

Registered No: 8211361

Cambridge Cognition Holdings plc
Annual Report and Accounts
31 December 2014

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Cambridge Cognition Holdings plc

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Cambridge Cognition Holdings plc

Corporate Directory

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

Cambridge Cognition Holdings plc

Strategic Report for the year ended 31 December 2014

REVIEW OF BUSINESS

I am pleased to provide a report on our results for the full year which demonstrates the group's return to growth after a challenging 2013 and a profitable second half to the year. We have worked hard to establish a commercial infrastructure across Cambridge Cognition and we are well placed to continue this growth through 2015.

The return to profitability enables us to increase our investment in the Healthcare Technology division which until now has focused solely on supplying its Cantab Mobile product to the NHS. The combination of sales of Cantab Mobile to new geographic markets using channel partners, the launch of an extension of the Mobile product for secondary care and the application of the product in allied, non-clinical markets is a key focus for 2015.

Financial Results

Revenue in the period increased by 40% to £5.80m (2013: £4.15m), which reflects the successful establishment of a good infrastructure across the three divisions and the adoption of a more structured commercial approach. This was seen particularly in the Clinical Trials division by focusing on drug characterisation, safety and Human Abuse Liability (HAL) following launch of our 'Cloud based' Connect products for these applications.

The **Clinical Trials** division, which provides products and services for use in pharmaceutical clinical trials, performed well, increasing revenues by 57% to £3.93m (2013: £2.50m). The group has seen the benefit of a new focus on drug characterisation, safety and HAL, both of which have the ability to deliver higher quality and predictable revenues. The impact of this focus and the establishment of a US commercial team was seen throughout the year and will provide a platform for additional growth in 2015.

Revenues from our **Academic Research** division, also performed well with sales up 12% to £1.68m (2013: £1.49m) driven by a new marketing focus introduced during 2014 whereby we concentrated on the top 200 academic institutions worldwide in a more structured way.

The **Healthcare Technology** division, recorded Cantab Mobile sales of £0.20m during the year (2013: £0.16m). Cantab Mobile was launched in 2013 and focuses on delivering services to the primary healthcare market. Over 15,000 patients have now been assessed using Cantab Mobile with the results affirming the efficacy of the product. In 2015 the focus will be on extending the commercialisation of this product into other countries and other allied healthcare applications.

Gross profit grew by 35% to £4.94m (2013: £3.66m), reflecting an increase in turnover offset by a modest reduction in margin. The gross margin during 2014 reduced to 85% as budgeted (2013: 88%), and this reflects the change in sales mix. Adjusted EBITDA (adjusted for depreciation, and with the 2013 comparison also adjusted for one-off restructuring costs and expenses associated with the Admission to AIM) showed a significant reduction in losses to £0.27m (2013: £2.19m loss). Reported Losses before tax were also reduced to £0.29m (2013: £2.99m loss). As a result, loss per share reduced considerably to 1.1p (2013: 21.3p loss). These results reflect not only the improved trading conditions within the business, but also the significant work undertaken to correctly align our cost base and ensure that the group is on track to move into profitability during 2015. Good progress has been made towards that goal already and we were pleased to record a profit before tax of £0.18m for the second half of the year compared to a loss of £0.47m in the first half.

There was a significant improvement in the net cash outflow from operations during the period, with net cash outflow from operating activities reduced to £0.69m (2013: £2.47m outflow). The reduction would have been greater but for an increase in working capital due largely to an increase in credit terms negotiated with certain customers taking total debtor days to 67 (2013: 42 days). Cash balances at 31 December 2014 were £1.52m (2013: £2.26m).

Operating Review

2014 has been a year of commercial focus based on the structural changes we implemented in the business during 2013. Our three business units are now delivering to a more commercial strategy and we have established robust infrastructures to drive future growth in each division. The performance during the year has shown that these changes are already bearing fruit and that we have been able to capitalise on our unique position within the process of understanding and treating mental health - from initial research, through to drug discovery and into the diagnosis and treatment of patients in the community.

Cambridge Cognition Holdings plc

Strategic Report for the year ended 31 December 2014 (continued)

Clinical Trials

I can report that we have been successful in returning our Clinical Trials business to growth and producing high margin predictable revenue streams. Our strategy of focussing on drug characterisation, safety and HAL has proven to be the correct one with the considerable potential that this business has going forward.

As we've already reported larger pharmaceutical companies are now taking a more cautious view to their implementation of trials relating to the Central Nervous System (CNS) and so a shift to drug characterisation, safety and HAL studies was an important step for the group.

In the first half of 2014 we were able to announce a number of drug characterisation, safety and HAL studies which provides an indication of the demand for Cambridge Cognition's technology in this area. Most importantly we were able to announce in June our participation in a non-CNS global multi-year study focussed on drug characterisation. The award of the contract for this phase III trial is typical of the need drug development companies have for an objective and scientifically rigorous measurement of the impact that a new drug may have on cognitive function in a consistent and cost-efficient manner. The contract is worth £1.6m to Cambridge Cognition, half of which has been recognised in these numbers.

During the year we developed three partnerships with companies who are selling our HAL product. Towards the end of June we announced eight new contracts for HAL studies totalling around £710,000, of which we have recognised £680,000 during 2014. We also had a number of additional trials that converted in the second half of the year making a total of 23 new trials in 2014 with revenue in the year of £1.17m and we continue to have a strong pipeline of additional trials which will impact the 2015 results and beyond.

In October, we launched the Clinical Trials Information System -Profile 2+ ('CTIS-Profile 2+') enabling us to provide pharmaceutical and biotechnology companies with cognitive safety and tolerability testing across all phases of the clinical development of new therapeutic compounds; an addressable market estimated to be in excess of £105m.

Academic Research

With sales up 12% during the year, this business division has benefitted from a far more proactive and structured approach to marketing our products to academic institutions. We have employed a new Business Manager who introduced a strategy to concentrate on the top 200 academic institutions. During the year we trained a new customer services team for digital marketing activities and in early 2015 we launched an e-commerce platform and new Academic Cloud-based Connect product that allows us to more effectively exploit the changing trends in research from single centre, small scale studies to large, multi-centre collaborative programmes.

As a result of this focused sales approach we have seen a healthy uplift in the order book with an increase in the number of orders converting during the year, including three substantial multi-site orders worth c. £70,000 each, demonstrating our ability to target higher value opportunities when average invoice values have been historically around £5,000. In addition we established an enlarged US sales team to target the lucrative North American Academic market.

Healthcare Technology

To date we have now completed 15,000 patient assessments using Cantab Mobile, our iPad based CE-marked Class II medical device which detects the earliest signs of memory loss associated with dementia. During the year over 260 GP surgeries and over 40 Clinical Commissioning Groups (CCGs) in the UK used Cantab Mobile.

The results from the 15,000 patient assessments completed to date show that on average one in four patients were identified with mild cognitive impairment with the remaining 75% reassured that their cognitive function remained within normal parameters and that referral to secondary care units for dementia, which would cost the NHS time, resources and money, was unnecessary.

Whilst we still expect sales of Cantab Mobile to continue to grow in the UK, the redistribution of NHS dementia funding away from CCGs to GPs will make the sale process a more challenging one in 2015. Despite this we plan to roll out Cantab Mobile in other geographical markets during 2015 by forming strategic partnerships with channel partners. We have also begun to extend the use of the product into private and occupational health settings in the UK which is a substantial and largely unexplored market. We are piloting a business model which, if successful, could be rolled out internationally. These healthcare growth strategies will be enhanced by the launch of a new product in the middle of 2015 which will enable us to link the early detection of memory loss in primary care with additional secondary care diagnosis thus supporting the diagnosis and management of patients along their treatment pathways.

Cambridge Cognition Holdings plc

Strategic Report for the year ended 31 December 2014 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The group is exposed to a number of risks and uncertainties in the undertaking of 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. Profitability depends on the success and market acceptance of current and new products without which the group will continue to make losses and consume cash. Until the commercialisation of new products and markets is successful the group will carefully monitor cost and cash flow with reference to ensuring the group is able to continue as a going concern. The directors have prepared a strategic plan, including financial forecasts and cashflows, for the period to December 2017. The key assumptions are the level and timing of sales which are expected to improve over this period, and the sales pipeline is therefore included in the regular board review.

Product and market development

Future success of the group is primarily based on growth of the Healthcare Technology division. The success in translating current products to new markets and the adaptation of existing technology into new products will determine how successful the group will be in growing the division. At the present time there can be no certainty that new products will be adopted or new markets successfully opened up with the risk that future growth prospects could be restricted.

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, obtain patent protection in its key markets and exploit its technology. During the year significant development work has continued on the product range across all three divisions to ensure that the group's products remain at the forefront of the sector. The clinical evaluation, development and marketing of the group's products remains subject to regulatory approval by government and regulatory agencies, and these requirements are incorporated into the business plan and product roadmap monitored by the board.

Growth management

The group's ability to manage its growth effectively will require it to continue to improve its operations, financial and management controls, reporting systems and procedures, and to train, motivate and manage its employees and, as required, to install new management information and control systems. The group will require additional management and systems as it seeks to establish sales and marketing infrastructure in the UK, the US and the rest of Europe and moreover, the group's future success depends in part on its ability to hire, train and retain key technical, scientific, regulatory, sales and marketing personnel. The group seeks to recruit and retain high calibre staff through offering share ownership incentives and rewards commensurate with their seniority in the business and maintaining open communication with employees.

Reliance on key customers

The group maintains close relationships with a number of customers but aims not to be overly dependent on any one of them. During 2014 two customers accounted for 14% and 13% of the total revenue of the business although no other customer accounted for more than 10%. Measures are being taken to correct this overdependence by growing revenues in other areas as the loss of a key customer would impact the group in the short term although as the group increases in size the impact of any loss is reduced. There is a risk that the loss of a major customer before any growth in revenue was sufficient to compensate would result in a revenue shortfall.

Cambridge Cognition Holdings plc

Strategic Report for the year ended 31 December 2014

KEY PERFORMANCE INDICATORS

The directors have monitored the performance of the group with particular reference to the key performance indicators being revenue and order pipeline, operating margin and cash flow. An overview of the financial results for the year is provided under 'Financial Results' in the Chief Executive's Review. Revenue and operating results are significantly improved on prior year with operating cash being impacted by an increased credit period being taken by major customers. The results reflect the benefits of the commercial plans implemented in 2014 as outlined in the 'Operating Review' above.

The group monitors progress on a regular basis and will add to the key performance indicators as circumstances dictate. In particular, non-financial key performance indicators will be considered for addition to those monitored by the directors.

OUTLOOK

The strong performance seen at the end of 2014 has continued into the new financial year and we remain on track to move into profitability in 2015. We started the year with better visibility than last year with the contracted order book at £2.46m at the start of the year compared with £1.81m a year earlier.

The growing contribution from our clinical trials and academic businesses provide us with confidence that we will deliver continued growth and profitability in line with expectations. In particular the enlarged US sales team offers a significant opportunity to drive North American sales and we already have a healthy pipeline of contracts in the safety and tolerability trial space that we expect to convert over the year. In addition our new customer service team in the Academic division is confident of delivering further growth in that business through effective digital marketing of our cloud based Connect product on our new e-commerce platform.

In 2015 we will invest in the Healthcare Technology division to take full advantage of the platform for growth in the broader healthcare environment afforded by the Cantab Mobile product. We will expand our marketing coverage for Cantab Mobile outside of the UK using distribution partners in addition to expanding the applications for the product and we will update shareholders on our progress as our plans come to fruition.

We also expect to exploit opportunities for the use of the division's key technologies to assess cognition in pharmaceutical and healthcare settings beyond the existing Cantab Mobile applications. The current areas of focus are for customised products for pharmaceutical companies identified through the Clinical Trials business, as well as healthcare applications for private health clinics or home use.

Overall, I am pleased to be able to present such a positive set of results and a healthy outlook for 2015 which shows we are on track to deliver further growth and profitability. I would like to thank shareholders for their support and my colleagues for their continued hard work in accelerating growth across all parts of the business.

Approved by the Board of Directors

And signed on behalf of the Board



Nicholas Kerton

Chief Executive Officer

11th March 2015

Cambridge Cognition Holdings plc

Report of the Directors for the year ended 31 December 2014

The Directors present their report on the affairs of the Group and Company together with the financial statements for the year to 31 December 2014. The Group financial statements are prepared under International Financial Reporting Standards (EU-adopted IFRS).

PRINCIPAL ACTIVITIES

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') develops and commercialises computerised neuropsychological tests for sale worldwide, principally in the UK, the US and Europe. The group trades through its UK subsidiary Cambridge Cognition Limited.

GOING CONCERN AND FINANCIAL RISK MANAGEMENT

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

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

SHARE ISSUES

The issued share capital of the Company is set out at Note 21 to the accounts. Following the exercise of options, 45,451 Ordinary shares were issued during the year at a price of £0.01 each.

DIRECTORS

The Directors who held office at 31 December 2014 and their interest in the share capital of the company were:

Name	Ordinary Shares of 1p each	
	2014	2013
Michael Lewis (Chairman)	27,969	14,285
Nicholas Kerton	172,900	14,285
Andrew Blackwell	281,095	281,095
Nicholas Walters	119,369	-
Eric Dodd	-	-

Eric Dodd was appointed a director of the company on 1st January 2014. Jane Warlock resigned as a director on 8th May 2014.

Directors' remuneration and share options

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company and Group for that year. In preparing these financial statements, the Directors are required to:

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

Cambridge Cognition Holdings plc

Report of the Directors for the year ended 31 December 2014

- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' INDEMNITY ARRANGEMENTS

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

SUBSTANTIAL SHAREHOLDERS

The Company's major shareholders at 31 December 2014 were:

Name	No. of Ordinary Shares	%
Euroblue Investments Limited	3,435,714	20.3%
Octopus Investments Nominees Ltd	3,042,242	18.0%
Michael Buxton	2,889,589	17.1%
Axa Investment Managers UK Ltd	714,285	4.2%
Artemis Fund Managers Ltd	714,285	4.2%
WH Ireland	650,275	3.8%
LGT Capital Management	595,000	3.5%

FUTURE DEVELOPMENTS

A summary of future developments can be found in the Strategic Report.

RESEARCH AND DEVELOPMENT

Comments on Research and Development activities can be found in the Strategic Report.

AUDITOR

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

Approved by the Board of Directors

And signed on behalf of the Board



Nick Walters
Company Secretary

11 March 2015

Cambridge Cognition Holdings plc

Corporate Governance Report for the year ended 31 December 2014

The Board of Cambridge Cognition Holdings plc is responsible for the long term financial success of the business. The Directors recognise the value and importance of high standards of corporate governance and so far as is practicable and appropriate for a company of its size, stage of development and nature as a Company whose securities are traded on AIM, adopts policies and principles of good corporate governance.

The current members of the Board of Directors are:

Michael Lewis – Non-Executive Chairman – Mr Lewis has 25 years global Health and Pharma industry experience. He is now Executive Chairman/CEO at Ranier Technology, developing bio-materials for medical and consumer use, is also Chairman of Haem02, a biotechnology company developing artificial haemoglobin, Chairman of iPlato an m-Health provider with 6M patient connections in the UK and director of Luminate Ltd. Mr Lewis is also a lecturer, speaker and invited chair of innovation sessions at NHS Expo. He previously has held senior roles at Gambro (Brussels), Boston Scientific (Paris), C.R. Bard (New Jersey), Sybron (Switzerland) and Becton Dickinson (UK).

Eric Dodd – Non-Executive Director – Mr Dodd brings significant experience in board-level positions to the Company, including having been Chief Financial Officer of Antisoma plc between 2008 and 2011. Currently, he acts as Chief Financial Officer of Stanmore Implants Worldwide Holdings Limited, a rapidly growing medical devices company supported by venture capital investors, where he is responsible for the finance, funding, corporate development and investor relations activities of the business. Previously Mr Dodd held positions in three FTSE 100 companies across the pharmaceutical, leisure and IT sectors.

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

Dr. Andrew Blackwell – Chief Scientific Officer - Following an MA and a PhD in psychology from the University of St Andrews, Dr Blackwell undertook postdoctoral training in cognitive neuropsychology and psychopharmacology at the University of Cambridge, working closely with the main inventors of CANTAB, Professors Trevor Robbins and Barbara Sahakian. Dr Blackwell has published numerous papers in quality journals, including Science, American Journal of Psychiatry and Neuropsychopharmacology. He joined Cambridge Cognition in 2006 and was appointed as a director and Chief Scientific Officer in 2007. As well as providing vision and innovation, Andrew also plays a key role in the general management of the Group, overseeing all scientific activity required for business development, product research and development and in-contract service delivery.

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

The Company has adopted a code for share dealings by directors and employees which is appropriate for an AIM company and which complies with Rule 21 of the AIM Rules on “Restrictions on deals”.

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

Cambridge Cognition Holdings plc

Corporate Governance Report for the year ended 31 December 2014 (continued)

Committee is comprised of Michael Lewis (Chair), Eric Dodd and Nicholas Kerton. The Remuneration Committee is comprised of Michael Lewis (Chair), Eric Dodd and Nicholas Kerton.

The Audit Committee's responsibilities include making recommendations to the Board on the appointment of the Company's auditors, approving the auditor's fees, safeguarding the objectivity and independence of the auditors, reviewing the findings of the audit and monitoring and reviewing effectiveness of the Company's internal audit function. 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 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.

The Remuneration Committee's responsibilities include determining the remuneration of the executive directors, reviewing the design of all share incentive plans and determine 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.

Cambridge Cognition Holdings plc

Remuneration Report for the year ended 31 December 2014

The Company has established a Remuneration Committee. The members of the Remuneration Committee are and the committee is chaired by:

Michael Lewis (Chair)
Eric Dodd
Nicholas Kerton

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

Components of Executive Directors' remuneration

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to enhance the group's market position and to reward them for increasing value to shareholders. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

There are five main elements of the remuneration package for the executive directors and senior management:

- Basic annual salary;
- Benefits-in-kind;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements.

Non-Executive Directors' remuneration

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

Directors' remuneration (audited)

The remuneration of the Directors is as follows:

	Salary/Fee	Benefits	Bonus	Pension	2014 Total	2013 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Current Directors:						
Executive						
Nicholas Kerton	152	2	38	-	192	76
Andrew Blackwell	96	1	5	9	111	205
Nicholas Walters	32	-	24	-	56	8
Non Executive						
Michael Lewis	40	-	-	-	40	25
Eric Dodd	30	-	-	-	30	-
Former Directors:						
Jane Worlock						
(resigned 8 May 2014)	16	-	-	-	16	57
Ruth Keir	-	-	-	-	-	270
David Blair	-	-	-	-	-	168
J Hainlein	-	-	-	-	-	2
E Hayton	-	-	-	-	-	2
M Bauer	-	-	-	-	-	2
Total	366	3	67	9	445	815

Cambridge Cognition Holdings plc

Remuneration Report for the year ended 31 December 2014 (continued)

Share Options (re-denominated where appropriate):

	Granted	Number of Options	Performance criteria	Exercise price in pence	Exercise period
Andrew Blackwell	Apr 2013	112,568	-	70 pence	Apr 2014 – Apr 2023
	Apr 2013	112,568	-	70 pence	Apr 2015 – Apr 2023
	Apr 2013	112,567	-	70 pence	Apr 2016 – Apr 2023
Nicholas Kerton	Sept 2014	75,000	(1)	60 pence	To 30 Sep 2024
	Sept 2014	75,000	(2)	60 pence	To 30 Sep 2024
	Sept 2014	250,000	(3)	60 pence	To 30 Sep 2024
	Sept 2014	75,000	(4)	60 pence	To 30 Sep 2024
	Sept 2014	250,000	(5)	60 pence	To 30 Sep 2024
Nicholas Walters	Sept 2014	75,000	(3)	60 pence	To 30 Sep 2024
	Sept 2014	75,000	(5)	60 pence	To 30 Sep 2024

Performance Criteria

- (1) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 90 pence
- (2) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 115 pence
- (3) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 120 pence
- (4) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 150 pence
- (5) Options vest once the average of the closing price of shares in the Company over two consecutive dealing days, as derived from the London Stock Exchange Daily Official List, has equalled or exceeded 200 pence

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

We have audited the financial statements of Cambridge Cognition Holdings Plc for the year ended 31 December 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the related notes and the parent company balance sheet and related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
11 March 2015

Cambridge Cognition Holdings plc

Consolidated Statement of Comprehensive Income

	Notes	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Revenue	5	5,802	4,148
Cost of sales		(866)	(490)
Gross profit		4,936	3,658
Administrative expenses		(5,583)	(6,761)
Other income	7	343	145
Operating (loss)	8	(304)	(2,958)
Analysed as:			
Adjusted EBITDA		(266)	(2,193)
Depreciation		(38)	(40)
Restructuring costs		-	(352)
AIM listing expenses		-	(373)
Operating (loss)		(304)	(2,958)
Finance income		9	3
Finance costs	11	-	(35)
(Loss) before tax		(295)	(2,990)
Income tax	12	122	129
Loss and total comprehensive income for the period attributable to the equity shareholders of the parent		(173)	(2,861)
Earnings per share (pence)	13		
Basic earnings per share		(1.1)	(21.3)
Diluted earnings per share		(1.1)	(21.3)

The above results relate to continuing operations.

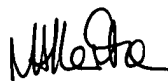
Total comprehensive income equates to the loss for the period reported above.

Cambridge Cognition Holdings plc

Consolidated statement of financial position

	Notes	At 31 December 2014 £'000	At 31 December 2013 £'000
Assets			
Non-current assets			
Goodwill	14	352	352
Property, plant and equipment	15	64	53
Total non-current assets		416	405
Current assets			
Inventories	17	185	123
Trade and other receivables	18	1,632	976
Cash and cash equivalents		1,519	2,261
Total Current assets		3,336	3,360
Total assets		3,752	3,765
Liabilities			
Current liabilities			
Trade and other payables	20	1,703	1,635
Total liabilities		1,703	1,635
Equity			
Share capital	21	169	169
Share premium account		6,335	6,335
Other reserve		5,981	5,981
Own shares	22	(174)	(204)
Retained earnings		(10,262)	(10,151)
Total equity		2,049	2,130
Total liabilities and equity		3,752	3,765

The financial statements on pages 14 to 38 were approved by the Board of Directors and authorised for issue on 11th March 2015 and were signed on its behalf by:



Nicholas Kerton
Chief Executive Officer

Cambridge Cognition Holdings plc

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Own shares £'000	Other reserve £'000	Equity reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2013	68	-	(204)	5,981	168	(7,696)	(1,683)
Total comprehensive income for the year	-	-	-	-	-	(2,861)	(2,861)
Reclassification following conversion of loan	-	-	-	-	(168)	168	-
Issue of new share capital	101	-	-	-	-	-	101
Premium of new share capital	-	6,922	-	-	-	-	6,922
Share issue costs	-	(587)	-	-	-	-	(587)
Credit to equity for equity settled share based payments	-	-	-	-	-	238	238
Transactions with owners	101	6,335	-	-	(168)	406	6,674
Balance at 31 December 2013	169	6,335	(204)	5,981	-	(10,151)	2,130
Balance at 1 January 2014	169	6,335	(204)	5,981	-	(10,151)	2,130
Total comprehensive income for the period	-	-	-	-	-	(173)	(173)
Issue of new share capital	-	-	-	-	-	-	-
Transfer on allocation of shares held in trust	-	-	30	-	-	(30)	-
Credit to equity for equity-settled share-based payments	-	-	-	-	-	92	92
Transactions with owners	-	-	30	-	-	62	92
Balance at 31 December 2014	169	6,335	(174)	5,981	-	(10,262)	2,049

Cambridge Cognition Holdings plc

Consolidated statement of cash flows

	Notes	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Net cash flows from operating activities	23	(693)	(2,472)
Investing activities			
Payment of deferred consideration		-	(300)
Purchase of property, plant and equipment		(49)	(21)
Net cash flow used in investing activities		(49)	(321)
Financing activities			
Proceeds from the issue of share capital net		-	4,413
Net cash flows from financing activities		-	4,413
Net (decrease)/increase in cash and cash equivalents		(742)	1,620
Cash and cash equivalents at start of period		2,261	641
Cash and cash equivalents at end of period	23	1,519	2,261

Cambridge Cognition Holdings plc

Notes to the financial statements

1. General information

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') develops and commercialises computerised neuropsychological tests for sale worldwide, principally in the UK, the US and Europe. The group trades through its UK subsidiary Cambridge Cognition Limited ("CCL").

The Company is a public limited company which is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange (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 Group develops and commercialises computerised neuropsychological tests. In the period since CCL's formation in 2002, it has created a well-established business through sales of its proprietary CANTAB® (Cambridge Neuropsychological Test Automated Battery) software into academic and pharmaceutical research locations around the world.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies operating under IFRS. The accounting policies adopted are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2013. The financial statements have been prepared under the historical cost convention.

The Group has chosen to utilise the exemption available under IFRS 1, 'First time adoption of IFRS', for reassessing acquisitions completed before 31 December 2009. The goodwill arising on business combinations of the Group prior to 31 December 2009 remains unchanged up to 1 January 2010 and is subject to an annual impairment review. The date of transition to IFRS was 1st January 2010.

Companies in the consolidated financial information

The subsidiary undertakings included within the consolidated financial statements as at 31 December 2014 are as follows:

<i>Company Name</i>	<i>Country of registration/ incorporation</i>	<i>Principal Activity</i>	<i>Date Incorporated</i>	<i>Class of shares</i>	<i>%</i>
Cambridge Cognition Limited	UK	Development and sale of computerised neuropsychological tests	12 Dec 2001	Ordinary	100
Cambridge Cognition Trustees Ltd	UK	Investment company	5 June 2002	Ordinary	100
Cambridge Cognition LLC	USA	Non-trading company	11 July 2006	Ordinary	100

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

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

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2017)

During the year the following standards came into effect:

- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective date 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)

The adoption of the standards listed above, to the extent applicable, have had no material impact on the Consolidated Financial Information of the Group.

Cambridge Cognition Holdings plc

Notes to the financial statements

3. Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements incorporate the results of the company and of its subsidiaries all of which are wholly owned.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The share exchange by Cambridge Cognition Holdings plc in 2013 was outside the scope of IFRS 3 and hence was not treated as a business combination. The principles of reverse acquisition accounting were applied with the financial statements being a continuation of the results and balances of the legal subsidiary. Share capital represents the equity structure of the legal parent with comparatives restated using the exchange ratio of 1.138 established on acquisition. The difference between the equity of the legal parent and the issued equity instruments of Cambridge Cognition Limited pre combination is recognised as a separate component of equity. The amount recognised as retained earnings are those of Cambridge Cognition Limited pre combination together with the results of the whole Group post transaction date.

3.2 Going concern

At the time of approving the financial statements, and based on a review of the group's forecasts and business plan, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The directors' conclusion comes on the back of a year of solid growth and a return to profitability in the second half of the year. The markets served by the company continue to grow offering new opportunities for the coming year.

3.3 Business combinations

The Group has made no acquisitions or disposals during the period under review.

3.4 Goodwill

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

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

3.5 Revenue recognition

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

Sales of goods and licences

The Group recognises revenue when all the following conditions are satisfied:

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

Revenue recognised in Statement of Comprehensive Income but not yet invoiced is held on the Statement of Financial Position within 'Trade and other receivables'. Revenue invoiced but not yet recognised in the Statement of Comprehensive Income is held on the Statement of Financial Position within 'Deferred revenue'.

Cambridge Cognition Holdings plc

Notes to the financial statements

3. Significant accounting policies (continued)

3.5 Revenue recognition (cont.)

Revenue is classified as follows:

Supply of software licences

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

Supply of product

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

Supply of associated services

Sales of clinical testing services are recognised based on work done subject to achieving milestones set out in the related service agreements, provided a right to consideration has been established. Sales from training are recognised as the training services are performed.

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

Interest income

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

3.6 Grants

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

3.7 Leasing

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

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

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

3.8 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 companies within the Group and presentation currency for the consolidated financial statements.

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

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

3.9 Operating profit

Operating profit is stated after charging restructuring costs but before finance income and finance costs.

3.10 Post employment benefit costs

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

Cambridge Cognition Holdings plc

Notes to the financial statements

3. Significant accounting policies (continued)

3.11 Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

3.12 Tangible and intangible assets

(a) Property, plant and equipment

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

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

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

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

Cambridge Cognition Holdings plc

Notes to the financial statements

3. Significant accounting policies (continued)

3.12 Tangible and intangible assets (cont.)

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

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

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

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

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

3.13 Impairment of intangible assets

At each reporting date, the Group performs an impairment review in respect of goodwill and reviews the carrying amounts to determine whether there is any impairment. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units. Any impairment loss is recognised as an expense in the income statement in the period in which it was identified. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3.14 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 either the First-In-First-Out method or, for fast moving items, the average cost 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.

3.15 Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Cambridge Cognition Holdings plc

Notes to the financial statements

3. Significant accounting policies (continued)

3.15 Financial instruments (cont.)

Impairment of financial assets

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

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

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

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

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

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

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

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

Derecognition of financial liabilities

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

3.16 Share-based payments

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

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

Cambridge Cognition Holdings plc

Notes to the financial statements

3. Significant accounting policies (continued)

3.17 Employee Benefit Trust

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Consolidated Financial Information.

Revenue recognition

Trading operations within the Group recognise revenue with regard to amounts chargeable to customers under service contracts. The policy is to recognise revenue in respect of testing services upon achievement of milestones set out in the related agreements. This is expected to approximate to the timing of the physical performance of the service activity on such contracts.

In making its judgement, management consider the detailed criteria for the recognition of revenue from the provision of continuous services set out in IAS 18 Revenue. The Directors are satisfied that the significant risks and rewards are transferred and that recognition of the revenue over the duration of the contractual period is appropriate.

Goodwill

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

Capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is critically dependent on management judgment of the probability of future economic benefits. No development was completed in the year ended 31 December 2014 whose benefits could be reliably evaluated separate from existing revenue streams. No development costs have therefore been capitalised during 2014 (2013 £nil).

Cambridge Cognition Holdings plc

Notes to the financial statements

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

Recovery of deferred tax assets

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

Share-based payment transactions

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

5. Revenue

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

	2014 £'000	2013 £'000
Continuing operations		
Healthcare	201	158
Academic Research	1,675	1,493
Clinical Trials	3,926	2,497
	<u>5,802</u>	<u>4,148</u>

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

	2014 £'000	2013 £'000
Continuing operations		
Hardware	1,080	494
Software	2,689	1,796
Services	2,033	1,858
	<u>5,802</u>	<u>4,148</u>

6. Business and geographical segments

Products and services from which reportable segments derive their revenues

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

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

Cambridge Cognition Holdings plc

Notes to the financial statements

6. Business and geographical segments (continued)

Segment revenues and results

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

	Healthcare 2014 £'000	Academic Research 2014 £'000	Clinical Trials 2014 £'000	Consolidated 2014 £'000
Revenue				
External sales	201	1,675	3,926	5,802
Result				
Segment result	(666)	1,194	1,328	1,856
Central administration costs				(2,503)
Other income				343
Operating loss				(304)
Finance income				9
Loss before tax				(295)
Tax				122
Loss after tax				(173)

	Healthcare 2013 £'000	Academic Research 2013 £'000	Clinical Trials 2013 £'000	Consolidated 2013 £'000
Revenue				
External sales	158	1,493	2,497	4,148
Result				
Segment result	(945)	1,014	216	285
Central administration costs				(3,394)
Other income				151
Operating (loss)				(2,958)
Finance income				3
Finance costs				(35)
Loss before tax				(2,990)
Tax				129
Loss after tax				(2,861)

Cambridge Cognition Holdings plc

Notes to the financial statements

6. Business and geographical segments (continued)

The accounting policies of the reportable segments are the same as the accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of the share of central administration costs including Directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Chief Executive for the purpose of resource allocation and assessment of segment performance.

Central administration costs comprise principally the employment related costs and other overheads incurred by the group.

Segment net assets

	2014 £'000	2013 £'000
Healthcare	10	10
Academic Research	686	567
Clinical Trials	865	410
Total allocated assets	1,561	987
Unallocated assets	2,191	2,778
Consolidated total assets	3,752	3,765

All assets are based in the UK.

For the purposes of monitoring segment performance and allocating resources between segments the group monitors the assets of each segment. Inventory and trade receivables are allocated to reportable segments. Due to the size and nature of the other assets within the group these are monitored on a consolidated basis. Goodwill has been allocated to reportable segments as described in note 14.

Geographical information

The revenue by geographical location is detailed below:

	Revenue from external customers	
	2014 £'000	2013 £'000
United Kingdom	1,337	1,754
United States of America	2,806	1,059
European Union	1,233	790
Rest of world	426	545
	5,802	4,148

Information about major customers

Revenue amounting to £777,000 and £798,000 of reported sales can be attributed to two customers in 2014 who accounted for more than 10% of reported revenue. The customers were in the Clinical business in the USA. No other customers accounted for more than 10 per cent of reported revenue. In 2013 only one customer accounted for more than 10% of reported revenue (£1,091,000) – a clinical business unit customer.

Cambridge Cognition Holdings plc

Notes to the financial statements

7. Other operating income

Other operating income is made up of the following:

	2014 £'000	2013 £'000
Grant income	343	145

8. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	2014 £'000	2013 £'000
Net foreign exchange (gains)/losses	(70)	10
Research and development costs	1,242	1,240
Depreciation of property, plant and equipment	38	40
AIM listing expenses	-	373
Restructuring costs	-	352

9. Auditor's remuneration

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

	2014 £'000	2013 £'000
Fees payable to the company's auditor for the audit of:		
the company's annual accounts	11	10
the subsidiaries' annual accounts	17	16
Total audit fees	28	26
Taxation compliance services	6	6
Other services	-	11
Total non-audit fees	6	17

10. Staff costs

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

	2014 Number	2013 Number
Operations	40	37
Business development	7	6
Administrative support	12	10
	59	53

Their aggregate remuneration comprised:

	2014 £'000	2013 £'000
Wages and salaries	2,600	3,124
Social security costs	247	305
Other pension costs (see note 26)	121	174
Share based payments charge (see note 25)	92	238
	3,060	3,841

Cambridge Cognition Holdings plc

Notes to the financial statements

11. Finance costs

	2014 £'000	2013 £'000
Interest on convertible loan notes	-	35
	<u>-</u>	<u>35</u>

12. Tax

	2014 £'000	2013 £'000
Corporation tax:		
Current year	-	-
Adjustments in respect of prior years	(122)	(129)
	<u>(122)</u>	<u>(129)</u>
Deferred tax (see note 19)	-	-
	<u>(122)</u>	<u>(129)</u>

Corporation tax is calculated at 21.49% (2013: 23.25%) of the estimated taxable profit for the year.

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

	2014 £'000	2013 £'000
Loss before tax on continuing operations	(295)	(2,990)
Tax at the UK corporation tax rate of 21.49% (2013 : 23.25%)	(63)	(695)
Expenses not deductible for tax purposes	41	178
Unrelieved tax losses arising	48	501
Deduction on exercise of share options	(18)	-
Movement in unprovided deferred tax	(8)	16
Adjustment in respect of prior years	(122)	(129)
Tax (credit) for the year	<u>(122)</u>	<u>(129)</u>

The credit in respect of prior years relates to the receipt of R&D tax credits in respect of 2013 (2013: 2011 and 2012). No claim has yet been made for 2014 and no credit has been recognised in the financial statements.

Cambridge Cognition Holdings plc

Notes to the financial statements

13. Earnings per share

From continuing operations

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

Earnings

	2014 £'000	2013 £'000
Earnings for the purposes of basic and diluted earnings per share being net loss attributable to owners of the Company	(173)	(2,861)

	2014 '000	2013 '000
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Number of shares

Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	16,439	13,423
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As the effect of options would be to reduce the loss per share the diluted loss per share is the same as the basic loss per share.

14. Intangible assets

	Goodwill £'000
Cost and net book value	
At 1 January 2013 & 31 December 2013	352
At 1 January 2014 & 31 December 2014	352

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

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In the year to 31 December 2014 the Academic business CGU produced a segment profit of £1,194,000 (see note 6) and with encouraging prospects for 2015 and beyond, the carrying value of goodwill is fully supported by the Academic results and no impairment provision is required.

Cambridge Cognition Holdings plc

Notes to the financial statements

15. Property, plant & equipment

	Leasehold Improvements £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2013	38	323	361
Additions	-	21	21
At 31 December 2013	38	344	382
At 1 January 2014	38	344	382
Additions	-	49	49
At 31 December 2014	38	393	431
Depreciation			
At 1 January 2013	38	251	289
Charge for the year	-	40	40
At 31 December 2013	38	291	329
At 1 January 2014	38	291	329
Charge for the year	-	38	38
At 31 December 2014	38	329	367
Net Book value			
At 31 December 2014	-	64	64
At 31 December 2013	-	53	53

16. Subsidiaries

Details of the Company's subsidiaries at 31 December 2014 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%

17. Inventories

	2014 £'000	2013 £'000
Finished goods and goods for resale	185	123
	185	123

During the year inventories with a total value of £654,000 (2013: £383,000) were included in the income statement as an expense.

Cambridge Cognition Holdings plc

Notes to the financial statements

18. Trade and other receivables

	2014 £'000	2013 £'000
Amount receivable for the sale of goods	1,058	512
Allowance for doubtful debts	(20)	(25)
	<u>1,038</u>	<u>487</u>
Prepayments	381	303
Other receivables	213	186
	<u>1,632</u>	<u>976</u>

Trade receivables

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

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

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the year-end but against which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 67 days in 2014 (2013: 42 days) but this increase is due to an extension to agreed terms rather than overdue payments.

Ageing of past due but not impaired receivables:

	2014 £'000	2013 £'000
31-60 days	178	245
61-90 days	108	36
91-120 days	61	16
Total	<u>347</u>	<u>297</u>

Movement in the allowance for doubtful debts:

	2014 £'000	2013 £'000
Balance at the beginning of the period	25	23
(Decrease)/Increase in provision	(5)	2
Balance at the end of the period	<u>20</u>	<u>25</u>

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

19. Deferred Tax

At the reporting date, the group has unused tax losses of £8.3 million (2013: £8.0 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses as there is uncertainty over the timing of future taxable profits. Other losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of share options.

Cambridge Cognition Holdings plc

Notes to the financial statements

20. Trade & other payables

Amounts falling due within one year

	2014 £'000	2013 £'000
Trade payables	543	526
Social security and other taxes	79	92
Other payables	99	126
Accruals and deferred income	982	891
	<u>1,703</u>	<u>1,635</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2013 : 52 days). For all suppliers no interest is charged on the trade payables. Group policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments. The Directors consider that the carrying amount of trade payables approximates their fair value.

21. Share capital

	2014 £	2013 £
Issued and fully paid		
16,930,556 (2013: 16,885,105) Ordinary Shares of £0.01 each	<u>169</u>	<u>169</u>

During the year 45,451 Ordinary shares were issued following the exercise of share options at an exercise price of £0.01 per share.

No other shares were issued during the year.

22. Own Shares

	2014 £	2013 £
Own Shares Reserve	<u>174</u>	<u>204</u>

The Own Shares Reserve represents the cost of shares acquired by the Cambridge Cognition Employee Benefit Trust to satisfy options under the group's share options schemes. The number of shares held by the Employee Benefit Trust at 31 December 2014 was 415,783 (2013: 488,683).

During the year employees exercised 72,900 share options at an exercise price of £0.01. A transfer of £30,432 was made from Own Shares Reserve to Retained Earnings in respect of these exercised options.

Cambridge Cognition Holdings plc

Notes to the financial statements

23. Notes to the cash flow statement

	2014 £'000	2013 £'000
Loss before tax	(295)	(2,990)
Adjustments for:		
Finance costs	-	35
Depreciation of property, plant and equipment	38	40
Share-based payment expense	92	238
Operating cash flows before movements in working capital	(165)	(2,677)
(Increase) in inventories	(62)	(10)
(Increase)/Decrease in receivables	(663)	372
Increase/(Decrease) in payables	68	(157)
Operating cash flows plus movements in working capital	(822)	(2,472)
Tax credit received	129	-
Interest received/(paid)	-	-
Net cash from operating activities	(693)	(2,472)

Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and bank balances	1,519	2,261

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

24. Operating lease arrangements

	2014 £'000	2013 £'000
Lease payments under operating leases recognised as an expense in the year	173	140

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

	2014 £'000	2013 £'000
Within one year	163	78
In the second to fifth years inclusive	82	5
After five years	-	1

Operating lease payments represent rentals payable by the group for rent, phone systems, copiers and franking machines. Property rental on 2 units had 6 months and 9 months to expiry at 31 December 2014, with an option to extend for a further year at the then prevailing market rate. The property rental on another unit had 21 months to expiry at 31 December 2014. The average rental period for other leases is 5 years.

Cambridge Cognition Holdings plc

Notes to the financial statements

25. Share based payments

Equity-settled share option scheme

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

	2014		2013	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	1,119,344	0.43	331,884	0.60
Exercised during the period	(118,351)	(0.01)	(24,868)	(0.01)
Option modification	-	-	(255,000)	(0.47)
Option modification	-	-	255,000	(0.009)
Exchanged during the period	-	-	42,364	0.26
Granted during the period	875,000	0.60	1,116,758	0.57
Forfeited during the period	(25,567)	(0.67)	(346,794)	(0.68)
Outstanding at the end of the period	<u>1,850,426</u>	<u>0.53</u>	<u>1,119,344</u>	<u>0.43</u>
Exercisable at the end of the period	<u>705,911</u>	<u>0.38</u>	<u>385,741</u>	<u>0.30</u>

The options outstanding at 31 December 2014 had a weighted average exercise price of £0.53, and a weighted average remaining contractual life of 7.0 years. The weighted average share price at the date of exercise of options during the year was £0.67.

Options were granted on 30 September 2014. The performance conditions attached to these options are such that options vest dependent on the company achieving certain share price hurdles. The performance conditions, which are market conditions, have been incorporated into the measurement by actuarial modelling. The aggregate of the estimated fair values of the options granted is £88,384. The inputs into the Binomial Option model are as follows:

	September 2014
Share price at date of issue	70p
Exercise price	60p
Expected volatility	40%
Expected life	10 years
Risk-free rate	1.96%
Expected dividend yields	0.0%

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

The Group recognised total expenses of £92,000 (2013: £238,000), related to equity-settled share-based payment transactions.

26. Post employment benefit schemes

Defined contribution schemes

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

The total cost charged to income of £121,000 (2013: £174,000) represents contributions payable to these schemes by the group at agreed rates. As at 31 December 2014, contributions of £17,000 (2013: £23,000) due in respect of the current reporting period had not been paid over to the schemes.

Cambridge Cognition Holdings plc

Notes to the financial statements

27. Financial instruments

Capital risk management

The Group manages its capital to ensure the Group is able to continue as a going concern while maximising the return to stakeholders through optimising the balance between the Group debt and equity. The Group had no borrowings at 31 December 2014. To satisfy these objectives the Group successfully raised £5 million (before expenses) in equity during 2013.

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:

	2014 £'000	2013 £'000
Cash and cash equivalents	1,519	2,261
Equity shareholder funds	2,049	2,130

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

Significant accounting policies

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

Categories of financial instruments

	2014 £'000	2013 £'000
Financial assets classified as loans and receivables		
Cash and bank balances	1,519	2,261
Trade and other receivables	1,092	650
Financial liabilities at amortised cost		
Trade and other payables	1,037	1,073

Financial risk management objectives

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

Liquidity Risk

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

At 31 December 2014, the Group's financial liabilities had contractual maturities which are summarised below:

	2014 £'000	2013 £'000
	Within 6 months	Within 6 months
Trade payables	543	526
Other payables	481	503
	-----	-----
	1,024	1,029
	-----	-----

Cambridge Cognition Holdings plc

Notes to the financial statements

27. Financial instruments (continued)

Market risk

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

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

Foreign currency risk management

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

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

	Liabilities		Assets	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
US Dollar	25	7	989	647
EURO	-	-	214	229

A movement in the £/\$ exchange rate of +/- 5% from 31 December 2014 to the date of realising the US dollar net asset position would result in a gain/loss of £48,000 (2013: £32,000). Similarly with the Euro, the gain/loss would be £11,000 (2013: £11,000).

Credit risk management

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

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

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

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

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

Cambridge Cognition Holdings plc

Notes to the financial statements

28. Related party transactions

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

Remuneration of directors and key management personnel

The remuneration of the senior Executive Management Committee members, who are 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*.

	2014 £'000	2013 £'000
Short-term employee benefits	479	720
Post-employment benefits	9	32
Termination benefits	-	60
Share-based payments	50	161
	<u>538</u>	<u>973</u>

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

Other transactions

During 2014 the Group incurred consultancy fees of £64,000 (2013: £28,000) from MCR Holdings, a partnership of which N. Walters is a partner. At the year end a balance of £5,517 (2012: £7,657) was outstanding to MCR Holdings.

Cambridge Cognition Holdings plc

Parent Company Balance Sheet

	Notes	At 31 December 2014 £'000	At 31 December 2013 £'000
Fixed Assets			
Investments	3	195	152
Current assets			
Debtors	4	4,579	3,802
Cash at bank		41	1,501
		<u>4,620</u>	<u>5,303</u>
Creditors : Amounts falling due within one year	5	(156)	(93)
Net current assets		<u>4,464</u>	<u>5,210</u>
Total assets		<u>4,659</u>	<u>5,362</u>
Capital and Reserves			
Called up Share capital	6	169	169
Share premium account		6,335	6,335
Investment in own shares	7	(174)	(204)
Share based payment reserve	7	258	166
Retained earnings	7	(1,929)	(1,104)
Equity Shareholders' Funds		<u>4,659</u>	<u>5,362</u>

The financial statements of Cambridge Cognition Holdings plc on pages 39 to 43 were approved and authorised for issue by the board on 11th March 2015 and were signed on its behalf by:



Nick Kerton
Chief Executive Officer

Cambridge Cognition Holdings plc

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 principal accounting policies are summarised below. They have all been applied consistently throughout the period from incorporation.

The company has taken advantage of the exemption of FRS8 from disclosing transactions with other wholly owned members of the Group.

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 £795,000 (2013: £1,104,000).

1.2 Investments

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

For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

1.3 Going concern

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

1.4 Share-based payments

The Company issues equity-settled share-based payments to its directors, as well as employees (including directors) of its subsidiary, Cambridge Cognition Limited. In accordance with FRS 20, for all grants of share options and awards the cost of these payments is measured at fair value at the date of grant. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. That fair value is expensed on a straight-line basis over the vesting period for the related options based upon the Company's estimate of the shares that will eventually vest. The corresponding credit is to share-based payments reserve. The fair value for directors and employees of the Company's subsidiary is added to the cost of the investment in that subsidiary. No expense is recognised for awards that do not ultimately vest as a result of the relevant employee ceasing to be employed by the Group. Fair value is measured using an appropriate Option Pricing Model.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the value of the shares issued are allocated to share capital with any excess being recorded as share premium.

1.5 Employee Benefit Trust

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

Cambridge Cognition Holdings plc

Notes to the parent company financial statements

2. Share based payments

The company has granted options to directors over ordinary shares. The vesting period ranges between 0 and 3 years. If the options remain unexercised after a period of 10 years from the date of the grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Movement in the number of share options outstanding and their related average weighted exercise prices are as follows:

	2014		2013	
	No	WAEP pence	No	WAEP pence
Outstanding at beginning of year	552,004	64	-	-
Exercised	(45,451)	(1)	-	-
Granted	875,000	60	898,798	66
Forfeited	-	-	(346,794)	68
Outstanding at end of year	<u>1,381,553</u>	<u>64</u>	<u>552,004</u>	<u>64</u>
Exercisable at period end	<u>281,418</u>	<u>70</u>	<u>133,091</u>	<u>70</u>

The fair value of options granted during the year are calculated using the Binomial Options model. The weighted average fair value of options granted during the period was 10 pence. The significant inputs into the model in respect of these options were the exercise price shown below, volatility of 40%, dividend yield of nil, expected option life of between 2 and 5 years and an annual risk free rate of 1.9%.

The weighted average share price at the date of exercise of options during the year was £0.60.

At 31 December 2014 1,381,553 options remain outstanding (2013 : 552,004 options) with an exercise price as follows:

		Options over Ordinary Shares in the Company	Options over Ordinary Shares in the Company
	Exercise Price Pence	2014 No. of Options	2013 No. of Options
Granted April 2013	70	506,553	506,553
Granted April 2013	1	-	45,451
Granted September 2014	60	875,000	-
		<u>1,381,553</u>	<u>552,004</u>

Employees of the company's subsidiary, Cambridge Cognition Limited have also been granted options over the Company's shares. These are dealt with at note 25 to the consolidated financial statements.

Cambridge Cognition Holdings plc

Notes to the parent company financial statements

3. Fixed asset investments

	Investment in Subsidiaries £'000
Cost	
At 1 st January 2014	152
Additions	43
	<u>195</u>
At 31 December 2014	<u>195</u>
Provisions for impairment	
At 31 December 2013 and At 31 December 2014	-
	<u>-</u>
Net Book value	
At 31 December 2014	<u>195</u>
At 31 December 2013	<u>152</u>

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated accounts.

Name	Country of Operation	Proportion of Ownership and Voting Power Held	Nature of Business
Cambridge Cognition Limited	England	100%	Development and sale of computerised neuropsychological tests
Cambridge Cognition Trustees Limited	England	100%	Trustee company
Cambridge Cognition LLC	USA	100%	Sales office

4. Debtors

	2014 £'000	2013 £'000
Amounts due from subsidiary undertakings	4,570	3,786
Other debtors	9	16
	<u>4,579</u>	<u>3,802</u>

5. Creditors : amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	156	61
Social security and other taxes	-	16
Other creditors	-	16
	<u>156</u>	<u>93</u>

Cambridge Cognition Holdings plc

Notes to the parent company financial statements

6. Share capital

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

7. Reconciliation of Movement in Reserves and Shareholders' Funds

	Called up Share Capital £'000	Share premium £'000	Own Shares £'000	Share- based Payment £'000	Profit and Loss £'000	Total £'000
On incorporation	-	-	-	-	-	-
Issue of shares	169	6,922	-	-	-	7,091
Share issue costs	-	(587)	-	-	-	(587)
Loan to Trustees of Employee Benefit Trust	-	-	(204)	-	-	(204)
Provision for Share-based payment	-	-	-	166	-	166
Loss for the year	-	-	-	-	(1,104)	(1,104)
At 31 December 2013	<u>169</u>	<u>6,335</u>	<u>(204)</u>	<u>166</u>	<u>(1,104)</u>	<u>5,362</u>
At 1 January 2014	169	6,335	(204)	166	(1,104)	5,362
Issue of shares	-	-	-	-	-	-
Transfer on allocation of shares held in trust	-	-	30	-	(30)	-
Provision for Share-based payment	-	-	-	92	-	92
Loss for the year	-	-	-	-	(795)	(795)
At 31 December 2014	<u>169</u>	<u>6,335</u>	<u>(174)</u>	<u>258</u>	<u>(1,929)</u>	<u>4,659</u>