0.2	0.1	76%
Total Revenue	**6.7**	**5.0**	**1.7**	34%

Service revenue grew by 57% as more implementation and bespoke development work was carried out. Software revenue grew by a more modest 9% but, given the time lag between contract signature and software usage, we would expect this to grow further in 2021.

Hardware sales were a small proportion of revenue in 2020; the hardware, which is procured from third parties, is only supplied by Cambridge Cognition when specifically requested by a customer to support a project. Hardware sales had been expected to decline as digital devices become ubiquitous, however, we now integrate wearable devices into our solution and so increased the supply of these in 2020.

Gross profit was £5.4m (80.4% margin) compared with £3.9m (77.2% margin) in 2019. The margin growth was due to a reduction in third party costs.

Administrative expenses decreased by 13% to £6.1m (2019: £7.0m) as a result of two factors:

- Prior to the pandemic the Company planned and executed a reduction in operating costs as part of its strategy to reshape the cost base for its future growth. Subsequently, at the start of the pandemic, replacement and planned new hires were deferred until certainty returned to the market (£0.6m year-on-year decrease); and
- The COVID-19 pandemic meant that key cost areas such as exhibitions, conferences and travel were greatly reduced (£0.3m year-on-year decrease).

As planned, investment in R&D, which is necessary to maintain the company's position at the forefront of the sector, was more targeted in 2020 and this resulted in R&D spend of £1.5m. As a proportion of revenue, this represents a reduction from 34% in 2019 to 22% in 2020.

The loss before tax was £0.6m (2019: £3.1m). R&D tax credits were £0.2m (2019: £0.2m). The post-tax loss for the year was £0.4m (2019: £2.9m), which equates to a loss per share of 1.5 pence (2019: 12.4 pence loss per share).

Cash inflow from operating activities was £1.0m (2019: £2.3m outflow), driven by the high value of sales orders. Sales contracts for clinical trials typically include an amount of cash billable upon signing, and as such an invoice is raised (and cash subsequently collected) as contracts are executed and before revenue is recognised.

After accounting for the £1.3m net received from the equity placing in Q1 2020, total cash inflow was £2.1m, and the year-end cash balance was just over £3.0m, which provides a solid platform for growth.

Business Strategy

A full strategic review was performed in 2019. The potential to accelerate the growth of the business was evident and plans were implemented to take advantage of the opportunities. The aim of the strategy is to increase market share in two fast growth markets and to build a substantial, profitable, specialist digital technology business.

The primary target market is the eCOA market, which is a US$1.2bn+ market, growing at approximately 15% per annum. 15% of clinical trials are conducted on Central Nervous System ("CNS") disorders, which is the Company's core area of expertise, and pharmaceutical companies continue to invest heavily in CNS drug development.

The second target market is the Digital Health solutions market for CNS disorders, which is a US$0.5bn market and is growing at 20% per annum.

The strategy, outlined in the annual report last year, comprises five strategic pillars. Progress in the year was as follows:

1. **Build a diversified product mix based on four product categories: CANTAB™, eCOA, Digital Health solutions, and NeuroVocalix™.** The business made good progress with major growth in all our production solutions. The development of our NeuroVocalix™ voice platform continued to progress well and has attracted interest from major pharmaceutical companies.
2. **Focus on commercialising products.** Record sales order intake, delivered through increased conversion of opportunities and increased upselling (especially through multi-product sales), has been a major success.
3. **Build smoother revenues.** A deeper contracted order backlog will naturally begin to smooth revenues. At the same time our strategy is to target longer-term contracts and long-term licence deals. We have progressed some exciting opportunities in this area.
4. **Build partnerships to access wider opportunities and geographies.** We have continued to explore partnership opportunities in Digital Health solutions and Healthcare in large territories (for example China and India) where direct selling is not an efficient route to market, with several large Clinical Research Organisations and a number of major blue chip tech companies. These are long-term endeavours. The impact has therefore not yet been factored into our forecasts.
5. **Reduce investment in non-strategic activities.** R&D spend was more targeted than in previous years. We have continued to progress the spin-out of our digital phenotyping business, which is nearly wholly grant-funded at this time.

Operational Review

Improving commercial execution is an ongoing strategic and operational goal. The considerable progress made in 2019 has reaped rewards and the Company continued that focus and progress in 2020.

We built further on the capability and coverage of our sales team. We hired a new Chief Commercial Officer and expanded the sales team in the USA later in the year. We ran a focused marketing programme, which, at the start of the pandemic, was adapted to be delivered completely online. Consequently we generated considerably more leads than in 2019.

The volume of orders contracted in the year increased considerably due to this commercial focus and the broader portfolio of solutions offered. In addition, cross-selling was successful with a 52% increase in the number of clinical trial customers ordering more than one product. As our product development continues and a broader sales pipeline is established, we will continue to build long-term resilience and growth within the business.

We are excited to see our newer products mature and attract more market interest. In parallel, it is pleasing to report that our established CANTAB™ product is going from strength to strength. We were delighted to announce our participation in three late phase schizophrenia trials in September. This is an important disease area in the neurological space and our involvement is a great credit to our scientific expertise. Our work on these trials will deliver revenue of more than £2m over the life of the contracts.

In the eCOA area, we commercialised the major upgrade we launched in late 2019 and considerably expanded our portfolio of eCOA instruments. We delivered on the strategy to upsell CANTAB™: approximately half of eCOA orders taken in 2020 were as an add-on to CANTAB™ orders. We also grew our eCOA-only sales and for the first time took sizeable orders for non-CNS / non-cognition instruments. We intend to explore the eCOA-only opportunity further in 2021.

Our catalogue of Digital Health solutions continued to expand and we demonstrated that these solutions can be scaled effectively. We delivered three new applications for clinical trials during the year. With Digital Health solutions being a newer offering, over the last few years we have taken orders at lower margins with at least some new software development to satisfy each contract. We strive to make each new module configurable so it can subsequently be reused. In late 2020, we achieved an important milestone, securing a Digital Health contract worth over £0.7m that reused existing modules without any bespoke software development and was therefore at a high margin.

In 2019, we concluded development of our voice-based platform prototype, NeuroVocalix™. Progress has continued with this product through 2020 and we are on track to launch a production version in 2021. Progress is underlined by excellent early results in ongoing customer funded proof-of-concept clinical trials in patients using NeuroVocalix™.

Operational efficiency improved during 2020 as the number of clinical trials being implemented increased. Towards the end of the year, the Company increased the size of the software development and operational teams to meet the growth in demand, while continuing to prepare to further improve efficiency in 2021.

As well as the developments mentioned above on our Digital Health solutions and NeuroVocalix™, we continued to build on the functionality of our core products. For example, we developed a new cognitive task to measure motor function which helped secure a large contract that included CANTAB™ and eCOA solutions. This contract will deliver more than £1m in revenue over the life of the contract.

We were also delighted to be part of a successful consortium of 46 academic and industry partners to be awarded an IMI (Innovative Medicines Initiative) grant. Working with leading industry and academic partners continues to be an important part of our product development strategy. The project for which the award was granted concerns the increasingly important area of fatigue, including exploring how fatigue plays a role in neurodegenerative disorders such as Parkinson’s disease and Huntingdon’s disease.

The Company’s strong performance has been underpinned by the continued excellence of our people who have continued to offer outstanding customer service in a fast-changing and unprecedented working environment. I would like to take this opportunity to thank them for their dedication and tenacity.

Board Changes

As previously announced, Eric Dodd retired from the Board at our 2020 AGM and we are grateful to Eric for his support for the Company during his tenure.

We were pleased to welcome Richard Bungay to the Board in September 2020. Richard brings over 25 years’ experience in corporate roles with R&D-based companies in the biotechnology and pharmaceutical sector. Richard joined the Board as a Non-Executive Director and is the Chair of the Audit Committee.

We announced in January of this year that Nick Walters is leaving his position as CFO to pursue other business interests. Nick has made a major contribution to the Company over seven years and remains an Executive Director until the forthcoming AGM to ensure a smooth handover.

Michael (Mick) Holton joined as CFO in January 2021. Mick has had an extensive career in finance, most recently at Biome Technologies plc, and previously at Infinis Energy, Alliance Boots (now Walgreens Boots Alliance) and Kidde plc (now part of United Technologies Corporation).

COVID-19

COVID-19 brought new challenges to the business. Our first priority was the safety and welfare of our staff, people in our local environment, suppliers and customers. The Company adapted very quickly to working at home and has continued to be fully operational throughout the pandemic. Our systems are cloud-based, and supported by remote access to supplementary systems, and so our business has been uninterrupted.

We have seen a considerable increase in interest in virtual clinical trials since the start of the pandemic. This has included some existing trials switching to virtual (out of clinic) protocols. We are well placed to serve this market, both with our existing products and our developing technologies.

At the outset of the pandemic, some trials' starts were delayed and, for others, recruitment was slowed. Clinical trial sites subsequently put into place contingency measures to allow them to operate during the pandemic and trials have been running as expected since then. Uncertainty persists, however, and so we will continue to carefully monitor the situation and adjust plans as necessary.

All indications from our scenario planning suggest that our business can withstand reasonable downside risks from COVID-19. We are further comforted that the likelihood of these risks crystallising and their impact appears to be reduced with the roll-out of vaccinations. We have increased the flexibility of our cost base leaving us better positioned to respond to changes. Work on meeting our contractual obligations has continued unhindered.

Brexit

Over the course of 2020, the Company maintained its readiness for the ending of the transition period covering the withdrawal of the UK from the EU and has subsequently continued to trade without any disruption, other than some minor issues with hardware shipping. The Company provides primarily IT software and services, which are not subject to tariffs nor checks. Hardware, procured from third parties, is only supplied when required by customers. Early information about additional costs and potential delays was provided to customers.

Outlook

We believe that our performance in 2020 has affirmed our position as a leading digital technology company providing customer-focused solutions primarily for clinical trials. We are pleased with progress and excited about the potential.

We have a strong pipeline of opportunities that we aim to convert into orders and revenues in 2021 to add to the £6.0m of contracted order backlog we expect to realise this year.

We were pleased to be profitable in the last quarter of 2020 and would expect that to continue into 2021. We are anticipating further revenue growth and plan to continue careful financial management and targeted investment in research and development.

With a strategy focused on commercial execution, substantial value anticipated from newer eCOA and Digital Health solutions in attractive, high growth markets, together with the established CANTAB™ product and the commercial launch of NeuroVocalix™ planned for 2021, we believe that we are well placed to continue to build substantial, sustainable shareholder value. We look forward to reporting further exciting progress in 2021.

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 2023. 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 Group adapted well to the challenges posed by Covid-19, and the increased interest in remote clinical trials is likely to be a long-term benefit to the Group. Operationally, the Group adapted quickly and well to remote working. 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 and related changes

The United Kingdom has left the European Union ('EU'). The Group kept the situation during 2020 under review and there have not been any immediate, detrimental impacts either in 2020 or 2021 to date. Nonetheless, the Group remains watchful, and in particular to the following factors:

- Regulations, especially General Data Protection Regulations ('GDPR'): the Group is working to ensure that compliance with regulations, especially those in relation to data sharing, continue to be adhered to, as the EU debates the equivalence considerations of data processed or controlled in the UK.
- Imports and exports: the Group does import a small amount of hardware form the EU. The Group also exports hardware to both EU and non-EU countries. The Group has not yet experienced significant problems in this area but this remains a risk.
- 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.
- 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.
- People: the group has a number of EU nationals as employees. No employees have been lost as a result of Brexit, and there have not yet been any obvious impacts on recruitment. Nonetheless, it is possible that recruitment may be impacted by a potentially smaller pool of talent.

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 2020, no customer accounted for more than 10% of the revenue of the business. Over recent years, the increased diversity of our product offering has led to an increased diversity in both our products and our customer base that has continued to mitigate this risk. 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	2020 result	2019 result	Movement	Summary management commentary
Revenue	£6.74m	£5.04m	£1.70m increase (34%)	Revenue has increased following growth in sales orders that commenced in Q4 2019 and continued throughout 2020.
Sales orders	£12.70m	£4.93m	£7.77m increase (158%)	This increase reflects both new products and a full review of the Group's commercial function in 2019.
Order book (revenue yet to be recognised on orders won)	£11.17m	£5.69m	£5.48m increase (96%)	A result of the order intake above, the volume of our order book gives us an excellent base as we enter 2021.
Operating margin	(10%)	(62%)	52 percentage point increase	As well as the growth in revenue above, the Group has cut costs as previously advised. This has included reducing spend in research and development and savings from lower conference and travel activity due to the Covid-19 pandemic.
Cash flow	£2.15m inflow	£0.21m outflow	Increase in inflow of £2.36m	This is the result of the combination of share issue of £1.28m in March 2020 and by cash generated through operations and in particular the Group's billing profile.

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 2020, and the plans for continued innovation.

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. Strategic Plans are prepared every year focussing on a minimum three-year period.
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. The Group has worked hard to maintain contact with employees even with many employees working from home, principally through fortnightly town hall meetings, but also ensuring that line managers are staying close to their teams. All employee surveys on relevant issues have been undertaken each quarter in 2020 and the Group has implemented appropriate action plans as a consequence.
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. Customers are regularly asked for specific feedback, a feedback survey is completed at the end of each study we support and the feedback received is used to help shape future engagements. 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 (e.g. Standard Operating Procedures) 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.

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

Matthew Stork
Chief Executive Officer
6 April 2021

Cambridge Cognition Holdings plc

Report of the Directors for the year ended 31 December 2020

The Directors present their report on the affairs of the Group and Company together with the financial statements for the year to 31 December 2020. The Group financial statements are prepared under international accounting standards in conformity with the requirements of the Companies Act 2006.

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. The likely future developments of the business and the nature of research and development activities are discussed in the strategic report.

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 in 2020 was excellent. The Group also benefitted from the £1.28m (net) equity fundraise in March 2020.

Whilst having proper regard to the continuing uncertainties brought by the pandemic, 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.

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. On 10 March 2020, 7,000,000 shares were issued in connection with the raising of £1.28m (net) referred above.

DIRECTORS

The Directors who held office at 31 December 2020 and their interest in the share capital of the Company were:

	Ordinary Shares of 1p each		
Name	**15 March 2020**	**31 December 2020**	**31 December 2019**
Steven Powell (Chairman)	216,375	216,375	141,375
Matthew Stork	125,000	125,000	50,000
Nicholas Walters	300,826	300,826	200,826
Richard Bungay	-	-	-
Debra Leeves	50,000	50,000	-

Other directors who served in the year, details of appointment and resignation dates are given in the Remuneration Report.

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, the Remuneration Report 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

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
6 April 2021

Cambridge Cognition Holdings plc

Corporate Governance Report for the year ended 31 December 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 and 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 for the Annual Report and Accounts 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 ten 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

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 2020 is as follows:

	Board	Audit	Nomination	Remuneration
No. of Meetings	11	2	2	2
S. Powell	11	2	2	2
M. Stork	11	-	-	-
N. Walters	11	-	-	-
R. Bungay	3 (of 3)	1 (of 1)	1 (of 1)	1 (of 1)
E. Dodd	4 (of 6)	1 (of 1)	-	1 (of 1)
D. Leeves	11	2	2	2

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 as required. The Covid-19 pandemic and remote working meant this was not undertaken in 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 processes 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 is provided below. The Remuneration Report is on pages 17 and 18.

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*

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

Dr Matthew Stork *Chief Executive Officer*

Dr Stork has over 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.

Richard Bungay *Non-Executive Director*

Mr. Bungay has over 25 years' experience in corporate roles with R&D-based companies within the biotechnology and pharmaceutical sector, including as Chief Financial Officer (CFO) of both public and private companies, with a particular focus on financing, investor relations and business development. A chartered accountant, Mr Bungay is currently CFO of Diurnal Group plc, the AIM quoted specialty pharmaceutical company targeting patient needs in chronic endocrine diseases. Prior to that, Mr Bungay held CFO and Chief Operating Officer roles at Mereo BioPharma Group plc as well as being CFO of Glide Technologies and Verona Pharma plc.

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.

Eric Dodd did not offer himself for re-election at the AGM on 27 May 2021 and hence resigned from the Board at that date.

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 and going concern as key audit matters.

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 Group'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.

Remuneration Committee

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

Steven Powell (Chair)
Richard Bungay
Debra Leeves

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

The Company is not required to publish a Directors' Remuneration Report, but the below information is given in the interests of transparency and good governance.

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 was as follows:

	Salary /Fee £'000	**Benefits £'000**	**Bonus £'000**	**Pension £'000**	**2020 Total £'000**	**2019 Total £'000**
Current Directors:						
Executive Directors:						
Matthew Stork (1)	241	-	133	14	**388**	155
Nicholas Walters	48	-	22	-	**70**	48
Steven Powell (2)	-	-	-	-	**-**	59
Non-Executive Directors:						
Steven Powell (2)	45	-	-	-	**45**	27
Richard Bungay (3)	9	-	-	-	**9**	-
Eric Dodd (4)	18	-	-	-	**18**	30
Debra Leeves (5)	30	-	-	-	**30**	15
Michael Lewis (6)	-	-	-	-	**-**	18
Nicholas Kerton (6)	-	-	-	-	**-**	12
Total	**391**	**-**	**155**	**14**	**560**	**364**

(1) Appointed to the Board 23 May 2019
(2) Executive Director until 23 May 2019, Non-Executive Director thereafter
(3) Appointed to the Board on 14 September 2020
(4) Resigned from the Board on 28 July 2020
(5) Appointed to the Board on 1 July 2019
(6) Resigned from the Board on 23 May 2019

Payments were also made to third parties for the services of Steven Powell and Nicholas Walters, not included in the table above. See note 27 to the consolidated financial statements.

Share Options:

	Granted	Number of Options	Performance criteria	Exercise price in pence	Exercise period
Steven Powell	July 2015	62,500	Vested (1)	82.5 pence	To July 2025
Matthew Stork	October 2019	392,858	(2)	28 pence	October 2022 to September 2023
Matthew Stork	June 2020	196,429	(3)	28 pence	June 2023 to May 2024
Matthew Stork	November 2020	103,774	(4)	53 pence	November 2023 to October 2024
Nicholas Walters	June 2020	60,000	(3)	28 pence	June 2023 to May 2024

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 120 pence. This condition was fulfilled on 4 May 2017.

(2) 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.

(3) 50% of these options will vest if the average closing mid-market price of an Ordinary Share for any three month period before 31 May 2023 exceeds 77.5 pence and on the last day of that period exceeds 70 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 115 pence and on the last day of that period exceeds 105 pence.

(4) 50% of these options will vest if the average closing mid-market price of an Ordinary Share for any three month period before 31 May 2023 exceeds 90 pence and on the last day of that period exceeds 80 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 130 pence and on the last day of that period exceeds 115 pence.

At the beginning of the year, the personal representatives of Dr. Nicholas Kerton held 75,000 vested options at an exercise price of 60 pence. The rules of the scheme permitted Dr Kerton’s personal representatives to exercise the options by August 2020. The options were not exercised and hence the options have been forfeited.

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 2020, 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and our results arising with respect to that evaluation is included in the key audit matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

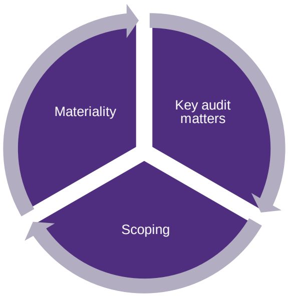
Cambridge Cognition Holdings plc

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

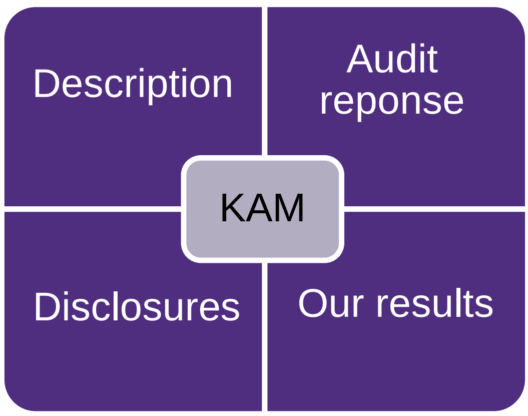
Our approach to the audit



Overview of our audit approach
Overall materiality: Group: £185,000**,** which represents approximately 2.75% of the Group's revenue. Parent company: £76,000**,** which represents approximately 1% of the parent company's total assets, capped at its component materiality.
Key audit matters were identified as going concern and revenue recognition (same as previous year).
We performed an audit of the financial information of the component using component materiality (full-scope audit procedures) on the financial information of Cambridge Cognition Holdings plc and of Cambridge Cognition Limited. We performed an audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the Group financial statements (specific-scope audit procedures) on Cambridge Cognition LLC. Analytical procedures at Group level (analytical procedures) were performed on CANTAB Corporate Health Limited, Cambridge Cognition Trustees Limited and Cognition Kit Limited. There were no changes in scope from prior year. In total, our audit procedures covered 95% of the Group's net assets, 100% of the Group's revenue and 98% of the Group's loss before tax.

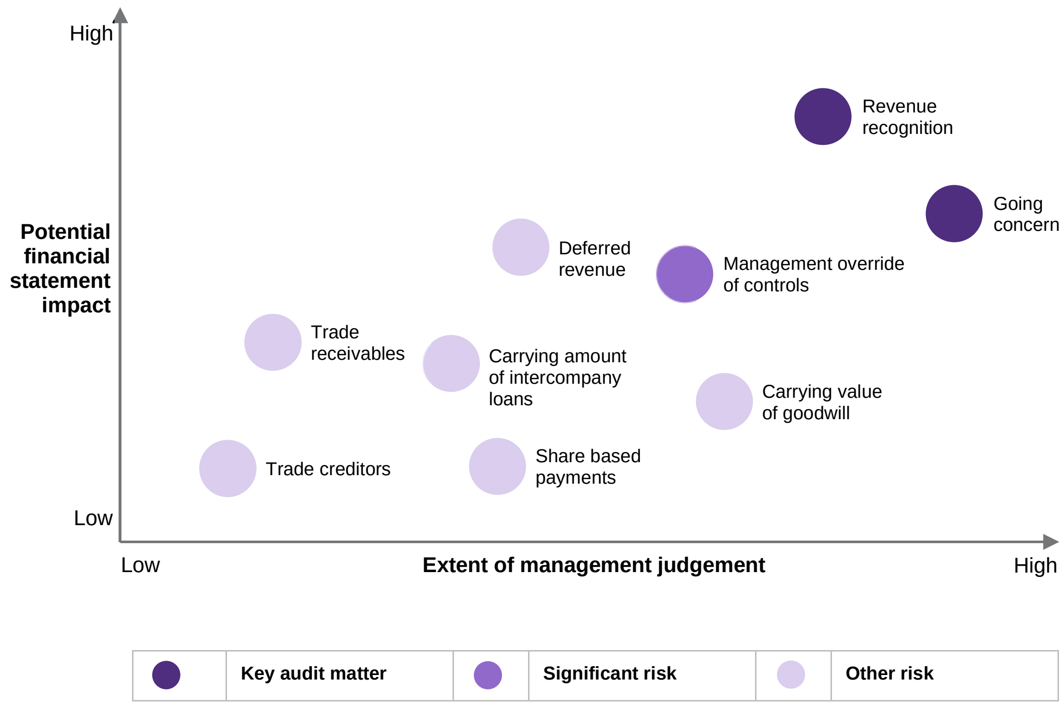
Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.



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

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. The Group's ability to continue as a going concern has been subject to increased audit scrutiny in line with the anticipated financial impact of Covid-19 and Brexit and their potential impact on the markets as a whole and the Group specifically. The directors have considered the impact of Covid-19 and Brexit and have sensitised their forecasts accordingly. As the full economic effect on the Group and the overall economic environment are still uncertain, there is a significant level of judgement involved in anticipating results. Due to the high level of	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's assessment of going concern and supporting information, including budgets and cash flow forecasts. We assessed how the budgets and forecasts were compiled, including assessing their accuracy by validating the reasonableness of underlying assumptions; • Critically evaluated the revenue and cost projections underlying the model with reference to market information, past performance of the Group as well as any known post balance sheet events; • Assessed the impact of COVID-19 and Brexit on the cash-flow projections as well as the related assumptions and sensitivities; and • Assessed the adequacy of the going concern disclosures included within the financial statements.

Key Audit Matter – Group	How our scope addressed the matter – Group
judgement involved in these assessments, there exists a risk that inappropriate assumptions might be utilised in the determination of the Group's ability to continue as a going concern.	
Relevant disclosures in the Annual Report and Accounts The financial statements explain in note 3.2 how the directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group financial statements.	Our results Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the significant judgements made by management in identifying the separate performance obligations and selecting an appropriate method for measuring progress. 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 there are risks of fraud in revenue recognition. 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 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.	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's assessment of income recognition in accordance with IFRS 15 'Revenue from Contracts with Customers' and evaluated the 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 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 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

Key Audit Matter – Group	How our scope addressed the matter – Group
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.	▪ recalculated the revenue recognised for performance obligations delivered over time and checked the accuracy of deferred revenue and accrued income. • Obtained 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; • Obtained management's assessment of revenue recognised under bill and hold arrangements, critically challenging the judgements made and corroborating facts to supporting documentation; and • Recalculating the deferred income element of a sample of revenue contracts to test the completeness of the deferred income creditor at year end.
Relevant disclosures in the Annual Report and Accounts	**Our results**
The Group's accounting policy on revenue recognition is set out in note 3.3 to the financial statements and related disclosures are included in note 5.	Based on our audit work, we did not identify any material misstatement in the revenue recognised in the year to 31 December 2020. We consider the Group's disclosure to be in accordance with IFRS 15.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

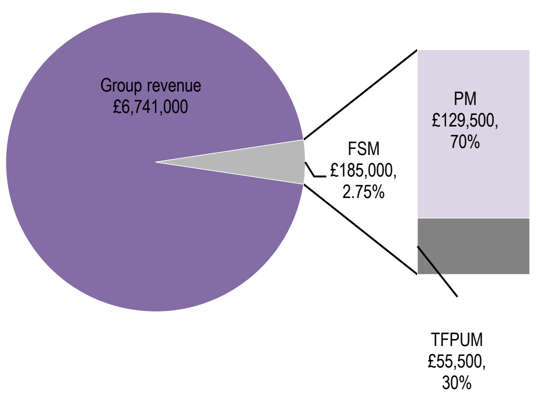
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£185,000, which is approximately 2.75% of the Group's revenue.	£76,000, which is approximately 1% of the parent company's total assets, capped at its component materiality.
Significant judgements made by auditor in	In determining materiality, we made the following significant judgements:	In determining materiality, we made the following significant judgements:

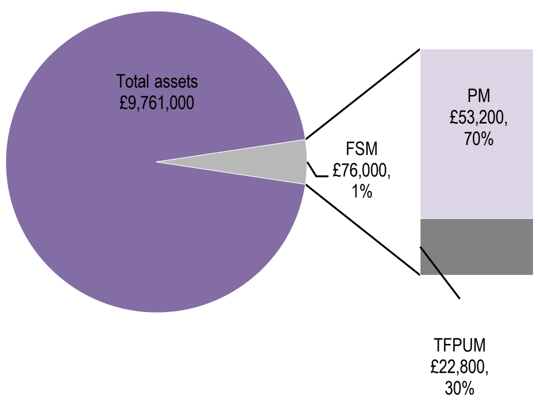
Materiality measure	Group	Parent company
determining the materiality	• We selected revenue as the benchmark as it is less volatile and reflective of the activity levels and scale of the Group's business. Revenue is also a key performance measure for the Group and is therefore of most interest to stakeholders. • We used 2.75% as an appropriate benchmark percentage as the Group has no debt and the business is relatively stable and not complex. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019 to reflect the increase in the Group's revenue for the year.	• We selected total assets as benchmark as the parent company is not a trading entity. Therefore, total assets are of most relevance to users of the financial statements. • We determined 1% as an appropriate benchmark percentage due to the size of the parent company's total assets. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the change in the measurement percentage from 2% of total assets last year to 1% this year, and the capping applied in the current year at its component materiality, referred to above.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£129,500, which is 70% of financial statement materiality.	£53,200, which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we considered: • our risk assessment – there have been no significant changes to the finance team, functions or systems; and • the strength of the control environment and our experience auditing the financial statements of the Group, including the effect of misstatements identified in previous audits.	In determining performance materiality, we considered: • our risk assessment – there have been no significant changes to the finance team, functions or systems; and • the strength of the control environment and our experience auditing the financial statements of the parent company, including the effect of misstatements identified in previous audits.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could	

Materiality measure	Group	Parent company
	reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for certain areas such as directors' remuneration, related party transactions and audit fees.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£9,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£3,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group	Overall materiality – Parent company





FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- We obtained an understanding of the Group and its environment, including Group-wide controls as follows:

- The Group's accounting process is structured around the centralised Group finance function based at the Group's head office in Cambridge, UK, which provides accounting and administrative support for the Group's operations; and
- The Group has two trading subsidiaries, Cambridge Cognition Limited (registered in UK) and Cambridge Cognition LLC (registered in USA), and a non-trading parent company based in UK. Other entities within the Group are not involved in the core operations of the Group.

Identifying significant components

- We identified and evaluated the components to assess their significance and to determine the planned audit response based on a measure of materiality. We determined significance as a percentage of the Group's total assets, revenue and loss before taxation.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Based on our assessment of the Group as above, we focused our Group audit scope primarily on the two trading subsidiaries, which were the significant components, and the parent company.
  - Audit of the financial information of the component using component materiality (full-scope audit) was performed on the financial information of the parent company and Cambridge Cognition Limited; and
  - Audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) was performed on the financial information of Cambridge Cognition LLC, where the extent of our testing was based on our assessment of the risks of material misstatement and of the size of the Group's operations at that location.
- At the Group level we also tested the consolidation process and carried out analytical procedures for the remaining three components (CANTAB Corporate Health Limited, Cambridge Cognition Trustees Limited and Cognition Kit Limited) to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of those remaining components.
- We identified the going concern assumption and revenue recognition as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report.

Performance of our audit

- As documented above, the Group has a centralised finance function based at the Group's head office in Cambridge, UK. All procedures were performed by the Group engagement team, there are no component auditors.
- In total, our full scope and specific-scope audit procedures covered 95% of the Group's net assets, 100% of the Group's revenue and 98% of the Group's loss before tax.
- The audit was performed wholly remotely given the restrictions on travel arising from Covid-19.

Changes in approach from previous period

- There has been no change in our assessment of scoping the Group audit from prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, 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.

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

In the light of the knowledge and understanding of the Group and 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, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we have considered the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and the industry in which they operate. We determined that the following laws and regulations were most significant: international accounting standards in conformity with the requirements of the Companies Act 2006, Companies Act 2006, AIM Rules for Companies, QCA Corporate Governance Code and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, including laws and regulations relating to employment matters, data security and protection, and clinical trials regulations.

- We obtained an understanding of how the parent company and the Group is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and minutes of Audit Committee meetings.

- We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated this through our review of professional fees incurred during the year;

- We assessed the susceptibility of the parent company's and the Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in making its significant accounting estimates;
  - utilising a valuation specialist to test the discounted cashflow model used in management's impairment calculation;
  - identifying and testing journal entries, in particular any large or unusual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
  - assessing the extent of compliance with direct laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements.
- We reviewed the Group's press releases and performed a search of any related information in the public domain.

- We communicated relevant laws and regulations and potential fraud risks to all Group engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

- The Group's management and Audit Committee have not noted any matters of non-compliance with laws and regulations or fraud that were communicated with the Group engagement team.

- We completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable financial reporting requirements.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations.

- It is the Group engagement partner’s assessment that the Group engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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 Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
6 April 2021

Cambridge Cognition Holdings plc

Consolidated statement of comprehensive income

	Notes	Year to 31 December 2020 £'000	Year to 31 December 2019 £'000
Revenue	5	**6,741**	5,042
Cost of sales		**(1,324)**	(1,149)
Gross profit		**5,417**	3,893
Administrative expenses		**(6,093)**	(7,011)
Other operating income	6	**32**	-
Operating loss	7	**(644)**	(3,118)
Interest received	10	**4**	5
Finance costs	10	**(9)**	(4)
Loss before tax		**(649)**	(3,117)
Tax received	11	**211**	216
Loss for the year		**(438)**	(2,901)

Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations	21	**93**	87
Total comprehensive income for the year		**(345)**	(2,814)

Earnings per share (pence)	12		
Basic and diluted earnings per share		**(1.5)**	(12.4)

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 2020 £'000	At 31 December 2019 £'000
Assets			
Non-current assets			
Intangible assets	13	**379**	385
Property, plant and equipment	14	**138**	117
Total non-current assets		**517**	502
Current assets			
Inventories	16	**51**	53
Trade and other receivables	17	**2,648**	1,703
Cash and cash equivalents	22	**3,047**	901
Total current assets		**5,746**	2,657
Total assets		**6,263**	3,159
Liabilities			
Current liabilities			
Trade and other payables	19	**6,206**	4,103
Total liabilities		**6,206**	4,103
Equity			
Share capital	20	**312**	242
Share premium	20	**11,151**	9,943
Other reserves	21	**6,111**	6,018
Own shares	21	**(78)**	(81)
Retained earnings		**(17,439)**	(17,066)
Total equity		**57**	(944)
Total liabilities and equity		**6,263**	3,159

The financial statements on pages 30 to 53 were approved by the Board of Directors and authorised for issue on 6 April 2021 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 2019	207	7,707	5,931	(94)	(14,277)	(526)
Loss for the 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 in trust	-	-	-	13	(13)	-
Charge to equity for equity-settled share-based payments	-	-	-	-	125	125
Transactions with owners	35	2,236	-	13	112	2,396
Balance at 1 January 2020	**242**	**9,943**	**6,018**	**(81)**	**(17,066)**	**(944)**
Loss for year	**-**	**-**	**-**	**-**	**(438)**	**(438)**
Other comprehensive income	**-**	**-**	**93**	**-**	**-**	**93**
Total comprehensive income for the year	**-**	**-**	**93**	**-**	**(438)**	**(345)**
Issue of new share capital	**70**	**1,330**	**-**	**-**	**-**	**1,400**
Share issue costs	**-**	**(122)**	**-**	**-**	**-**	**(122)**
Transfer on allocation of shares held in trust	**-**	**-**	**-**	**3**	**(3)**	**-**
Credit to equity for equity-settled share-based payments	**-**	**-**	**-**	**-**	**68**	**68**
Transactions with owners	**70**	**1,208**	**-**	**3**	**65**	**1,346**
Balance at 31 December 2020	**312**	**11,151**	**6,111**	**(78)**	**(17,439)**	**57**

Cambridge Cognition Holdings plc

Consolidated statement of cash flows

	Notes	Year to 31 December 2020 £'000	Year to 31 December 2019 £'000
Net cash flows from operating activities	22	**1,010**	(2,320)
Investing activities			
Interest received		**4**	5
Purchase of property, plant and equipment		**(42)**	(15)
Purchase of intangible asset		**-**	(40)
Net cash flow used in investing activities		**(38)**	(50)
Financing activities			
Proceeds from the issue of share capital		**1,400**	2,500
Share issue costs		**(122)**	(229)
Lease payments		**(113)**	(113)
Net cash flows from financing activities		**1,165**	2,158
Net increase/(decrease) in cash and cash equivalents		**2,137**	(212)
Cash and cash equivalents at start of year		**901**	1,110
Exchange differences on cash and cash equivalents		**9**	3
Cash and cash equivalents at end of year	22	**3,047**	901

1. General information

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') develops and markets digital solutions to assess brain health.

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 accounting standards in conformity with the requirements of the Companies Act 2006. The accounting policies adopted are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2019. The financial statements have been prepared under the historical cost convention. The accounts are presented in Pounds Sterling ("£"), and to the nearest £1,000.

The subsidiary undertakings included within the Consolidated Financial Statements as at 31 December 2020 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. As noted in the Strategic Review, the business has remained fully operational to date and order intake in 2020 was excellent. The Group also benefitted from the £1.4m gross equity fundraise in March 2020.

The Group has a base case forecast for the period to 31 March 2022 with a growth case and worst case also being forecast. The base case is built on the current view of orders to be taken and the recognition of revenue and billing milestones associated with orders already taken.

The base case shows strong performance, driven by existing orders and supports a positive and comfortable cash balance right through the going concern review period, with a positive outlook thereafter. The worst case also shows positive cash through the going concern review period and would allow for further expenditure modifications not yet budgeted.

Whilst having proper regard to the continuing uncertainties brought by the pandemic, 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.

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

To determine whether to recognise revenue, the Group follows a five-step process:

1. Identifying a contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when or as performance obligations are satisfied

The Group often enters into contracts where a bundle of products or services are provided. Contracts are assessed and obligation(s) are separated by applying the five steps to each element of the contract to decide how revenue should be recognised. The Group's portfolio of products and services each have defined characteristics and performance obligations that inform revenue recognition decisions and the policy applied.

Management assesses the value of the standalone transaction prices of each unbundled element and believe them to be appropriately reflected in the contract prices for the respective element, which are the result of arm's length market price negotiations with customers. Each are capable of being sold and used by customers

3. Significant accounting policies (continued)

3.3 Revenue recognition (continued)

individually, and each are clearly identified within the contract. These values are then used for revenue recognition judgements related to the performance of obligations which fall within one of the accounting policies stated below depending upon the specific characteristic of that contract. Each of these are described below.

The timing of payments received from customers is based on contractual terms, is typically received at multiple points throughout a contract and does not necessarily match the timing of revenue recognition. To the extent that payments are received ahead of income recognition, these amounts are carried within the statement of financial position within trade and other payables as deferred income on contracts with customers. Where payments are received after revenue recognition these are carried in the statement of financial position within trade and other receivables as accrued income from contracts with customers.

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). Customers will also benefit from software and service enhancements which improve the functionality of the software during the licence period. These improvements are not standalone products and are included in the originally contracted price and so are not accounted for separately.

- 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 revenue as the assessments are used, as this represents the customers' consumption of their benefits of the contract, and the Group's simultaneous performance of its obligations.

- 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. 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 the customer takes control of the asset and can direct its use. It is also when the Group's performance obligations are satisfied as the Group is not responsible for hosting the software and is unable to make further software enhancements.

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 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, as this is when the customer obtains control of the related asset or consumes the benefit.

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, using the output method. 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, and hence can measure the proportion of time passed to measure the value of revenue that can be recognised. When that estimate changes, revenue that has not yet been recognised will be adjusted prospectively to match the

3. Significant accounting policies (continued)

3.3 Revenue recognition (continued)

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.

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 considering the progress towards satisfying the performance obligation. This will normally be measured by the output method – i.e. what proportion of the deliverable has been completed. This is measured by observable milestones, for example story-points completed in a software build or over time where such observable milestones do not exist.

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 (as support can only be required whilst a licence is held), 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 the Group's offering. Hardware revenue is recognised when hardware is despatched to the customer, as the performance obligation is discharged at this point.

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.

The Group will normally bill ahead of revenue recognition, and so it is common that a contract liability is created. In particular, software amounts are normally billed on contract signature. These amounts are held on the Statement of Financial Position within 'Deferred income on contracts with customers'. Where revenue is recognised in the Statement of Comprehensive Income but not yet invoiced, a contract asset is held on the Statement of Financial Position within 'Accrued 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. Commissions relate to the whole of the respective customer contract and so are apportioned on the same basis as revenue recognition 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 expensed in proportion with the related revenue, which will be recognised in accordance with the policy in 3.3 above.

3.6 Costs of sales

Cost of sales includes costs arising in meeting our obligations to customers. The most significant items include third party costs for services and hardware, sales commissions, and the costs of hosting customer data. All other costs are included within administration costs unless separate presentation on the face of the statement of comprehensive income is mandated.

3.7 Leasing

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, 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.

3. Significant accounting policies (continued)

3.7 Leasing (continued)

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 shorter of the length of the lease or the asset's useful life. Upon any subsequent modifications to the lease, the values are reassessed in line with the process outlined for commencement above. Where a lease ends it is eliminated from the recorded cost and depreciation values.

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 2020, there are no such assets.

3.8 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, with differences recorded in the income statement. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

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.

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

3.10 Taxation (continued)

Research and Development tax credits

The Group applies for Research and Development tax credits in respect of each financial year. The credit is recognised when the application is submitted, as the Group has an established history of successful claims, and this is the point where an estimated value is reliable. The tax credit is accounted for within the taxation charge or credit for the year.

3.11 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.

3.12 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

The gain or loss arising on the disposal of an asset is 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 is purchased and controlled by the Group, the amount is capitalised and amortised over the period of the licence as long as future economic benefits are expected. 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 the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

3. Significant accounting policies (continued)

3.12 Tangible and intangible assets (continued)

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

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Costs are allocated to research and development activities based on estimates of the proportion of time incurred by the relevant employees on such activities, plus third-party costs and consumables.

3.13 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.

3.14 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 and financial liabilities are initially measured 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 are received, net of direct issue costs.

Hedge accounting

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

3.15 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. Significant accounting policies (continued)

3.16 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 the '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.

Revenue recognition
As noted in section 3.3 above, many of the judgements in relation to revenue recognition are directed by the characteristics of the contractual obligation being discharged. Accordingly, a limited amount of management judgement is required. Whilst these judgements do not carry a significant level of estimation uncertainty, they are nonetheless described below.

- The extent to which, and the way in which, contracts are separated into their component parts and the values attributed to those parts. This is based on the detail as per the contract, but other methods could be used that would yield different results;
- Whether software licences are granted to allow the customer the benefit of use of the Group's 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 customer receives control of the licence;
- The adoption of the portfolio approach for lower value sales and the recognition criteria applied judgements of the upper limit (£20,000) and the period of recognition (12 months) impact the method of valuation and hence the amount recognised in the financial statements;
- Where performance obligations are satisfied over time, the length of time remaining for performance, and whether this needs revising over time. These judgements are based on best available information from customers at any given point in time, but can change given the nature of the customer's business; and
- The deferral and subsequent recognition of commissions in cost of sales, which is recognised in the same proportion as the revenue it is associated with.

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.

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 2020 (2019: £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 on when future taxable profits will be available to utilise those temporary differences and tax losses. This judgement is reviewed at each balance sheet date and made based upon forecasts of taxable profit, considering the inherent uncertainties in these forecasts.

5. Revenue

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

	2020 £'000	2019 £'000
Software	**2,751**	2,526
Services	**3,679**	2,339
Hardware	**311**	177
	6,741	5,042

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:

	2020 £'000	2019 £'000
United Kingdom	**425**	508
United States of America	**4,606**	2,522
European Union	**984**	1,325
Rest of world	**726**	687
	6,741	5,042

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

Information about major customers

In 2019 revenue of £992,000 was attributed to one customer who accounted for more than 10% of reported revenue. No single customer accounts for more than 10 per cent of reported revenue in 2020.

Revenue from contracts with customers

All revenue in 2020 comes from contracts with customers. In 2019 an amount of £63,000 which came from contracts with grant issuing bodies. This amount is included in the Services and United Kingdom sections in the above tables for 2019.

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:

	2020 £'000	2019 £'000
Software – delivered over a period of time	**2,279**	2,167
Software – delivered at a point in time	**472**	359
Services – delivered over a period of time	**2,868**	1,605
Services – delivered at a point in time	**811**	734
Hardware – recognised at despatch or on satisfaction of bill and hold criteria	**311**	177
	6,741	5,042

Of the £2,746,000 deferred revenue at 31 December 2019, £2,198,000 was recognised as revenue in 2020. Of the £2,847,000 deferred revenue at 31 December 2018, £1,948,000 was recognised as revenue in 2019.

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.

5. Revenue (continued)

Deferred commissions

Deferred commissions are presented as part of 'other receivables' in note 17. Management does not consider any of these amounts impaired. The movement of this account specifically is as follows:

	2020 £'000	2019 £'000
Opening balance	273	320
Amount of opening balance recognised in year	(127)	(158)
Net addition from sales in year	294	111
Closing balance	440	273

6. Other operating income

Other operating income is made up of the following:

	2020 £'000	2019 £'000
Grant income	**32**	-
	32	-

7. Operating loss

Operating loss has been arrived at after charging:

	2020 £'000	2019 £'000
Net foreign exchange losses	**130**	70
Research and development costs	**1,453**	1,715
Depreciation of property, plant and equipment	**132**	157
Amortisation of intangibles	**6**	5
Staff costs (see note 9)	**4,444**	4,916

8. Auditor's remuneration

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

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of:		
the Company's annual accounts	**28**	22
the subsidiaries' annual accounts	**26**	25
Total audit fees	**54**	47
Audit-related assurance services	**-**	11
Taxation compliance services	**8**	9
Total non-audit fees	**8**	20
Fees payable to affiliate firms of the Company's auditor:		
Taxation compliance services	**-**	12
Total fees payable to affiliate firms of the Company's auditor	**-**	12

9. Staff costs

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

	2020 Number	2019 Number
Operations	**40**	50
Sales and business development	**7**	9
Administrative support	**11**	12
	58	71

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	**3,811**	4,208
Social security costs	**352**	336
Other pension costs (see note 25)	**213**	247
Share-based payments charge (see note 24)	**68**	125
	4,444	4,916

10. Interest receivable and finance costs

Interest receivable comprises:

	2020 £'000	2019 £'000
Interest on bank deposits	**4**	5

Finance costs comprise:

	2020 £'000	2019 £'000
Unwinding of discount on lease creditor	**9**	4

11. Taxation

	2020 £'000	2019 £'000
Corporation tax:		
Current year	**2**	3
Adjustments in respect of prior years	**(213)**	(219)
	(211)	(216)
Deferred tax (see note 18)	**-**	-
Total tax credit	**(211)**	(216)

Corporation tax is calculated at 19.00% (2019: 19.00%) of the estimated taxable loss for the year.

The tax credit for each year reconciles to the loss before tax as follows:

	2020 £'000	2019 £'000
Loss before tax on continuing operations	**(649)**	(3,117)
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	**(123)**	(592)
Difference in foreign tax rates	**5**	(8)
Expenses not deductible for tax purposes	**3**	27
Deduction on exercise of share options	**(2)**	(1)
Movement in unprovided deferred tax on losses	**117**	574
Adjustment in respect of prior years	**(213)**	(219)
Foreign tax charge	**2**	3
Tax credit for the year	**(211)**	(216)

The adjustment in respect of prior years relates to the receipt of R&D tax credits in respect of 2019 (2019: in respect of 2018). No claim has yet been made for 2020 and no credit has been recognised in the financial statements.

12. Earnings per share

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

Earnings

	2020 £'000	2019 £'000
Earnings for the purposes of basic and diluted EPS per share being net loss attributable to owners of the Company	**(438)**	(2,901)

Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purposes of basic EPS	**29,776**	23,414
Weighted average number of ordinary shares for the purposes of diluted EPS	**29,776**	23,414

For 2020 and 2019, 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 31 December 2020 and 31 December 2019	**352**	**40**	**392**
Amortisation			
At 1 January 2020	-	7	7
Charge for the year	-	6	6
At 31 December 2020	**-**	**13**	**13**
Net Book value			
At 31 December 2020	**352**	**27**	**379**
At 31 December 2019	352	33	385

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, and the key assumptions include sales order volumes, business costs, and the related cash flows. 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%, consistent with the prior year.

As well as the scenario based on these forecasts, management has run alternative scenarios with reasonable downside assumptions to test the valuation, in particular a reduction in sales orders taken by over 20% and consequential impacts on results and cashflow. In all scenarios, the goodwill amount is recovered within the initial three-year period. Accordingly, no impairment has been recorded.

14. Property, plant and equipment

	Leased Buildings £'000	Leasehold Improvements £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2020	201	39	586	826
Additions	126	-	42	168
Eliminated on expiry of lease	(201)	-	-	(201)
At 31 December 2020	**126**	**39**	**628**	**793**
Depreciation				
At 1 January 2020	115	38	556	709
Charge for the year	103	-	29	132
Eliminated on expiry of lease	(186)	-	-	(186)
At 31 December 2020	**32**	**38**	**585**	**655**
Net Book value				
At 31 December 2020	**94**	**1**	**43**	**138**
At 31 December 2019	86	1	30	117

15. Subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates at 31 December 2020 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Cambridge Cognition Limited	United Kingdom	100%	100%
Cambridge Cognition Trustees Limited	United Kingdom	100%	100%
Cambridge Cognition LLC	Delaware, United States of America	100%	100%
Cantab Corporate Health Limited	United Kingdom	100%	100%
Cognition Kit Limited	United Kingdom	50%	50%
Monument Therapeutics Limited	United Kingdom	20%	20%

The results and assets of Cognition Kit Limited and Monument Therapeutics Limited are immaterial to the Group. Accordingly, detailed 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

	2020 £'000	**2019 £'000**
Finished goods and goods for resale	**51**	53

During the year inventories with a total value of £184,000 (2019: £131,000) were included in the income statement as an expense.

17. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables from contracts with customers	**1,368**	690
Accrued income from contracts with customers	**57**	148
Prepayments	**551**	298
Deferred commissions	**440**	273
Other receivables	**232**	294
	2,648	1,703

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.

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.

Aging of past due but not impaired receivables:

	2020 £'000	2019 £'000
31-60 days	**10**	28
61-90 days	**27**	3
91-120 days	**-**	18
121 or more days	**4**	23
	41	72

There is a provision for a credit loss of £13,000 (2019: nil). This loss is against a specific project from which recovery is not presently anticipated. In determining the recoverability of a trade receivable the Group will also consider 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, we consider the expected credit losses on our receivables with reference to our past experiences of credit losses and calculate an expected credit loss. The expected credit loss for the Group would be immaterial and has not been booked in this or the prior year.

No bad debts were written off in this or the prior year. A provision for credit loss of £13,000 was charged to the income statement (2019: nil).

18. Deferred Tax

At the reporting date, the Group has unused tax losses of £13.8 million (2019: £10.5 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses as there is uncertainty over the timing of future taxable profits. Losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of share options.

19. Trade and other payables

Amounts falling due within one year

	2020 £'000	2019 £'000
Trade payables	**298**	775
Accruals	**864**	363
Deferred income on contracts with customers	**4,833**	2,746
Social security and other taxes	**85**	94
Lease liabilities	**98**	92
Other payables	**28**	33
	6,206	4,103

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. 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.

Deferred income on contracts with customers has increased during the year due to the volume of sales orders received, and the amount of orders for which payments have been received ahead of revenue recognition.

20. Share capital

	2020 £'000	2019 £'000
Issued and fully paid		
31,170,093 (2019: 24,170,093) Ordinary Shares of £0.01 each	**312**	242

All ordinary shares carry equal voting and distribution rights. There are no other classes of shares.

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

	2020 £'000	2019 £'000
Own Shares Reserve	**78**	81

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 2020 was 67,715 (2019: 72,893). The number of shares held by the Jersey-based Employee Benefit Trust at 31 December 2020 was 48,250 (2019: 48,250).

During the year employees exercised 5,178 (net) share options at an exercise price of £0.01 each which were satisfied by the UK Employee Benefit Trust.

	2020 £'000	2019 £'000
Other reserve – merger reserve	**5,981**	5,981
Other reserve – cumulative translation adjustment	**130**	37
Total other reserve	**6,111**	6,018

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 £130,000 of cumulative exchange differences on the translation of foreign operations.

22. Notes to the cash flow statement

	2020 £'000	2019 £'000
Loss before tax	**(649)**	(3,117)
Adjustments for:		
Depreciation of property, plant and equipment	**132**	157
Amortisation of software licences	**6**	5
Share-based payment expense	**68**	125
Finance costs	**9**	4
Interest receivable	**(4)**	(5)
Operating cash flows before movements in working capital	**(438)**	(2,831)
Decrease/(increase) in inventories	**2**	(27)
(Increase)/decrease in receivables	**(1,010)**	148
Increase in payables	**2,243**	110
Cash generated by operations	**797**	(2,600)
Tax credit received less tax paid	**213**	280
Net cash from operating activities	**1,010**	(2,320)

Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and bank balances	**3,047**	901

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 changes in the lease liability are as follows:

	2020 £'000
Liability outstanding at the beginning of the year	92
Renewal lease signed	110
Lease repayments	(113)
Finance costs	9
Liability outstanding at year-end	**98**

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.

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:

	2020		**2019**	
	Number of share options	**Weighted average exercise price (in £)**	**Number of share options**	**Weighted average exercise price (in £)**
Outstanding at beginning of year	**1,316,321**	**0.46**	809,406	0.36
Exercised during the year	**(6,000)**	**0.01**	(29,800)	0.04
Granted during the year	**1,286,815**	**0.30**	944,215	0.35
Forfeited during the year	**(309,500)**	**0.58**	(407,500)	0.01
Outstanding at the end of the year	**2,287,636**	**0.35**	1,316,321	0.46
Exercisable at the end of the year	**288,106**	**0.81**	378,106	0.75

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 3.2 years (2019 3.8 years). The exercise prices of share options outstanding at the period end was as follows:

	2020		**2019**	
	Number of share options	**Weighted average exercise price (in £)**	**Number of share options**	**Weighted average exercise price (in £)**
Exercise price of one penny	**200,602**	**0.01**	71,490	0.01
Exercise price of 28 pence	**1,592,144**	**0.28**	750,715	0.28
Exercise price between 53 and 82.5 pence	**456,958**	**0.66**	456,184	0.74
Exercise price between 136 and 272 pence	**37,932**	**1.63**	37,932	1.63
Outstanding at the end of the year	**2,287,636**	**0.35**	1,316,321	0.46

Options were granted on 8 June 2020 and 2 November 2020. 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 June is £56,000, and for those granted in November is £51,000. The inputs into the Monte Carlo stochastic model for the performance related options were as follows:

	June 2020
Share price at date of issue	26.5p
Exercise price	28p
Expected volatility	67%
Expected life	3 years
Risk-free rate	0.02%
Expected dividend yields	0.0%

	November 2020
Share price at date of issue	53.75p
Exercise price	53p
Expected volatility	69%
Expected life	3 years
Risk-free rate	-0.10%
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 in the option contracts.

The Group recognised a total charge of £68,000 (2019: £125,000) 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 £213,000 (2019: £247,000) represents contributions payable to these schemes by the Group at agreed rates. As at 31 December 2020, contributions of £26,000 (2019: £30,000) 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 2020 (2019: 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:

	2020 £'000	2019 £'000
Cash and cash equivalents	**3,047**	901
Equity shareholders funds	**57**	(944)

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

	2020 £'000	2019 £'000
Financial assets classified at amortised cost		
Cash and bank balances	**3,047**	901
Trade and other receivables	**1,521**	847
Financial liabilities at amortised cost		
Trade and other payables	**1,373**	1,355

Financial risk management objectives
The Group's Finance function is responsible for all aspects of corporate treasury. It co-ordinates access to financial markets and 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.

At 31 December 2020, the Group's financial liabilities had contractual maturities which are summarised below:

	2020 £'000 Within 1 year	2019 £'000 Within 1 year
Trade payables	**298**	775
Other payables	**977**	488
Lease liability	**98**	92
	1,373	1,355

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 did not use financial derivatives in 2019 or 2020..

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**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
US Dollar	**83**	9	**2,922**	819
Euro	**39**	427	**766**	469
Qatari Riyal	**-**	-	**45**	52

A movement in the £/$ exchange rate of +/- 5% from 31 December 2020 to the date of realising the US dollar net asset position would result in a gain/loss of £142,000 (2019: £41,000). Similarly with the Euro, the gain/loss would be £36,000 (2019: £2,000). With the Qatari Riyal, the gain/loss would be £2,000 (2019: £3,000).

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 counterparty 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 £66,000 (2019: £16,000) 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 (2019: £nil) was owed to the Group by Cognition Kit Limited. The Group has also accrued income of £nil representing the value of time and expenses of the Group (2019: £99,000) – this was recognised in accrued income from contracts with customers.

Further, the Group was invoiced £41,000 with respect to Cognition Kit Limited in the year (2019: £75,000) – this has been recognised as a cost of sale. A balance of £38,000 was outstanding at 31 December 2020 (2019: £178,000) 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 £8,000 (2019: £74,000) – this has been included in accruals.

Transactions with Monument Therapeutics Limited

Monument Therapeutics Limited became a 20% associate of the Group in November 2020 following the allotment of additional shares diluting the Group's interest from 100%. The Group has been providing short term funding for Monument Therapeutics Limited. At 31 December 2020 this amounted to £21,000, and has been included within other receivables in note 17.

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 2020 consist of the Directors and five additional senior staff (2019: the Directors and four additional senior staff).

	2020 £'000	**2019 £'000**
Short-term employee benefits	**1,190**	786
Post-employment benefits	**47**	37
Termination benefits	**-**	-
Share-based payments	**44**	12
	1,281	835

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 2020 the Group incurred consultancy fees of £24,000 (2019: £24,000) from MCR Holdings, a partnership of which Nicholas Walters is a partner and consultancy fees of £22,394 (2019: £33,000) from The Truffaldino Partnership, a company of which Steven Powell is a director. At 31 December 2020 a balance of £2,418 (2019: £2,699) was outstanding to MCR Holdings.

Cambridge Cognition Holdings plc

Parent Company statement of financial position

	Notes	At 31 December 2020 £'000	At 31 December 2019 £'000
Assets			
Non-current assets			
Investments	2	**506**	475
Total non-current assets		**506**	475
Current assets			
Trade and other receivables	3	**8,738**	6,804
Cash and cash equivalents		**517**	23
Total current assets		**9,255**	6,827
Total assets		**9,761**	**7,302**
Liabilities			
Current liabilities			
Trade and other payables	4	**251**	81
Total liabilities		**251**	**81**
Equity			
Share capital	5	**312**	242
Share premium		**11,151**	9,943
Retained earnings		**(1,953)**	(2,964)
Total equity		**9,510**	**7,221**
Total liabilities and equity		**9,761**	**7,302**

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 profit after tax for the financial year was £943,000 (2019: loss of £1,095,000).

The financial statements of Cambridge Cognition Holdings plc on pages 54 to 57 were approved and authorised for issue by the Board on 6 April 2021 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 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
Balance at 1 January 2020	**242**	**9,943**	**(2,964)**	**7,221**
Profit for the year	**-**	**-**	**943**	**943**
Issue of new share capital	**70**	**1,330**	**-**	**1,400**
Share issue costs	**-**	**(122)**	**-**	**(122)**
Credit to equity of equity-settled share-based payments	**-**	**-**	**68**	**68**
Transactions with owners	**70**	**1,208**	**68**	**1,346**
Balance at 31 December 2020	**312**	**11,151**	**(1,953)**	**9,510**

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 3.14).

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 Group's ability to continue as a going concern. As noted in the Strategic Review, the business has remained fully operational to date and order intake in 2020 was excellent. The Group also benefitted from the £1.4m gross equity fundraise in March 2020.

The Group has a base case forecast for the period to 31 March 2022with a growth case and worst case also being forecast. The base case is built on the current view of orders to be taken and the recognition of revenue and billing milestones associated with orders already taken.

The base case shows strong performance, driven by existing orders and supports a positive and comfortable cash balance through the end of the going concern review period, with a positive outlook thereafter. The worst case also shows positive cash through the going concern review period and would allow for further expenditure modifications not yet budgeted.

Whilst having proper regard to the continuing uncertainties brought by the pandemic, 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.

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.

2. Investments

	Investment in Subsidiaries £'000
Cost and net book value	
At 1 January 2020	475
Additions	31
At 31 December 2020	**506**

The subsidiary undertakings at the end of the year were 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	20%	Digital phenotyping

During the year, additional shares in Monument Therapeutics Limited were subscribed for, diluting the Company's interest. There was no gain or loss for the Company on this transaction. 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

	2020 £'000	2019 £'000
Amounts due from subsidiary undertaking	**8,696**	7,769
Provision against amounts due from subsidiary undertaking	**-**	(983)
Amounts due from associates	**21**	-
Other receivables	**21**	18
	8,738	6,804

£8,500,000 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 2020, it was considered that Cambridge Cognition Limited has the ability to repay the debt if it were called, and as such any impairment would be immaterial. Accordingly the expected credit loss of £983,000 recorded in 2019 was reversed.

4. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**29**	29
Social security and other taxes	**21**	16
Accruals	**201**	36
	251	81

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.