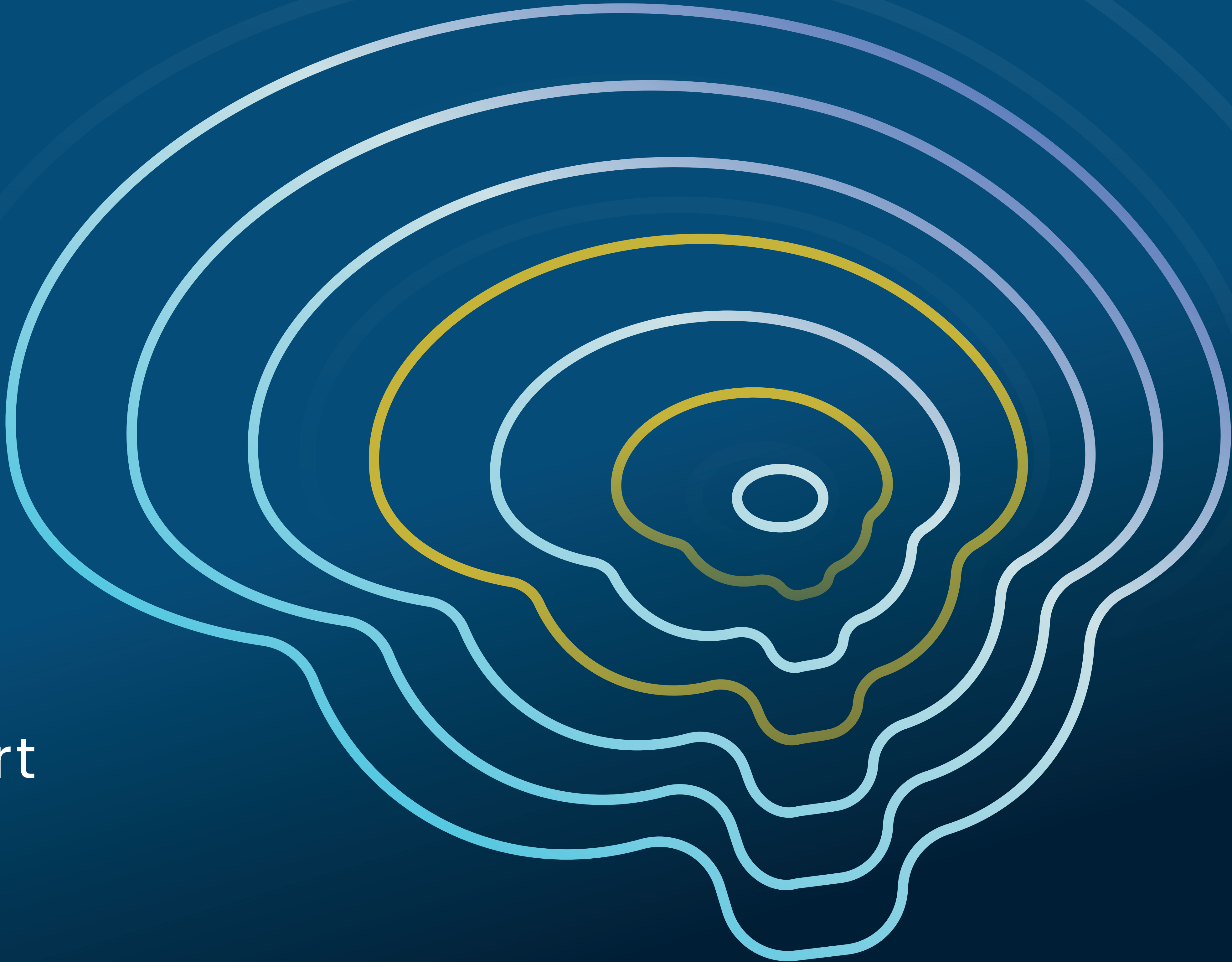
CAMBRIDGE
COGNITION



Annual Report & Accounts
2022

Cambridge Cognition Holdings plc

Results for the year ended 31 December 2022

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Corporate Directory

Directors:	Steven Powell Matthew Stork Stephen Symonds Richard Bungay Debra Leeves	(Non-Executive Chair) (Chief Executive Officer) (Chief Financial Officer) (Non-Executive Director) (Non-Executive Director)
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:	Taylor Wessing LLP 5 New Street Square London EC4A 3TW	
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:	Panmure Gordon (UK) Limited 40 Gracechurch Street London EC3V 0BT	
Joint Broker:	Dowgate Capital Limited 15 Fetter Lane London EC4A 1BW	

Chair's Statement

2022 was a pivotal year for our business, with significant achievements at all levels of the organisation. We achieved growth in like-for-like orders and revenues, underlying business profitability, cash generation and major progress in innovation. In addition, two acquisitions also further expanded our technology capabilities and future revenue growth.

Cambridge Cognition's strategy is to develop and commercialise unique, well-protected, high-value solutions supported by extensive scientific evidence and expertise for central nervous system ("CNS") clinical trials. There has been excellent progress in delivering this strategy, and we believe Cambridge Cognition is exceptionally well-placed for the future.

Over the year, the Board has continued to focus on careful capital allocation as the Company has expanded organically and inorganically. The acquisitions of Clinpal (the trading name for eClinicalHealth Limited) in October 2022 and Winterlight Labs Inc at the start of 2023 enhance our portfolio which have the benefit of expanding the addressable market for our products as well as potential market share which is expected to increase revenue growth. We also expect their solutions to prompt incremental use of the Company's existing products.

In April 2022, we were pleased to welcome Stephen Symonds as Chief Financial Officer and he was appointed to the Board in August 2022. Stephen brings a wealth of top-four audit and clinical trial market expertise at a senior level and is already making a strong contribution. The Board has concluded that with the Company's continued growth, adding a further Non-Executive Director would be beneficial later in 2023 to bring further independent guidance, scrutiny and experience.

Cambridge Cognition is positioned for accelerated revenue growth and sustainable profitability in the coming years, both from its existing offerings and new products in development. The Board expects the Company to grow rapidly and deliver substantial, sustainable shareholder value in both the short and medium term.

Steven Powell
Chairman
2 May 2023

Cambridge Cognition had a transformative year in 2022, recording 25% revenue growth and a profit before acquisition-related costs, continuing to commercialise and develop new solutions, and making two bolt-on acquisitions (including one completed post period end), as it enhances its position as a leading digital health tech provider for CNS clinical trials.

Corporate & Operational Highlights

- **25% revenue growth** year-on-year and underlying profitability.
- **Innovative new product development** and acquisitions that added to the technology offering and expanded the addressable market.
- **Leading market position** with unique digital technology solutions and full commercial coverage of the clinical trial market for cognitive assessments.
- **Major contract wins**, including two over £2m for sizeable clinical trials.
- **Sales order intake of £13.1m**, up 8% on like-for-like prior year (2021: £12.1m excluding £3.6m of large one-off orders).
- **Contracted order book increased to £19.1m** following the acquisition of Winterlight Labs on 10 January 2023.

Financial Highlights

Revenue
up 25%
2022 £12.6m
2021 £10.1m

Gross profit
up 21%
2022 £9.3m
2021 £7.7m

Profit for the year
£0.1m
adjusted for acquisition-related expenses of £0.5m
2021: £0.5m

Loss per share
1.3 pence
2021: 1.4 pence earnings per share

Cash balance
£8.3m
31 December 2022
2021 £6.8m

Chief Executive Officer's Review

I am delighted by Cambridge Cognition's performance in 2022. We worked on a record number of clinical trials and increased revenue substantially, while laying the foundations for further growth in future years. In tandem with this growth, we have focused on delivering high-value technology solutions and excellent customer service.

Our overarching strategy is to develop and commercialise a unique set of high-value solutions for CNS clinical trials. Those solutions are well protected and supported by extensive scientific evidence and expertise. Our product offerings and capabilities have undergone a step-change through customer-oriented product development and strategic acquisitions. Specifically, we have:

- Further developed our suite of leading cognitive assessments, making them accessible on more devices, in more than 50 languages, and in any country.
- Set up a global software infrastructure that adheres to stringent data protection requirements and enables us to store patient data locally, as mandated by regulations.
- Acquired leading voice-based and decentralised clinical trial solutions to establish the broadest offering in CNS-related outcomes measurement.
- Brought in expert-level capability in machine learning for digital biomarkers, deep knowledge of computational linguistics, and new clinical trial solutions, such as electronic consent and telemedicine.
- Expanded our software team to accelerate the development of new modules, opening an office and recruiting an entire team of software developers in South Africa.
- Invested in sales and marketing, bolstering our brand presence and providing full coverage across the US and Europe. Additionally, we have established a distributor relationship in Asia to expand our reach further.

These accomplishments position Cambridge Cognition to secure more contracts and capture a more substantial share of the growing market opportunity.

Overall, our 2022 financial results were very strong, with revenue growth of 25% to £12.6m (2021: £10.1m) and orders growth of 8% (on a like-for-like basis) over 2021 to £13.1m. Administrative expenses were well managed during the year, and although the gross margin percentage was slightly down on the prior year, this was in line with expectations. In 2022 we changed our accounting policy for cost of sales and have included pay costs directly related to revenue (with the prior year restated to the same basis).

The financial results for the year were tempered by a slightly slower-than-expected final quarter as we experienced delays and scope reduction associated with large orders. Market forecasts suggest that this is not representative of a long-term trend. The Company's strategy is designed to address intermittent slow periods through a broader product offering and increasing volumes across all contract sizes.

Activity has been high in the first quarter of 2023, and a positive response from customers to developments in 2022 and early 2023. The Company ended 2022 with a strong contracted order book of £17.6m which increased further to £19.1m in January 2023 following the acquisition of Winterlight. Moreover, with the broadened portfolio and additional business capabilities, we have a solid platform to achieve future profitable growth.

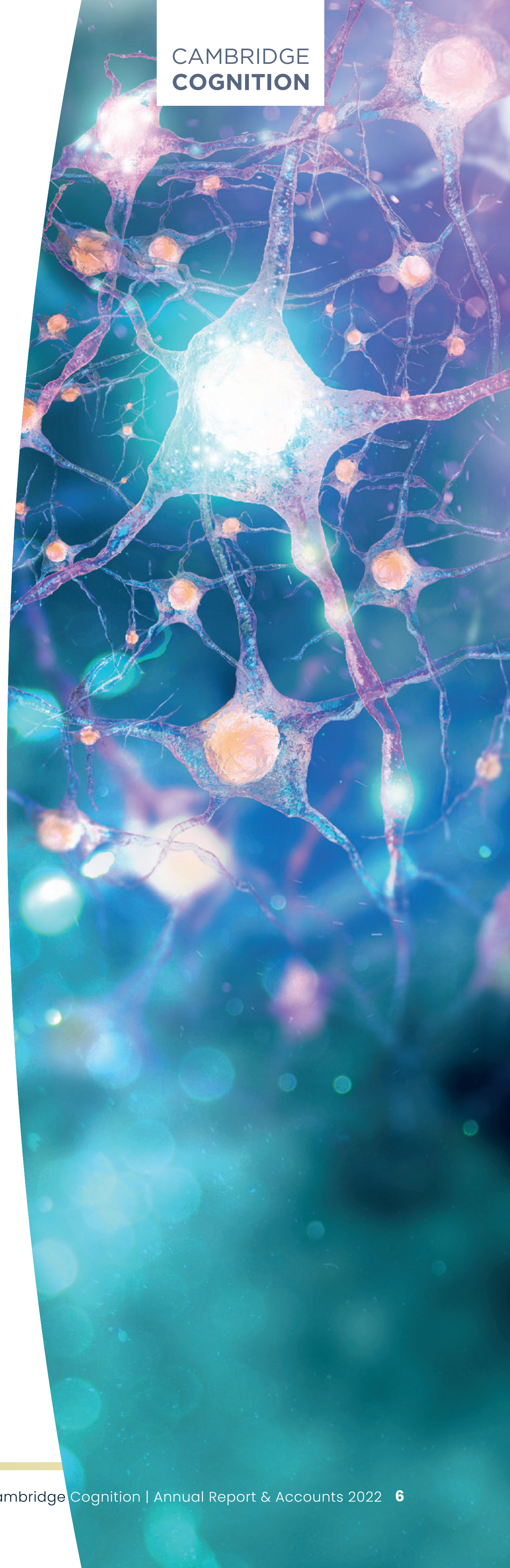
Market Overview

Cambridge Cognition operates across three main business areas:

1. Pharmaceutical clinical trials: The Company has a fully serviced digital outcomes assessment solution including software, configuration (with customisation options), consulting, and reporting services that accounts for approximately 90% of revenue.

2. Academic research: The supply of cognitive outcomes assessments is via a software-as-a-service solution for use in research by academics.

3. Healthcare: The Company has two products to aid in the triage and diagnosis of cognitive impairment, one for primary care practitioners and one for secondary care specialists, that are FDA and EU-approved medical devices. Demand is currently limited as there is minimal reimbursement; this may change with more interest in using digital cognitive biomarkers for healthcare with new drugs being approved for Alzheimer's disease.



Chief Executive Officer's Review

Primarily related to clinical trials, five areas represent substantial market opportunities for the Company:

1. **Digital Cognitive Outcomes Assessments**
   Approximately 500-600 clinical trials each year use measures of cognition[1]. The traditional assessment method requires clinicians to ask patients questions and score the answers, and can be subjective, costly, and inconvenient. Touchscreen or voice-based cognitive assessments, can be used alongside or even replace traditional assessment methods. The US market for digital cognitive assessments was estimated at £70m in the US in 2022 and growing at 10% per annum[2].

2. **Automated Quality Assurance**
   In later phase clinical trials for diseases such as Alzheimer's and Parkinson's Disease, patient consults are reviewed for quality assurance. This is a new market opportunity for the Company; our new offering automates part of the process and enables quality assurance at a lower overall cost. We commissioned independent market research and estimate the market opportunity could be £16m per annum within five years[3].

3. **Electronic Clinical Outcomes Assessment ("eCOA")**
   eCOA systems are designed to capture patient, carer, or clinician-reported data on a patient's outcomes during a clinical trial. This is accomplished through using licensed questions or scales that are usually widely used in clinical studies. Uptake is gradual and clinical trial sites report that they use eCOA half the time or less[4]. The remainder still rely on pen-and-paper methods to collect outcomes. Taking a proportion of the reported global market for all therapeutic areas, the eCOA market for CNS disorders was estimated to be £160m in 2022, growing at 15% per annum[5].

4. **In-Clinic, Hybrid and Virtual/Decentralised Clinical Trial Systems**
   Pharmaceutical companies and CROs depend on various information technology systems to effectively communicate with patients, schedule events, gather and analyse clinical data, and prepare reports. Among the most used modules are e-Consent, which captures participation agreements, Electronic Document Management ("EDC"), which stores all the clinical data, and Telehealth, which enables clinician-patient consults. A wide range of providers offer one or more of these systems, with some designed for in-clinic or virtual use or both. No provider currently markets a CNS-dedicated solution. The global market for these solutions in CNS virtual clinical trials was estimated to be £140m per annum growing at 15%[6].

5. **Patient Recruitment**
   There is a market opportunity for Cambridge Cognition to recruit patients for a wide range of CNS clinical trials. Recruitment is notoriously challenging: less than half of studies meet enrolment goals[7]. We collaborate with several partners to provide clinical consulting, patient tracking systems and clinical screening as part of a dedicated patient recruitment offering. The CNS clinical trial patient recruitment market, excluding advertising, is estimated at £100m annually growing at 10% per annum[8].

Operational Review

In 2022, the Group significantly enhanced its operational capability and performance across commercial, clinical services, product development, people management, and delivery. We successfully provided solutions to a more extensive customer base than ever before.

Considerable investment has been made in expanding our commercial team, increasing the number of sales and sales support staff from four to eight. These investments were made towards the end of the year, with the aim of making an impact in 2023. As a result, we now have full coverage of the cognitive assessment market for clinical trials, a new sales team dedicated to virtual clinical trials, and an experienced proposal management function.

We achieved 100% on-time-in-full delivery of clinical trial starts and a continued high customer service record, enhancing our brand position as a gold-standard provider of assessments. Excellent clinical project management and scientific support were provided to academic customers, scientific collaborators, and pharmaceutical clients.

The numerous publications and presentations referencing new data by Cambridge Cognition employees, leading scientists, and pharmaceutical companies continue to provide valuable evidence to help secure contracts. The total number of papers citing studies using the Company's assessments now stands at over 3,000. Two notable examples of such partnerships in 2022 are the Company's participation in the IdeaFast project to develop new digital biomarkers of fatigue, and the Brain Health Registry programme, to understand mild cognitive impairment globally.

Cambridge Cognition has continued to provide a single-source service by shipping hardware to support clinical trials. Chip shortages and production delays throughout 2022 increased the challenge of obtaining and shipping hardware to clients. Despite this, we achieved all contractual obligations and established an additional inventory of the most used tablets and mobile phones.

Over the year, the Company transformed its product development function, introducing new systems and roles to streamline and improve the efficacy of product development and maintenance. We recruited considerable expertise in the product and research and development teams with several senior-level new starts.

Software development resources were enhanced by opening a new office in South Africa. The region boasts a large pool of highly skilled software developers. As a result of natural attrition in the UK, most of the Company's software development capacity at the year-end was based in South Africa.

Chief Executive Officer's Review

Investments have been made in the management team, training for people managers, and role-specific training and development. We saw some pay inflation as we ensured salaries were competitive for the sector. At the same time, we reduced our recruitment costs substantially during a growth period through more successful direct hires managed by our internal team.

Corporate Business Development Review

Over the last two years, Cambridge Cognition had established an ambitious strategic roadmap to develop new product and service offerings, including building out modules to support clinic-based and virtual clinical trials and developing a free-speech-based verbal cognitive assessment. To accelerate the development of the business and respond to demand, we made two acquisitions to obtain those technologies and competencies.

In October 2022, the Company acquired Clinpal™ (the trading name for eClinicalHealth Limited), a digital technology provider of virtual clinical trial solutions that has been working on trials for three of the world's top ten largest pharmaceutical companies. With a patient-centric platform that connects patients, sites, and pharmaceutical companies, Clinpal™ enables all the essential steps in a clinical trial.

Clinpal was acquired for a total amount payable of £1.7m, and the acquisition is expected to positively contribute to profitability in 2024. The Clinpal acquisition immediately allowed the Company to offer full in-clinic and virtual clinical trial solutions, including specialised CNS clinical trial patient recruitment solutions. This has already enabled us to respond to a tender issued by a top-ten pharmaceutical company for a recruitment contract.

The acquisition of Winterlight was completed in January 2023. Winterlight, based in Toronto, Canada, has developed machine-learning-based voice assessments using free-speech inputs or those that require deductive reasoning or interpretation, as well as a unique automated quality assurance service for clinicians. Winterlight has an excellent customer list, including five of the top ten global life sciences companies, and limited overlap with Cambridge Cognition's existing customer base, providing the potential to cross-sell and generate further revenue growth.

The acquisition of Winterlight was completed for a total amount payable of £7.0m. As at the acquisition date, Winterlight had a strong pipeline of opportunities and a contracted order book of £1.5 million (reduced subsequently from the previously announced £2.5m as a Winterlight customer failed to secure adequate financing and is now seeking a sale of its assets). As well as actively cross-selling solutions at this time, the unique quality assurance offering has enabled Cambridge Cognition to bid on a large tender for cognitive assessments and clinician services as a single provider, differentiating us from competitors.

In November 2022, Cambridge Cognition also entered into an agreement with Luca Healthcare to commercialise our suite of cognitive assessment tools in the China market. Luca Healthcare, which has existing contracts with pharmaceutical companies in other therapeutic areas, is now offering solutions for CNS clinical trials and developing a healthcare solution. Our assessments are hosted on a secure cloud-based server in China and can be run seamlessly on Luca Healthcare's platform using Application Process Interfaces ("APIs").

Having made the two recent acquisitions, we have prioritised our go-to-market strategy for the combined business including opportunities to cross-sell from the enlarged portfolio, and the focus is now on integrating operations and supporting functions. These are critical next steps to ensure we achieve the expected acquisition returns. While the Company remains open to other corporate business development opportunities, such as partnerships, licensing opportunities, or mergers and acquisitions, future opportunities will be considered primarily in relation to contribution to the Company's profit.

Innovation Review

Cambridge Cognition has a well-established reputation for leadership in the sector and a history of firsts, which supports the brand's reputation and creates unique differential advantages. These are protected mainly through trademarks, copyright, and some patents, establishing our intellectual property (or 'moat').

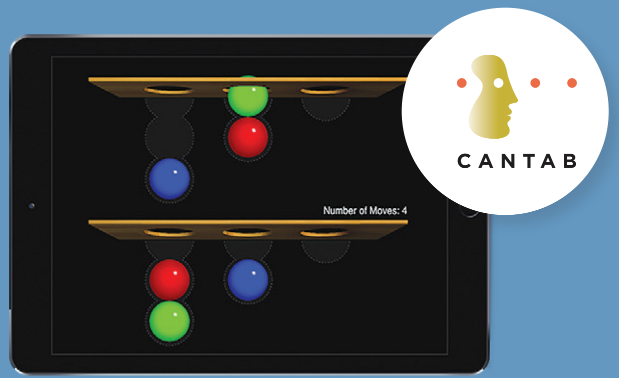
With continued investment in innovation in 2022, the three companies, Cambridge Cognition, Clinpal, and Winterlight all made major advances.

Chief Executive Officer's Review

CANTAB™ Cognitive Assessments

Cambridge Cognition's core product CANTAB™ constitutes most of the Company's revenues. It comprises 15 main tasks that cover all the cognitive domains typically measured in a clinical trial. In 2022, the number of publications supporting CANTAB™ grew to 2,850 and as at the end of April 2023 stands at over 3,000.

CANTAB™ assessments are available on Apple iPads™ and most can be accessed through a web browser. In 2022, a development project enabled screen resizing and demonstrated validity of results for an assessment on a mobile phone as well. This development will enable use of CANTAB™ in a much broader context in the future.



Daily Cognitive Assessments

In 2022, the Company broadened its existing range of daily mobile phone assessments by developing four additional prototypes, due for launch in 2023. Three of these are screen-based, and one voice-based. This will bring the Group's total number of short daily assessments covering the main cognitive domains to six by the end of the current year.

The use of these daily assessments is gaining traction. Two major pharmaceutical companies published the results of their studies in 2022:

1. Takeda, together with the University of Toronto, presented data showing that a short daily task was well correlated with the pen and paper version concluding that it could help with guiding treatment choice for patients with depression[9].

2. Sage published data showing that patients with Parkinson's and Alzheimer's disease improved using a novel drug as measured by two quick daily cognitive assessments[10]. Early in 2023, Sage also published data showing that they could demonstrate the day-by-day impact of their drug on cognitive function.

These new daily assessment are ground-breaking, novel application of digital technologies with the potential to objectively demonstrate drug effects in ways that have not been possible before.

Voice-based Cognitive Assessments

Significant progress was made in 2022, both within the Company and by Winterlight, in advancing the development of voice-based cognitive assessments.

The in-house solution developed by Cambridge Cognition progressed by:

- Establishing a roadmap for multi-language support development in 2023, essential for the widespread use of assessments in clinical trials.
- Creating a short daily assessment prototype for a pharmaceutical company with a well-known verbal assessment but with daily monitoring, allowing for quicker observation of drug effects and potentially shorter and more efficient trials.
- Agreeing on collaborations with two major universities to validate existing assessments. These projects took considerable time, from initial discussion to full grant funding and commencing work though are now underway.

Winterlight achieved a number of milestones with its free-speech solution. These milestones include:

- Adding additional languages to bring the total number to nine (more than any other company in the sector).
- Establishing a quality assurance solution for clinical trials with considerable market potential.
- Improving its automated solution with better speech recognition to simplify and reduce transcription costs.

Cambridge Cognition is now the only company offering such a wide range of automated voice-based cognitive assessments. These have the potential to replace many of the existing assessments commonly conducted in clinical trials.

Academic Collaborations

As well as co-creating solutions with pharmaceutical companies, Cambridge Cognition participated in several widely recognised academic collaborations in 2022. Some of the most high-profile ones include: the EU IMI grant-funded IDEA-FAST study to identify digital endpoints for fatigue; the US NIHR-funded Brain Health Registry that assesses cognition worldwide; the Deep and Frequent Phenotyping longitudinal study of dementia and AI Brain, an EU Horizon grant-funded study developing multi-modal biomarkers for dementia longitudinal study on dementia. As well as showcasing our solutions and gathering data, these have provided reference points for and contact with target customers. By way of example, 13 major pharmaceutical companies take part in IDEA-FAST.

Chief Executive Officer's Review

Clinical Trial Solutions

2022 saw significant progress in clinical trial solutions through the combined efforts of Cambridge Cognition and Clinpal. Prior to the acquisition, a proportion of the software development for the Clinpal solution was completed by Cambridge Cognition under contract. Progress made in the year included:

- Moving from installed solutions in data centres to cloud-based servers in two regions with a plan to open a third in 2023. This improves patient data management and facilitates compliance.
- The Clinpal solution added patient-data management communication features designed for a global virtual study that started in 2022.
- A next-generation patient application for Android and iOS was designed for the IMI grant-funded Radial clinical trial due to start in 2023.
- New or upgraded modules for eConsent and Telehealth with the release set for Q2 2023.

Combined Product Offering

A key objective is to provide a unified solution incorporating modules developed by Cambridge Cognition, Clinpal, or Winterlight. All three solutions feature APIs to allow seamless functionality within a single front-end user interface. This currently puts us in a strong position to select one of the solutions to run as the customer user interface while incorporating modules from the other two. We are now bidding with solutions that integrate the three platforms.

We plan to converge all three solutions, which will require time and investment. We plan to accomplish this gradually, likely on a module-by-module basis, as we perform maintenance or make improvements to the system taking the best of each platform.

In the medium term, there is the opportunity to create multi-modal digital biomarkers by combining solutions. As well as using touchscreen and voice data, this could also include actigraphy or other clinical information to provide even greater accuracy of diagnostic information. This is an exciting area of future development that is likely to be funded by grants or development partners.

Growth Strategy

Our overarching goal is to achieve profitable growth. Our strategy in the short to medium term from 2023-2025 is to complete development and commercialise our unique set of well-protected, high-value, and validated solutions. In addition, our strategy includes having a watching-brief on the healthcare market with the readiness to promote our medical devices should demand and reimbursement surface.

To achieve our strategic goals, Cambridge Cognition's areas of focus for 2023 are:

1. Driving sales of existing products, including Winterlight and Clinpal and winning a greater volume of clinical trial work for our broader portfolio, including combined offerings.
2. Establishing partnerships with high-impact organisations in the sector, such as major pharmaceutical companies and CROs.
3. Investing in innovation to maintain our brand position and complete the development of our offering.
4. Realising synergies from acquisitions and ensuring continued customer focus as we integrate the three businesses.
5. Focusing on our people and ensuring Cambridge Cognition is a 'great place to work'.

Economic & Political Environment

Amidst the COVID-19 pandemic, there was a surge in the adoption of digital solutions, with virtual trials gaining remarkable traction among our customers. This interest continues.

The ongoing war in Ukraine was and continues to be a cause for concern, and our thoughts are with all those affected, including several academic centres in the region that use our solution. No contracts are being progressed with Russian centres at this time. The conflict has had no material effect on revenues.

Inflation has had an impact on salary levels and may be contributing to a reduced investment in the development of CNS drugs. This could lead to a short-term decline in demand. We expect the situation to normalise during 2023 and do not anticipate any material impact on the Group's overall performance.

Corporate Outlook

Despite a turbulent global economic and political environment, 2022 was an excellent year for Cambridge Cognition. We saw remarkable growth in orders, strong revenue growth, cash generation, and considerable progress in innovation and corporate business development.

The Company had a strong contracted order book at the end of 2022 that provides excellent revenue visibility through 2023 and a promising pipeline of further opportunities for the year. With our broader portfolio, we expect a considerable step-up in our total addressable market and there is the potential for a considerable increase in investment in CNS drugs with the successes recently in Alzheimer's Disease with new drugs being approved. There does remain some uncertainty around the global macroeconomic outlook, though that is expected to be transitory to our markets.

The Company has extensive market opportunities within existing and new growth markets. We estimate average growth rates across the markets we are targeting to currently be approximately 10 percent per annum, and we believe our revenue growth will exceed this rate of market growth. We will continue to manage costs carefully and aim to move back into profitability.

The outlook is very exciting as we have a full commercial team and a much broader portfolio and can win many more sizeable contracts as we build on our current position over the coming years.

Matthew Stork
Chief Executive Officer
2 May 2023

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1. Global Data, April 2023.
2. Astute Analytica (2021) US Cognitive Assessment Market; Adjusted using internal data to 10% from 2022.
3. Extrapolated from independent market research report commissioned by Cambridge Cognition.
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6. Estimate from Global Data, April 2023, and Assessing the Financial Value of Decentralised Clinical Trials, Therapeutic Innovation & Regulatory Sciences, 57, 209-19, 2023.
7. Strategies to improve recruitment to randomised trials. Cochrane Database Syst Rev. 2018 Feb 22;2(2).
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Chief Financial Officer's Review

The Company delivered another strong performance in 2022 with growth in the contracted order book and revenues, coupled with continued positive cash generation that has enabled the completion of two acquisitions, one in October 2022 and one in January 2023.

This review includes a comparison of the financial KPIs used to measure progress over the year:

KPI	2022	2021	Movement
Revenue	£12.6m	£10.1m	£1.5m
Gross margin	73.9%	76.1%	(220)bps
Profit before tax	£0.6m loss	£0.3m profit	£(0.9)m
Profit after tax (after adjusting for acquisition related expenses)	£0.1m	£0.5m	£(0.4)m
Investment in R&D	£2.2m	£1.7m	£0.5m
Sales orders	£13.1m	£12.1m	£1.0m
Contracted order book	£17.6m	£17.0m	£0.6m
Cash	£8.3m	£6.8m	£1.5m

Revenues & Gross Profit

We are pleased to report that our revenue grew by 25%, reaching £12.6m compared to £10.1m in 2021. A large proportion of our contracts are for clinical trials, which usually commence three to six months after the signing of the contract and run for several months or even a few years. As a result, most of the revenue recognised in the year came from orders won in previous years, with the remaining balance from in-year contract wins.

We anticipate the £19.1m contracted order book as of 10 January 2023 (following the acquisition of Winterlight) will generate, subject to customer delivery schedules, at least £9.5m of revenue to be recognised in 2023, with the balance to be recognised in subsequent years.

Services revenue grew by 16% in 2022 as more implementation and bespoke development work were carried out, as well as the additional data and study management provided as part of our support to larger clinical trials. Software revenue increased by 39%, but given the time lag between contract signature and software usage, we would expect this to grow further in 2023. Hardware, which is procured from third parties, is supplied by the Company to support specific projects.

Recognised revenue split by type was as follows:

Revenue	2022 £m	2021 £m	Increase £m	Increase
Software	5.0	3.6	1.4	39%
Services	6.5	5.6	0.9	16%
Total Software & Services	**11.5**	**9.2**	**2.3**	25%
Hardware	1.1	0.9	0.2	22%
Total Revenue	**12.6**	**10.1**	**2.5**	25%

Three large, one-off contracts won in 2021 were for supplying and supporting digital wearables for CNS clinical trials in 2022. These had a high third-party cost of sales component that reduced overall gross margin percentage in 2022. Gross profit was £9.3m (73.9% margin) compared with £7.7m (76.1% margin) in 2021.

In 2022, we have changed our accounting policy for cost of sales and now include pay costs directly related to revenue, with the prior period restated. The impact on the current year was to include £477,000 (2021: £394,000) of pay costs in cost of sales that would have been in administrative expenses under the previous accounting policy.

Maintaining our position at the forefront of the sector requires a sustained focus on research and development, a subset of our administrative expenses. In 2022, a total of £2.2m was invested, an increase from £1.7m in 2021. These funds were primarily allocated towards developing novel high-frequency cognitive assessments to broaden the portfolio, moving to Amazon Web Services, strengthening our cybersecurity, and conducting essential maintenance of existing products. R&D spending as a percentage of revenue was 17.4% in 2022 (2021: 16.8%), reflecting our continued investment in our product portfolio, and we expect this to decrease as revenue grows.

Expenditure

Administrative expenses, excluding acquisition expenses, increased by 29% to £9.6m (2021: £7.4m), driven by two main factors. Firstly, investment in commercial activities increased considerably as the team expanded to provide complete market coverage and to support further sales of decentralised clinical trial modules. Secondly, we expanded our in-house software and product teams to develop new and existing solutions to meet customer demands and provide future sales opportunities. As with many technology companies, there was inflationary pressure on pay during the year, which we have addressed in part with the addition of a software team based in South Africa.

Capital Expenditure & Cash

Capital expenditure was £0.2m, primarily related to IT hardware and office equipment. We have not capitalised any development expenditure in the year.

Excluding acquisition-related costs we had a marginal loss before tax of £0.1m (2021: profit before tax of £0.3m). R&D tax credits receivable were £0.2m (2021: £0.2m). The post-tax loss for the year was £0.4m (2021: profit after tax of £0.5m), which equates to a loss per share of 1.3 pence (2021: 1.4 pence earnings per share).

Chief Financial Officer's Review

As of 31 December 2022, cash was at £8.3m (31 December 2021: £6.8m), and the cash inflow from operating activities during the year was £1.7m (2021: £3.9m), again driven by sales orders. During the year, £1.1m of cash was utilised to acquire eClinicalHealth Limited. Sales contracts for clinical trials typically include a billable amount upon signing, which means that cash flow is generally ahead of revenue recognition.

The Company continues to hold an investment in Monument Therapeutics Limited ("Monument"), the digital phenotyping drug development business that was spun out in 2021. The investment in Monument is carried at fair value and reflects the risks attributable to early-stage biotechnology companies. Monument's progress with early clinical trials remains on track and aligned with our expectations. It is currently seeking Series A investment.

Financial Outlook

Cambridge Cognition ended 2022 with sufficient cash to acquire Winterlight and fund expected growth through to profitability. We are optimally positioned for further growth in orders of our existing solutions and to support our continued commercial expansion. Considered investments will continue to be made to achieve our strategic goals.

While low double digit revenue growth is expected in 2023, the positive impact of acquisitions and continued investment in product development is expected to see a decrease in cash balances and operating losses for the year. With this investment and the associated increase in scale, we anticipate a return to profitability in the second half of 2024 and growth in profitability thereafter.

The Company will continue to manage costs carefully with a focus on realising synergies as we review our operational structure following recent acquisitions. We anticipate that administrative expenses and research and development costs will reduce through 2023 relative to revenues whilst we continue to invest in the product portfolio and increase sales coverage.

We have set out five strategies to help improve people's health globally while generating future revenue growth above expected rates of growth, currently estimated at more than 10%, in the markets in which we are operating. Accordingly, the Company is targeting revenue growth in excess of the market growth with increasing levels of growth in the medium-term driving towards material profitability in 2025.

Stephen Symonds
Chief Financial Officer
2 May 2023

Risks & Uncertainties

Principal Risks & 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 2021 being the Group's first profitable year since 2016, and this continued in 2022 with a profit after tax excluding acquisition related expenses. 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. The Group will continue to carefully monitor costs and cash flow to ensure 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, as well as the integration of acquisitions.

The Directors have prepared a strategic plan, including financial forecasts and cash flows, for the period to December 2025. 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 Chief Executive Officer's Review, 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.

Brexit and Related Changes

The United Kingdom has left the European Union ('EU'). The Group has kept the situation under review and there have not been any detrimental impacts to date. Nonetheless, the Group remains watchful, and in particular to the following factors: Regulations, especially General Data Protection Regulations ('GDPR'), imports and exports; currency changes; inputs on the broader economy; and employees who are EU nationals.

Cybersecurity

Cybersecurity has become an increasing risk for all businesses, though particularly those offering cloud-based IT services. The Group takes the threat seriously, continuously monitoring and updating threat management software and using several specialist, expert consultants to assess and put in place measures as best possible to prevent ransomware, social engineering, and insider threats. Vulnerability is assessed by a well-known third party specialist company on an ongoing monthly basis with a deep assessment every six months.

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 2022, three customers accounted for more than 10% of the revenue of the business, amounting to just over 34% in total. 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, gross margin and cash flow. An overview of the financial results for the year is provided in the Chief Financial Officer's Review.

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 2022, 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:

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.

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 as we adopt to our new hybrid ways of working, through regular team meetings and office events as well as fortnightly town hall meetings. The Group has also invested in training for people managers and implemented individual development plans for all employees. All employee surveys on relevant issues have been undertaken during 2022 and the Group has implemented appropriate action plans as a consequence.

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.

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.

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.

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.

The Strategic Report comprises the Chief Executive Officer's Review, Chief Financial Officer's Review and the Risks and Uncertainties.

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

Matthew Stork
Chief Executive Officer
2 May 2023

Report of the Directors

The Directors present their report on the affairs of the Group and Company together with the financial statements for the year ended 31 December 2022. The Group financial statements are prepared in accordance with UK adopted 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 & Financial Risk Management

The Directors have assessed the Group's ability to continue as a going concern through June 2024. As noted in the Chief Financial Officer's Review, the business has a strong contracted order book as well as having a strong cash balance at 31 December 2022. Whilst the Group expects to have net cash outflows during 2023 it has sufficient cash resources for its current strategy.

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 28 to the accounts.

Share Issues

The issued share capital of the Company is set out at note 22 to the accounts. Subsequent to the year end the Company issued 3,445,595 ordinary shares as part consideration for the acquisition of Winterlight, see note 14.

Directors

The Directors who held office at 31 December 2022 and their interest in the share capital of the Company were:

	Ordinary Shares of 1p each		
Name	**2 May 2023**	**31 December 2022**	**31 December 2021**
Steven Powell (Chairman)	226,375	216,375	216,375
Matthew Stork	161,450	147,950	125,000
Stephen Symonds	32,950	22,950	-
Richard Bungay	10,000	-	-
Debra Leeves	60,000	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 & 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 UK-adopted international accounting standards ("IFRS") and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company and Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRSs, or for the Parent Company, UK Generally Accepted Accounting Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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

Stephen Symonds
Chief Financial Officer
2 May 2023

Corporate Governance Report

Chair's Statement on Corporate Governance

As Chair 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 *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 Chair 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
Chair

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, comprising the Chief Executive Officer's Review, Chief Financial Officer's Review and an assessment of principal risks and uncertainties and key performance indicators can be found on pages 5 to 20 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 18 and 19 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 Chair holds some shares, especially from his time as the Group's CEO. The other two non-executive directors hold shares as of the date of this report. 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 2022 is as follows:

	Board	Audit	Nomination	Remuneration
No. of Meetings	10	1	2	4
Steven Powell	10	1	2	4
Matthew Stork	10	-	-	-
Richard Bungay	10	1	2	4
Debra Leeves	10	1	2	4
Stephen Symonds	6	-	-	-

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 on page 27.

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. A review was undertaken in 2022.

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 29 to 32.

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

Director Profiles

Dr Steven Powell Chair

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 of operational and investment experience in pharmaceutical and healthcare companies in the UK, USA and Scandinavia. He has held six CEO roles, three in public companies. His current roles include CEO of French oncology company, Ribonexus, and Chair of Norwegian oncology development company, Hemispherian. 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.

Stephen Symonds Chief Financial Officer

Mr Symonds is an experienced finance professional and was previously the Chief Financial Officer of Envigo, a private equity backed provider of pre-clinical services for the pharmaceutical industry, where he spent eight years. Prior to that, he spent a decade with KPMG, working on a wide-ranging portfolio of clients. Earlier in his career, he built a broad experience in a variety of small to medium-size accounting companies and as the finance lead in a family-owned business. He is a fellow of the Association of Chartered Certified Accountants.

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. A chartered accountant, Mr Bungay is currently CEO of Imophoron Limited, a private company developing treatments for infectious diseases. Prior to this, Mr Bungay was CFO then CEO of Diurnal Group plc, the AIM quoted specialty pharmaceutical company targeting patient needs in chronic endocrine diseases, where he led the sale of the company to Neurocrine Biosciences. 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.

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, fair value of investments, adequacy of systems of internal control, fair values arising from business combinations and cost of sales classification. The Committee notes the auditors' inclusion of revenue recognition as the only key audit matter.

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

The Committee also reviews the Group's risk management and continues to believe that the 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 Report

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 their 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 fulfil their duties. The Non-Executive Directors' remuneration is subject to the same principles of the Groups 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	2022 Total £'000	2021 Total £'000
Current Directors:						
Executive Directors:						
Matthew Stork (1)	264	-	63	15	**342**	**467**
Stephen Symonds (6)	83	1	87	5	**176**	**-**
Nicholas Walters (4)	-	-	-	-	**-**	**12**
Michael Holton (5)		-	-		**-**	**216**
Non-Executive Directors:						
Steven Powell (2)	45	-	-	-	**45**	**45**
Richard Bungay (3)	30	-	-	-	**30**	**30**
Debra Leeves (7)	30	-	-	-	**30**	**30**
Total	**452**	**1**	**150**	**20**	**623**	**800**

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 27 May 2021
5. Appointed to the Board on 27 May 2021 and Resigned from the Board on 1 November 2021
6. Appointed to the Board on 3 August 2022
7. Appointed to the Board on 1 July 2019

Remuneration Report

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	Vested (2)	28 pence	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
Matthew Stork	April 2021	90,000	(5)	125 pence	April 2024 to March 2031
Matthew Stork	November 2021	40,000	(6)	140 pence	November 2024 to October 2031
Matthew Stork	July 2022	171,297	(7)	1 pence	July 2025 to July 2032
Nicholas Walters	June 2020	60,000	(3)	28 pence	June 2023 to May 2024
Stephen Symonds	July 2022	152,671	(7)	1 pence	July 2025 to July 2032

Performance Criteria

1. Options vested 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, equalled or exceeded 120 pence. This condition was fulfilled on 4 May 2017.

2. 50% of these options vested 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 vested 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. These conditions were fulfilled on 30 September 2022.

3. 50% of these options vested 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 vested 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.

5. 50% of the Options granted vested if the average closing mid-market price of an Ordinary Share for any three month period exceeds 142 pence, with the price on the last day of that period being at least 120 pence, and the last day of this period being no later than 30 April 2024. 50% of the Options granted will vest if the average closing mid-market price of an Ordinary Share for any three month period exceeds 170 pence, with the price on the last day of that period being at least 145 pence, and the last day of this period being no later than 30 April 2024.

6. 50% of the Options granted vested if the average closing mid-market price of an Ordinary Share for any three month period exceeds 170 pence, with the price on the last day of that period being at least 145 pence, and the last day of this period being no later than 30 April 2024. 50% of the Options granted will vest if the average closing mid-market price of an Ordinary Share for any three month period exceeds 170 pence, with the price on the last day of that period being at least 145 pence, and the last day of this period being no later than 30 April 2024.

7. 50% of the Options granted vested if the Company exceeds compound annual growth targets in adjusted revenue over the performance period, being the 3 year financial year ending 31 December 2024. 50% of the Options granted will vest if the Total Shareholder Return (TSR) is in excess of the median value of the TSR Comparator Group.

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 2022, which comprise the Consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, consolidated and parent company statement of changes in equity, consolidated statement of cash flows, and notes to the 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 UK adopted international accounting standards. 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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- discussions with management of their assessment of the Group's ability to continue as going concern;
- assessing the reasonableness of projected cashflow and working capital assumptions and evaluating the revenue and cost projections underlying the cashflow model;
- assessing the accuracy of management's historical forecasting by comparing management's forecasts for the years ended 31 December 2022 and 31 December 2021 to the actual results for those periods and considering the impact on the base-case cashflow forecast.
- assessing how these cash flow forecasts were compiled, assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions including revenue growth assumptions;
- evaluating management's reverse stress test to identify the scenario which would result in the removal of the cash headroom during the assessment period and assessing the probability of such a scenario; and
- assessing the adequacy of related disclosures within the annual report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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.

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.

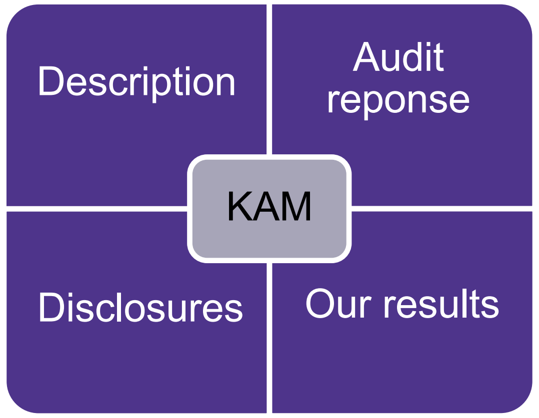
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

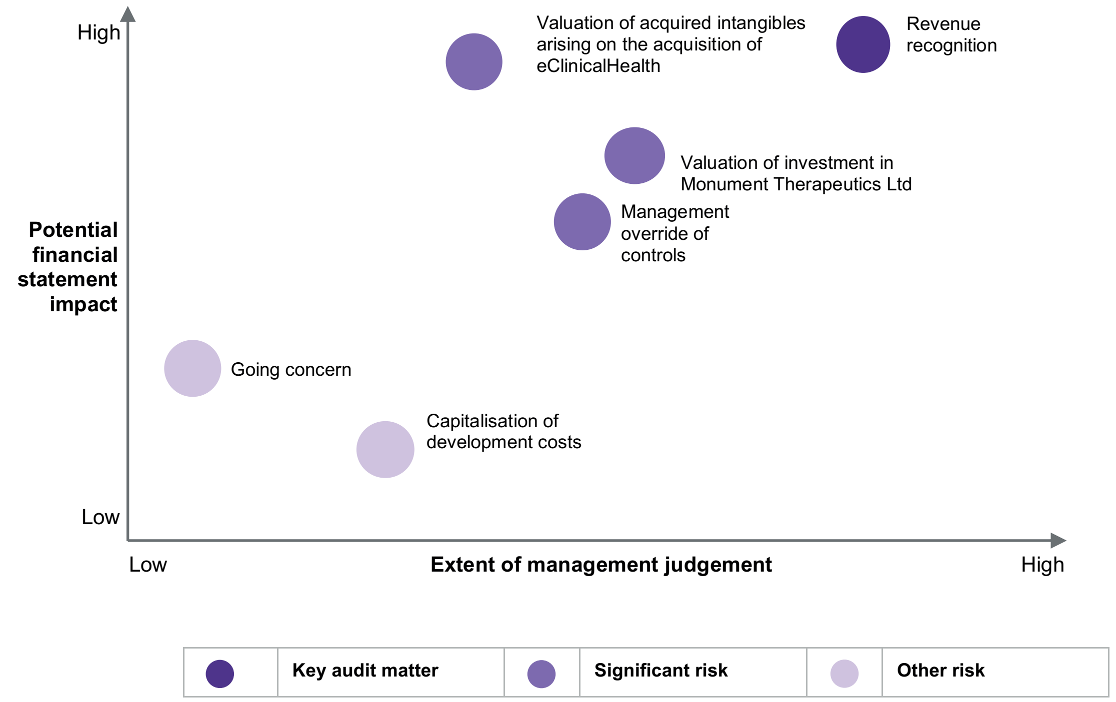
	Overview of our audit approach
Grant Thornton	Overall materiality: Group: £230,000, which represents approximately 2% of the group's revenue. Parent company: £98,000, which represents approximately 1% of the parent company's total assets.
	Key audit matters were identified as **:** • Revenue recognition (same as previous year). Our auditor's report for the year ended 31 December 2021 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to going concern which has not been included in the current year due to the level of cash held by the group in comparison to its cost base and the level of the group's contracted order book.
	We performed full scope audits of the two financially significant components - Cambridge Cognition Limited and Cambridge Cognition LLC and the parent company using a component materiality. Together with 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 one other subsidiary. In total, our audit procedures covered 97% of the Group's total assets, 100% of the Group's revenue and 85% 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.



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
Revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. 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. We pinpointed the significant risk to those software and services contracts, where revenue is recognised over time, which were ongoing at the year end. Such contracts require management to estimate the level of completion and as a result there is a risk that revenue could be recognised in the wrong accounting period.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of the control environment around the revenue process and reviewed the design and implementation of relevant controls. • Evaluated the Group's revenue recognition policies for consistency and compliance with IFRS15 Revenue from Contracts with Customers. • For a sample of contracts ongoing at the year end which related to the provision of software and services we: – Obtained the contract – Considered whether the performance obligations identified by management were consistent with the contract – Agreed the transaction price to the contract and assessed the allocation of the transaction price to the various performance obligations – Inspected evidence of occurrence of the service and recalculated the expected revenue recognised in the year comparing our expectation to that calculated by management. This included verifying a sample of study start dates to an external source and obtaining evidence for the estimated completion dates. Where we noted variances we enquired of management the reasons for this and corroborated the explanations to supporting documentation.
Relevant disclosures in the Annual Report and Accounts 2022 • Financial statements: Note 3.3 'Revenue recognition' and Note 5 'Critical accounting judgements and key sources of estimation uncertainty'	**Our results** We did not identify from our audit procedures indicators of inappropriate revenue recognition. We identified a number of differences between management's calculations and the expected study timelines. The impact of these variances was immaterial individually and in aggregate. We have therefore concluded that revenue recognition is materially consistent with the stated accounting policies.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

We 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.

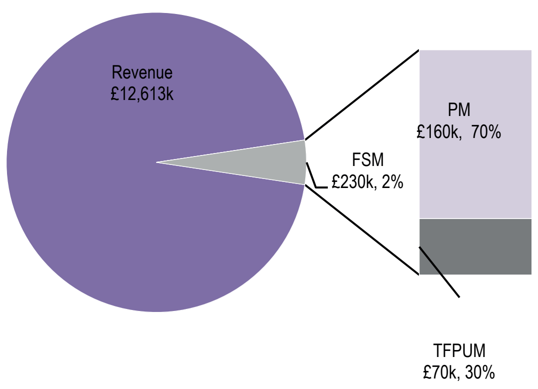
Materiality was determined as follows:

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	£230,000, which is approximately 2% of the group's revenue.	£98,000, which is approximately 1% of the parent company's total assets.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements We have determined revenue to be the most appropriate benchmark as the Group is essentially operating at a breakeven level. Total revenue is the most appropriate reflection of the Group's level of activity. It is also a key performance indicator used by management. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2021 due to a percentage of 2.75% of group revenue having been used in the year ended 31 December 2021.The reduction in percentage applied to revenue was as a result of the increased complexity of the group and consideration of industry materiality benchmarks for entities of similar size.	In determining materiality, we made the following significant judgements: 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. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2021 due to a percentage of 2% of total assets having been used in the year ended 31 December 2021. The reduction in percentage followed consideration of industry materiality benchmarks for entities of similar size.
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	£160,000, which is approximately 70% of financial statement materiality.	£68,000, which is approximately 70% of financial statement materiality.

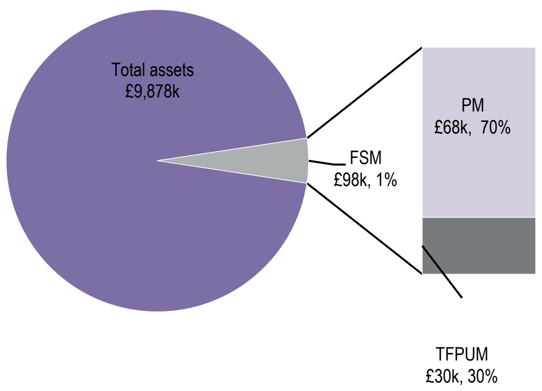
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: the strength of the control environment and our experience auditing the financial statements of the Group, including the effect of misstatements identified in previous audits.	In determining performance materiality, we made the following significant judgements: 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.
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 reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for directors' remuneration.	We determined a lower level of specific materiality directors' remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£11,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,900 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



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. We performed walkthroughs across our identified risk areas such as management override of control and revenue.

- 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.
- The Group's revenue is generated by its two main subsidiaries, Cambridge Cognition Limited (registered in the UK) and Cambridge Cognition LLC (registered in USA); and
- eClinicalHealth Limited was acquired during the year. Due to the timing of the acquisition its contribution to the group's revenue in the year was immaterial.

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 revenue, as revenue recognition was identified as a key audit matter.

The significant components identified were Cambridge Cognition Limited and Cambridge Cognition LLC.

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

For those components which were scoped as significant as well as Cambridge Cognition Holdings plc, full-scope audit procedures were performed based on component materiality. In order to address the audit risks identified during our planning procedures, including the key audit matter as set out above, a further one component (eClinicalHealth Limited) was subject to 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.

At the Group level we also tested the consolidation process and the accounting for the acquisition of eClinicalHealth Limited including the valuation of the acquired intangibles.

Performance of our audit

As set out above, the Group has a centralised function based at the Group's head office in Cambridge. All work was performed by the group engagement team.

We identified revenue recognition as the key audit matter and the procedures performed in respect of that have been included in the key audit matters section of our report.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage LBT
Full-scope audit	3	95%	100%	85%
Specific-scope audit	1	2%	-	-
Analytical procedures	5	3%	-	15%

Changes in approach from previous period

In the current year Cambridge Cognition LLC has been assessed as financially significant due to its contribution to the group's revenue, whereas Cambridge Cognition Holdings plc has not been deemed financially significant due its size. In the prior year Cambridge Cognition Holdings plc was deemed financially significant with Cambridge Cognition LLC not being deemed financially significant.

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. The directors are responsible for the other information contained within the Annual report and Accounts. 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.

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 themselves. 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 their 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

Independent Auditors Report to the members of Cambridge Cognition Holdings plc

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 22 and 23 , 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- 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: UK adopted international accounting standards, 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 the results of our enquires to relevant supporting documentation;
- 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; and
  - journal entry testing, with a focus on those journal entries identified, as posing a higher risk of material misstatement, based on an assessment of quantitative and qualitative risk factors.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- It is the Group audit engagement partner's assessment that the Group audit engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
- 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.
- We completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable financial reporting requirements.

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

Use of our report

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

Andrew Hodgekins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
2 May 2023

Consolidated Statement of Comprehensive Income

	Notes	Year to 31 December 2022 £'000	Year to 31 December 2021 (Restated) £'000
Revenue	6	**12,613**	10,094
Cost of sales		**(3,291)**	(2,409)
Gross profit		**9,322**	7,685
Administrative expenses excluding acquisition expenses		**(9,616)**	(7,435)
Administrative expenses – acquisition related		**(479)**	-
Total administrative expenses		**(10,095)**	(7,435)
Other operating income	7	**156**	14
Operating (loss) / profit	8	**(617)**	264
Interest receivable	11	**9**	-
Finance costs	11	**(16)**	(11)
(Loss) / profit before tax		**(624)**	253
Tax credit	12	**215**	197
(Loss) / profit for the year		**(409)**	450
Other comprehensive (loss) / income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations	23	**(302)**	14
Total comprehensive (loss) / income for the year		**(711)**	464
(Loss)/ earnings per share (pence)	13		
Basic earnings per share		**(1.3)**	1.4
Diluted earnings per share		**(1.3)**	1.4

All items of income are attributable to the equity holders in the Parent.
The above results relate to continuing operations.

Consolidated Statement of Financial Position

	Notes	At 31 December 2022 £'000	At 31 December 2021 £'000
Assets			
Non-current assets			
Intangible assets	15	**1,421**	373
Property, plant and equipment	16	**188**	52
Investments	17	**49**	49
Total non-current assets		**1,658**	474
Current assets			
Inventories	18	**216**	126
Trade and other receivables	19	**4,680**	4,935
Current tax receivable		**231**	195
Cash and cash equivalents	24	**8,322**	6,810
Total current assets		**13,449**	12,066
Total assets		**15,107**	12,540
Liabilities			
Current liabilities			
Trade and other payables	21	**15,012**	11,908
Total liabilities		**15,012**	11,908
Equity			
Share capital	22	**312**	312
Share premium		**11,151**	11,151
Other reserves	23	**5,823**	6,125
Own shares	23	**(71)**	(78)
Retained earnings		**(17,120)**	(16,878)
Total equity		**95**	632
Total liabilities and equity		**15,107**	12,540

The financial statements on pages 44 to 77 were approved by the Board of Directors and authorised for issue on 2 May 2023 and were signed on its behalf by:

Stephen Symonds
Chief Financial Officer

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 2021	312	11,151	6,111	(78)	(17,439)	57
Profit for year	–	–	–	–	450	450
Other comprehensive income	–	–	14	–	–	14
Total comprehensive income for the year	–	–	14	–	450	464
Credit to equity for equity-settled share-based payments	–	–	–	–	111	111
Transactions with owners	–	–	–	–	111	111
Balance at 31 December 2021	312	11,151	6,125	(78)	(16,878)	632
Balance at 1 January 2022	312	11,151	6,125	(78)	(16,878)	632
Loss for year	–	–	–	–	(409)	(409)
Other comprehensive income	–	–	(302)	–	–	(302)
Total comprehensive income for the year	–	–	(302)	–	(409)	(711)
Transfer of own shares	–	–	–	7	(7)	–
Credit to equity for equity-settled share-based payments	–	–	–	–	174	174
Transactions with owners	–	–	–	7	167	174
Balance at 31 December 2022	**312**	**11,151**	**5,823**	**(71)**	**(17,120)**	**95**

Consolidated Statement of Cash Flows

	Notes	Year to 31 December 2022 £'000	Year to 31 December 2021 £'000
Net cash flows from operating activities	24	**1,668**	3,945
Investing activities			
Interest received		**9**	-
Purchase of property, plant and equipment		**(189)**	(56)
Purchase of investment		**-**	(49)
Net cash flow used in investing activities		**(180)**	(105)
Financing activities			
Proceeds from exercise of share options		**1**	-
Repayment of borrowings	24	**(133)**	-
Interest payments		-	(11)
Lease payments		**-**	(86)
Net cash flows used in financing activities		**(132)**	(97)
Net increase in cash and cash equivalents		**1,356**	3,743
Cash and cash equivalents at start of year		**6,810**	3,047
Exchange differences on cash and cash equivalents		**156**	20
Cash and cash equivalents at end of year	24	**8,322**	6,810

Notes to the Financial Statements

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 UK-adopted international accounting standards. The accounting policies adopted are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2021, except as stated in note 4. 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 2022 are given in note 17.

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 through June 2024. As noted in the Chief Financial Officer's Review, the business has a strong contracted order book as well as having a strong cash balance at 31 December 2022. Whilst the Group expects to have net cash outflows during 2023 it has sufficient cash resources for its current strategy.

The Group has a base case forecast for the period at least 12 months from the date of these financial statements with a growth case and downside 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.

Notes to the Financial Statements

3. Significant accounting policies *continued*

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

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:

- Identifying a contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- 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 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 consolidated 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 consolidated 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. The Group recognises the revenue from services over time only where it has the right to payment for services as they are performed.

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.

Notes to the Financial Statements

3. Significant accounting policies *continued*

***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, as the customer has access to the benefit of those services, 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 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 Consolidated Statement of Financial Position within 'Deferred income on contracts with customers'. Where revenue is recognised in the Consolidated Statement of Comprehensive Income but not yet invoiced, accrued income is held on the Consolidated Statement of Financial Position within 'Accrued income from 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 operating 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 recognised 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 Consolidated 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 comprising the amount of the initial investment of the lease liability and restoration costs. Subsequent to initial recognition, the lease liability is increased for the related finance charges and reduced for instalments paid. The asset is depreciated on a straight-line basis over the 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.

Where the Group enters into 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.

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 presentational 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 profit or loss. 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 Other reserves.

Notes to the Financial Statements

3. Significant accounting policies *continued*

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 profit or loss, 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.

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

3.11 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 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)
• Leasehold improvements	straight line over the lesser of 5 years or the term of the lease
• Fixtures, fittings and equipment	25% - 33% per annum straight line

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.

3.12 Intangible assets
The Group uses the acquisition method of accounting for the acquisition of subsidiaries. The consideration is measured at the fair value of the assets given equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the year. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of net identifiable assets and liabilities acquired. Goodwill is measured at cost less accumulated impairment losses. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the profit or loss on the acquisition date.

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

Notes to the Financial Statements

3. Significant accounting policies continued

Amortisation
Amortisation is charged to the consolidated statement of comprehensive income to allocate the cost of intangible assets over their estimated useful economic lives, using the straight line method.

The estimated useful economic lives of intangible assets are as follows:

- Technology based assets straight line over 5-11 years

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 IAS 36 Impairment of Assets 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 10.0% discount rate. If this calculation suggests the recoverability of goodwill is sensitive to any of these factors, appropriate scenario modelling is performed.

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 Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets (excluding investments held at fair value) and financial liabilities are initially measured at fair value, plus or minus directly attributable transaction costs.

Financial assets excluding investments held at fair value
Financial assets excluding investments held at fair value are subsequently measured at amortised cost. Accordingly, where the Group believes that there is a change in the value of a financial instrument (e.g. a trade receivable is considered unrecoverable) this amount will be adjusted through the profit or loss. 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 26.

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.

3.16 Employee Benefit Trust
In order to facilitate the exercise of share options the Group maintains two Employee Benefit Trusts (EBTs). These are consolidated in accordance with IFRS10. The costs of purchasing own shares held by the EBTs 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.

3.17 Investments
The Group measures equity investments at fair value, with changes in fair value recognised in other gains/(losses) in the Consolidated Statement of Comprehensive Income.

4. Significant changes in the current reporting period

During the year, the Group has seen an increase in contracts requiring higher levels of study support and data management services as well as logistics that require the Group's operations staff to provide a greater proportion of time to these activities. Therefore, the Group has reconsidered its accounting policy

Notes to the Financial Statements

4. Significant changes in the current reporting period *continued*

for the presentation of expenses in the income statement to include staff and related costs relating to the delivery of those services within cost of sales. The prior year income statement has been restated for the reclassification of costs between cost of sales and administrative expenses. As a result, the prior year has been restated to reflect an increase in cost of sales of £394,000 with a corresponding decrease in administrative expenses. The overall operating profit for 2021 remains unchanged.

5. 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 estimates and 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.

Fair value of investments

The Group reviews the fair value of investments on an annual basis. This test requires a comparison of the observable equity transactions, discounted for appropriate matters specific to the Group's holding in the underlying investment.

Accounting for investment in Monument Therapeutics Limited

Although the Company holds more than 20% of the voting shares in Monument, the Company recognises its holding as an investment because it does not have significant influence over the business due to the control exercised by all the other major shareholders to the exclusion of the Company.

Business combinations

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of net identifiable assets and liabilities acquired.

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 15.

Capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is critically dependent on management judgement of the probability to reliably measure the future economic benefits. The research and development expenditure primarily relates to ongoing research as outlined in the Chief Executive Officer's Review. Therefore, no development costs have been capitalised during 2022 (2021: £nil).

Recovery of deferred tax assets

Deferred tax assets in excess of any deferred tax liabilities have been recognised only to the extent that there are deferred tax liabilities with no excess recognised for other 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 year end and made based upon forecasts of taxable profit, considering the inherent uncertainties in these forecasts.

6. Revenue

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

	2022 £'000	2021 £'000
Software	**5,027**	3,609
Services	**6,528**	5,638
Hardware	**1,058**	847
	12,613	10,094

Costs cannot be directly attributed to the products and services above so profit measures are not presented.

Notes to the Financial Statements

6. Revenue *continued*

Geographical information

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

	2022 £'000	2021 £'000
United Kingdom	**1,088**	888
United States of America	**7,422**	6,167
European Union	**3,195**	2,261
Rest of World	**908**	778
	12,613	10,094

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

Information about major customers

Three customers account for more than 10 per cent of reported revenue in 2022, amounting to just over 34% of the total (2021: two customers amounting to 20%).

Revenue from contracts with customers

All revenue in 2022 and 2021 comes from contracts with customers.

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:

	2022 £'000	2021 £'000
Software – delivered over a period of time	**4,535**	3,344
Software – delivered at a point in time	**492**	265
Services – delivered over a period of time	**5,173**	4,694
Services – delivered at a point in time	**1,355**	944
Hardware – recognised at a point in time	**1,058**	847
	12,613	10,094

Of the £8.8m deferred revenue at 31 December 2021, £6.0m was recognised as revenue in 2022. Of the £4.8m deferred revenue at 31 December 2020, £4.5m was recognised as revenue in 2021.

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.

Deferred commissions

Deferred commissions are presented as part of 'Trade and other receivables' in note 19. The Company does not consider any of these amounts impaired. The movement of this account specifically is as follows:

	2022 £'000	2021 £'000
Opening balance	**728**	440
Amount recognised in Statement of comprehensive income	**(332)**	(174)
Net addition from sales in year	**310**	462
Closing balance	**706**	728

7. Other operating income

Other operating income is made up of the following:

	2022 £'000	2021 £'000
Grant income	**156**	14

8. Operating (loss)/profit

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

	2022 £'000	2021 £'000
Net foreign exchange (gains)/losses	**(163)**	297
Research and development costs	**2,165**	1,660
Depreciation of property, plant and equipment	**57**	143
Amortisation of intangible assets	**37**	6
Staff costs (see note 10)	**6,689**	5,643

Notes to the Financial Statements

9. Auditor's remuneration

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

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of:		
the Company's annual accounts	**107**	44
the subsidiaries' annual accounts	**43**	33
Total audit fees	**150**	77
Taxation compliance services	**9**	9
Tax advisory services	**20**	-
Total non-audit fees	**29**	9

10. Staff costs

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

	2022 £'000	2021 £'000
Operations	**55**	42
Sales and business development	**12**	9
Administrative support	**13**	9
	80	60

Their aggregate remuneration comprised:

	2022 £'000	2021[1] £'000
Wages and salaries	**5,736**	4,864
Social security costs	**496**	440
Other pension costs (see note 27)	**283**	228
Share-based payments charge (see note 26)	**174**	111
	6,689	5,643

1 The amounts disclosed in relation to 2021 have been restated to include £543,000 of commissions paid to the sales team which had erroneously been omitted from the disclosure of wages and salaries.

11. Interest receivable and finance costs

Interest receivable comprises:

	2022 £'000	2021 £'000
Interest on bank deposits	**9**	-

Finance costs comprise:

	2022 £'000	2021 £'000
Bank charges	**16**	-
Unwinding of discount on lease creditor	**-**	11
	16	11

12. Taxation

	2022 £'000	2021 £'000
Corporation tax:		
Current year	**(98)**	(2)
Adjustments in respect of prior years	**(117)**	(195)
	(215)	(197)
Deferred tax (see note 20)	**-**	-
Total tax credit	**(215)**	(197)

Notes to the Financial Statements

12. Taxation *continued*

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable loss for the year.

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

	2022 £'000	2021 £'000
Profit/(loss) before tax on continuing operations	**(624)**	253
Tax at the UK corporation tax rate of 19% (2021: 19%)	**(118)**	48
Difference in foreign tax rates	**(3)**	17
Expenses not deductible for tax purposes	**26**	26
Deduction on exercise of share options	**(7)**	(48)
Movement in unrecognised deferred tax on losses	**102**	(43)
Adjustment in respect of prior years	**(117)**	(195)
Foreign tax (credit)/charge	**2**	(2)
R&D tax credit – current year	**(100)**	-
Tax credit for the year	**(215)**	(197)

The adjustment in respect of prior years relates to the receipt of R&D tax credits in respect of 2021 (2021: in respect of 2020). No claim has yet been made for 2022, however the company is able to estimate the expected amount that will be received for the year.

From 1 April 2023 the UK corporation tax rate will increase from 19% to 25%. Deferred tax assets and liabilities were calculated at the substantively enacted corporation tax rates, taking into account any known future changes.

13. Earnings per share

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

Earnings

	2022 £'000	2021 £'000
Earnings for the purposes of basic and diluted EPS per share being net (loss)/profit attributable to owners of the Company	**(409)**	450

Number of shares

	2022 £'000	2021 £'000
Weighted average number of ordinary shares for the purposes of basic EPS	**31,170**	31,170
Weighted average number of ordinary shares for the purposes of diluted EPS	**31,170**	31,519

The diluted loss per share is considered to be the same as the basic loss per share. Potential dilutive shares are not treated as dilutive where they would result in a loss per share.

14. Business combinations

eClinicalHealth Limited

On 25 October 2022, the Company acquired the entire share capital of eClinicalHealth Limited ("eCH") , a UK based provider of Decentralised Clinical Trials software, for a total amount payable of £nil. The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill of eCH are as follows:

	£'000
Property, plant and equipment	5
Intangible assets – technology based assets	955
Other current assets	234
Cash and cash equivalents	-
Deferred tax assets on losses	239
Trade and other payables	(740)
Other current liabilities	(451)
Deferred tax liabilities on intangible assets	(239)
Loans	(133)
Net liabilities assumed	(130)
Total purchase consideration	-
Goodwill	**130**

The Company considers that the total amount payable for the acquisition of eCH to be up to £1.7 million, comprising assumed liabilities of £1.3 million and up to an additional £0.4 million of deferred amounts payable, contingent on performance targets and continued service of key individuals that will be recognised over the period from acquisition to December 2023. Deferred amounts that may be payable will be settled in shares of Cambridge Cognition Holdings plc.

Since the acquisition date, eCH contributed £39,000 to the Group's revenue and £0.1 million of loss for the year ended 31 December 2022. Had the acquisition occurred on 1 January 2022 eCH would have contributed £931,000 to the Group's revenue and £82,000 to the loss for the year ended 31 December 2022.

Goodwill includes the estimated value attributable to the assembled workforce.

Winterlight Labs Inc

Subsequent to the year end, on 10 January 2023, the Company acquired the entire share capital of Winterlight Labs Inc ("Winterlight") a Toronto, Canada based company developing speech-based digital biomarkers for the assessing cognitive function. The total amount payable was £7.0 million, comprising £3.0 million in cash and £4.0 million in shares of Cambridge Cognition.

Notes to the Financial Statements

14. Business combinations *continued*

The preliminary fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill of Winterlight are as follows:

	£'000
Property, plant and equipment	18
Intangible assets – technology based assets	3,055
Intangible assets – trade name	520
Intangible assets – customer relationships and backlog	370
Trade and other receivables	233
Other current assets	37
Cash and cash equivalents	-
Deferred tax assets on losses	1,065
Trade and other payables	(182)
Deferred tax liabilities on intangible assets	(1,065)
Other current liabilities	(281)
Net assets acquired	3,770
Total purchase consideration	7,002
Goodwill	**3,232**

Goodwill includes the estimated value attributable to the assembled workforce.

15. Intangible assets

	Goodwill £'000	Technology based assets £'000	Licences £'000	Total £'000
Cost				
At 1 January 2021 and 31 December 2021	352	-	40	392
Amortisation				
At 1 January 2021	-	-	13	13
Charge for the year	-	-	6	6
At 31 December 2021	**-**	**-**	**19**	**19**
Net Book Value at 31 December 2021	**352**	**-**	**21**	**373**
Cost				
At 1 January 2022	352	-	40	392
Acquisitions in the year	130	955	-	1,085
At 31 December 2022	**482**	**955**	**40**	**1,477**
Amortisation				
At 1 January 2022	-	-	19	19
Charge for the year	-	32	5	37
At 31 December 2022	**-**	**32**	**24**	**56**
Net Book Value at 31 December 2022	**482**	**923**	**16**	**1,421**

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition and is allocated to Cash Generating Units ("CGUs") for impairment testing. The goodwill balance is allocated to the following CGUs:

	2022 £'000	2021 £'000
Cambridge Cognition	**352**	352
eClinicalHealth	**130**	-
	482	352

The recoverable value of the goodwill and other assets are assessed on a value in use basis considering the three-year future forecasts. These 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 10.0%.

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 carrying out its assessment of goodwill, management believes that no impairment is required and no reasonably possible changes in assumptions would lead to an impairment.

Notes to the Financial Statements

16. Property, plant and equipment

	Leased buildings £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2021	126	39	628	793
Additions	24	-	32	56
At 31 December 2021	**150**	**39**	**660**	**849**
Depreciation				
At 1 January 2021	32	38	585	655
Charge for the year	118	1	24	143
At 31 December 2021	**150**	**39**	**609**	**798**
Net Book Value at 31 December 2021	**-**	**-**	**52**	**52**
Cost				
At 1 January 2022	150	39	660	849
Additions	-	10	179	189
Acquired through business combination	-	4	1	5
Disposals	-	(3)	(359)	(362)
At 31 December 2022	**150**	**50**	**481**	**681**
Depreciation				
At 1 January 2022	150	39	609	798
Charge for the year	-	3	54	57
Disposals	-	(3)	(359)	(362)
At 31 December 2022	**150**	**39**	**304**	**493**
Net Book Value at 31 December 2022	**-**	**11**	**177**	**188**

17. Subsidiaries, joint ventures and other investments

Details of the Group's subsidiaries and joint ventures at 31 December 2022 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%
Cambridge Cognition South Africa Pty Ltd	South Africa	100%	100%
eClinicalHealth Limited	United Kingdom	100%	100%

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

All the above companies, except Cambridge Cognition Limited, Cambridge Cognition South Africa Pty Ltd and eClinicalHealth Limited, are held via Cambridge Cognition Limited. All UK entities except eClinicalHealth Limited have their Registered Office at the Company's registered office. The Registered Office of eClinicalHealth Limited is 48 St. Vincent Street, Glasgow, Scotland, G2 5HS. The Registered Office of Cambridge Cognition LLC is 510 S. 200 W. Suite 200, Salt Lake City, UT 84101, USA. The Registered Office of Cambridge Cognition South Africa Pty Ltd is Lower Ground Suite Building 9, Somerset Office Park 5, Libertas Road, Bryanston, Gauteng, 2021, South Africa.

All holdings are in ordinary shares.

Details of the Company's other investments include:

- Monument Therapeutics Limited 28.88%

The Company recognises its holding in Monument as an investment. Although it holds more than 20% of the voting shares, it does not have significant influence over the business due to the control exercised by all the other major shareholders to the exclusion of the Company. The Company performed a review of the fair value of the investment at 31 December 2022 and concluded that no change in the value was required.

18. Inventories

	2022 £'000	2021 £'000
Finished goods and goods for resale	**216**	126

During the year inventories with a total value of £274,000 (2021: £251,000) were included in the Consolidated Statement of Comprehensive Income as an expense.

19.Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables from contracts with customers	**2,073**	2,047
Accrued income from contracts with customers	**206**	401
Prepayments	**1,132**	1,592
Deferred commissions	**706**	728
Other receivables	**563**	167
	4,680	4,935

Notes to the Financial Statements

19. Trade and other receivables *continued*

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:

	2022 £'000	2021 £'000
31-60 days	**126**	652
61-90 days	**52**	299
91-120 days	**14**	4
121 or more days	**175**	79
	367	1,034

There is a provision for a credit loss of £14,000 (2021: £13,000). This loss is against a specific project denominated in US Dollar 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 this year.

Debts of £nil were written off during the year (2021: £10,000). A provision for credit loss of £nil was charged to the income statement (2021: £115).

20. Deferred tax

	2022 £'000	2021 £'000
Deferred tax assets comprise of temporary differences attributable to:		
Deferred tax asset recognised on business combination	**239**	-
Total deferred tax assets	**239**	-
Deferred tax liability for intangible assets	**239**	-
Total deferred tax liabilities	**239**	-
Net deferred tax asset/(liability)	**-**	-

At the reporting date, the Group has unused tax losses of £13.1 million (2021: £12.8 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. The unrecognised deferred tax asset amounts to approximately £3.3 million (2021: £2.5 million). Losses may be carried forward indefinitely. The unrecognised deferred tax asset on share options amounts to £142,000 (2021: £50,000).

21. Trade and other payables

Amounts falling due within one year

	2022 £'000	2021 £'000
Trade payables	**1,038**	755
Accruals	**1,356**	2,181
Deferred income on contracts with customers	**12,294**	8,816
Social security and other taxes	**177**	112
Lease liabilities	**18**	18
Other payables	**129**	26
	15,012	11,908

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.

22. Share capital

	2022 £'000	2021 £'000
Issued and fully paid		
31,170,093 (2021: 31,170,093) Ordinary Shares of £0.01 each	**312**	312

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

23. Own shares reserve and other reserve

	2022 £'000	2021 £'000
Own shares reserve	**71**	78

Notes to the Financial Statements

23. Own shares reserve and other reserve *continued*

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 2022 was 36,765 (2021: 36,765). The number of shares held by the Jersey-based Employee Benefit Trust at 31 December 2022 was 38,150 (2021: 45,000).

During the year employees exercised 6,850 (2021: 30,950) share options at an exercise price of £0.01 each which were satisfied by the Jersey-based Employee Benefit Trust.

Other reserves includes a merger reserve and cumulative translation adjustments:

	2022 £'000	2021 £'000
Other reserve – merger reserve	**5,981**	5,981
Other reserve – cumulative translation adjustment	**(158)**	144
Total other reserve	**5,823**	6,125

The Other reserve in the consolidated statement of changes in equity includes £5,981,000 which arose when the Company became the new Group holding company in April 2013.

24. Notes to the cash flow statement

	2022 £'000	2021 £'000
(Loss) / profit before tax	**(624)**	253
Adjustments for:		
Depreciation of property, plant and equipment	**57**	142
Amortisation of intangible assets	**37**	6
Share-based payment expense	**174**	111
Finance costs	**-**	11
Acquisition related expenses deferred amounts	**6**	-
Interest receivable	**(9)**	-
Operating cash flows before movements in working capital	**(359)**	523
Increase in inventories	**(88)**	(75)
Decrease/(increase) in receivables	**1,012**	(2,285)
Increase in payables	**912**	5,782
Cash generated by operations	**1,477**	3,945
Tax credit received less tax paid	**191**	-
Net cash from operating activities	**1,668**	3,945

Reconciliation of liabilities arising from financing activities

	2022 £'000	2021 £'000
Net Debt as 1 January	**-**	-
Debt acquired in business combination	**133**	-
Financing cash flows	**(133)**	-
Net Debt as at 31 December	**-**	-

Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and bank balances	**8,322**	6,810

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.

25. 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 16, being the column 'Leased Buildings'.

The changes in the lease liability are as follows:

	2022 £'000
Liability outstanding at the beginning of the year	**18**
Renewal lease signed	**-**
Lease repayments	**-**
Finance costs	**-**
Liability outstanding at year end	**18**

All remaining lease payments are due within one year. Included within the liability above is an amount of £18,000 for restoration of the property at the end of the lease.

Notes to the Financial Statements

26. 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:

	2022		2021	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	**2,527,090**	**0.35**	2,287,636	0.35
Exercised during the year	**(6,850)**	**0.16**	(38,259)	0.01
Granted during the year	**822,703**	**0.01**	494,000	1.24
Forfeited during the year	**(89,917)**	**0.61**	(216,287)	0.45
Outstanding at the end of the year	**3,253,026**	**0.39**	2,527,090	0.52
Exercisable at the end of the year	**977,620**	**0.37**	396,959	0.59

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of 4.3 years (2021: 3.6 years). The exercise prices of share options outstanding at the period end was as follows:

	2022		2021	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Exercise price of one penny	**962,279**	**0.01**	160,843	0.01
Exercise price of 28 pence	**1,417,857**	**0.28**	1,427,857	0.28
Exercise price between 53 and 82.5 pence	**389,958**	**0.63**	455,458	0.66
Exercise price between 125 and 272 pence	**482,932**	**1.29**	482,932	1.29
Outstanding at the end of the year	**3,253,026**	**0.39**	2,527,090	0.52

Options were granted on 25 July 2022. 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 July is £690,000. The inputs into the Monte Carlo stochastic and Black Scholes models for the performance related options were as follows:

	2022 £'000
Share price at date of issue	**128.5p**
Exercise price	**1p**
Expected volatility	**74%**
Expected life	**3 years**
Risk-free rate	**1.76%**
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 £174,000 (2021: £111,000) in relation to equity-settled share-based payment transactions.

27. 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 £283,000 (2021: £228,000) represents contributions payable to these schemes by the Group at agreed rates. As at 31 December 2022, contributions of £45,000 (2021: £25,000) due in respect of the current reporting year had not been paid over to the schemes.

28. Financial instruments

Capital risk management

The Group manages its capital to ensure the Group it 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 2022 (2021: £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:

	2022 £'000	**2021 £'000**
Cash and cash equivalents	**8,322**	6,810
Equity shareholders funds	**95**	632

Notes to the Financial Statements

28. Financial instruments *continued*

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

	2022 £'000	2022 £'000
Financial assets classified at fair value		
Investments	**49**	49
Financial assets classified at amortised cost		
Cash and bank balances	**8,322**	6,810
Trade and other receivables	**2,540**	2,388
Accrued income on contracts with customers	**206**	401
Financial liabilities at amortised cost		
Trade and other payables	**2,718**	3,092
Deferred income on contracts with customers	**12,294**	8,816

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 2022, the Group's financial liabilities had contractual maturities which are summarised below:

	2022 £'000 Within 1 year	2021 £'000 Within 1 year
Trade payables	**1,038**	755
Other payables	**1,662**	2,319
Lease liability	**18**	18
	2,718	3,092

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 exposure to foreign currency exchange rates, primarily US Dollar, through its operating activities as well as having an investment in a US subsidiary. The Group continues to monitor its exposure to foreign currency risk but did not use any financial derivatives in 2022 or 2021.

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	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
US Dollar	**313**	119	**1,876**	2,952
Euro	**28**	138	**116**	599
Qatari Riyal	**-**	-	**62**	45
South African Rand	**1**	-	**-**	-

A movement in the £/$ exchange rate of +/- 5% from 31 December 2022 to the date of realising the US dollar net asset position would result in a gain/loss of £78,000 (2021: £142,000). Similarly with the Euro, the gain/loss would be £4,000 (2021: £23,000). With the Qatari Riyal, the gain/loss would be £2,000 (2021: £2,000). There would be no gain/loss on a similar movement in South African Rand.

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.

Notes to the Financial Statements

28. Financial instruments *continued*

The carrying amount recorded for financial assets in the Consolidated 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 Consolidated Statement of Financial Position approximate their fair values.

29. 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 £nil (2021: £21,000) 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 (2021: £nil) was owed to the Group by Cognition Kit Limited.

Further, the Group was invoiced £144,000 with respect to Cognition Kit Limited in the year (2021: £253,000) – this has been recognised as cost of sales. The Group has also accrued costs in respect of licence fees and other services payable to Cognition Kit Limited of £nil (2021: £25,000) – this has been included in accruals.

Remuneration of directors and key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. The key management personnel of the Group at 31 December 2022 consist of the Directors and five additional senior staff (2021: the Directors and five additional senior staff).

	2022 £'000	2021 £'000
Short-term employee benefits	**1,265**	1,402
Post-employment benefits	**79**	55
Termination benefits	**-**	30
Share-based payments	**58**	57
	1,402	1,544

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.

30. Subsequent events

Subsequent to the year end, the Company acquired Winterlight Labs Inc for a total amount payable of £7.0 million (see note 14).

Parent Company Statement of Financial Position

	Notes	At 31 December 2022 £'000	At 31 December 2021 £'000
Assets			
Non-current assets			
Investments	2	**978**	555
Total non-current assets		**978**	555
Current assets			
Trade and other receivables	3	**3,969**	3,997
Cash and cash equivalents		**4,931**	5,224
Total current assets		**8,900**	9,221
Total assets		**9,878**	9,776
Liabilities			
Current liabilities			
Trade and other payables	4	**461**	443
Total liabilities		**461**	443
Equity			
Share capital	5	**312**	312
Share premium		**11,151**	11,151
Retained earnings		**(2,046)**	(2,130)
Total equity		**9,417**	9,333
Total liabilities and equity		**9,878**	9,776

No profit and loss account is presented for Cambridge Cognition Holdings plc as provided by section 408 of the Companies Act 2006. The Company's loss after tax for the financial year was £169,000 (2021: loss £208,000).

The financial statements of Cambridge Cognition Holdings plc on pages 78 to 82 were approved and authorised for issue by the Board on 2 May 2023 and were signed on its behalf by:

Stephen Symonds
Chief Financial Officer
Company number: 08211361

Parent Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	312	11,151	(1,953)	9,510
Loss for the year	-	-	(208)	(208)
Credit to equity of equity-settled share-based payments	-	-	31	31
Transactions with owners	-	-	31	31
Balance at 1 January 2022	312	11,151	(2,130)	9,333
Loss for the year	-	-	(169)	(169)
Credit to equity of equity-settled share-based payments	-	-	253	253
Transactions with owners	-	-	253	253
Balance at 31 December 2022	**312**	**11,151**	**(2,046)**	**9,417**

Notes to the Parent Company Financial Statements

1. Significant accounting policies

1.1 Basis of accounting

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

- Disclosure exemption allowing no cash flow statement or related notes to be presented
- Disclosure exemption allowing the Company not to disclose related party transactions when transactions are entered into wholly within the Group
- Disclosure exemption around Key Management Personnel compensation (though see note 29 of the Group accounts and the Directors' Remuneration Report)
- Capital management disclosures (though see note 28 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 26 of the consolidated financial statements
- Disclosure exemption on financial instrument disclosures (IFRS 7) as this information has been presented for the Group in note 28 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. The Company measures other equity investments at fair value, with changes in fair value recognised in other gains/(losses) in the statement of financial position.

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 2022 was strong.

The Group has a base case forecast for the period at least 12 months from the date of these financial statements with a growth case and downside 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.

Notes to the Parent Company Financial Statements

1. Significant accounting policies continued

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

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 £'000
Cost and net book value	
At 1 January 2022	555
Additions in the year	423
At 31 December 2022	**978**

During the year the company acquired of the entire share capital of eClinicalhealth Limited, a virtual clinical trial solution provider. The cost of investment includes deferred consideration at 31 December 2022 payable based on the achievement of targets and the retention of key personnel in 2023 and acquisition related expenses. Additions in the year also includes share-based payment charges of £186,000 related to employees of subsidiary companies.

During the year the company formed a wholly owned subsidiary, Cambridge Cognition South Africa Pty Limited. The nature of the business is software development. The investments 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	28.88%	Digital phenotyping
Cambridge Cognition South Africa Pty Limited	South Africa	100%	Software development
eClinicalHealth Limited	United Kingdom	100%	Virtual clinical trial solution provider

Other Group subsidiaries, all of which are owned indirectly through Cambridge Cognition Limited, are detailed in note 17 of the Group accounts. All subsidiaries have been included in the consolidated accounts.

3. Trade and other receivables

	2022 £'000	2021 £'000
Amounts due from subsidiary undertaking	**3,670**	3,990
Other receivables	**299**	7
	3,969	3,997

Of the amounts due from subsidiary undertakings, £3.7m (2021: £4.0m) 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 2022, 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.

4. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	**5**	83
Social security and other taxes	**26**	20
Accruals	**430**	340
	461	443

5. Share capital

The details on the share capital of the Company are provided at note 22 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. The total amount of remuneration paid to the Directors, including share-based payments is £891,000 (2021: £609,000).

7. Subsequent events

Subsequent to the year end, the Company acquired Winterlight Labs Inc for a total amount payable of £7.0 million, as detailed in note 14 of the Group accounts.

CAMBRIDGE COGNITION

CLINPAL

WINTERLIGHT LABS

cambridgecognition.com