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This document which comprises an admission document required by the rules of AIM, a market operated by the London Stock Exchange, has been drawn up in accordance with the requirements of the AIM Rules. This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise and is not a prospectus as defined in the AIM Rules. Accordingly, this document has not been pre-approved by the Financial Services Authority pursuant to section 85 of the FSMA.

The Directors, whose names appear on page 5 of this document, and Cambridge Cognition, accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of Cambridge Cognition and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued and to be issued ordinary share capital of Cambridge Cognition to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the ordinary share capital will commence on AIM on 18 April 2013. Neither the Sale Shares nor the Placing Shares are dealt with on any other exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UK Listing Authority nor the London Stock Exchange have examined or approved the contents of this document.

Cambridge Cognition Holdings plc

*(A company incorporated and registered in England & Wales with registered number 8211361)
(ISIN GB00B8DV9647)*

**Placing of 7,142,858 New Ordinary Shares and 1,987,844 Sale Shares
at 70 pence per Placing Share
and**

Admission of the Company to trading on AIM

Nominated Adviser and Broker



Share capital immediately following Admission

| <i>Ordinary Shares of £0.01 each issued and fully paid</i> | <i>Amount</i> | <i>Number</i> |
|--|---------------|---------------|
| | £168,851.05 | 16,885,105 |

finnCap Limited, which is authorised and regulated by the FSA, is acting as Nominated Adviser and Broker to Cambridge Cognition and no one else in connection with the Admission and will not be responsible to any person other than Cambridge Cognition for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of finnCap nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of finnCap, as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to Cambridge Cognition or any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance of any part of this document.

Other than in accordance with Cambridge Cognition's obligations under the AIM Rules or otherwise required by law, Cambridge Cognition undertakes no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to Cambridge Cognition, its Directors or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statement referred to above and contained elsewhere in this document. The information on Cambridge Cognition's website does not form a part of this document.

The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Admission, the Ordinary Shares or the distribution of this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This document should not be copied or distributed by recipients and, in particular should not be distributed, published, reproduced or otherwise made available by any means, including electronic transmission, in, into or from the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or any other jurisdiction where to do so would be in breach of any other law and/or regulation. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or under the securities laws of any state of the United States of America or under the securities laws of any of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan and, subject to certain exemption, may not be offered or sold, directly or indirectly, within or into the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan. Neither this document nor any copy of it may be distributed in or sent to or taken into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of finnCap at 60 New Broad Street, London, EC2M 1JJ, from the date of this document and for a period of one month from the date of Admission. This document will be available to download from Cambridge Cognition's website at <http://www.cambridgecognition.com/>

No person has been authorised to give any information or to make any representation about Cambridge Cognition and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in Cambridge Cognition's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

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ESTIMATED TIMETABLE OF PRINCIPAL EVENTS

| | |
|--|---------------|
| Publication date of this document | 12 April 2013 |
| Admission effective and dealings in the Enlarged Share Capital to commence on AIM | 18 April 2013 |
| CREST accounts credited | 18 April 2013 |
| Despatch of definitive share certificates for Share Sale and the Placing Shares (where applicable) | 6 May 2013 |

Each of the dates in the above timetable is subject to change without further notice.

ADMISSION STATISTICS

| | |
|--|----------------|
| Placing Price | 70 pence |
| Number of New Ordinary Shares being placed on behalf of the Company | 7,142,858 |
| Number of Sale Shares being placed on behalf of Selling Shareholders | 1,987,844 |
| Enlarged Share Capital | 16,885,105 |
| Percentage of Enlarged Share Capital represented by the Placing Shares | 54.1 per cent. |
| Market capitalisation of the Company on Admission at the Placing Price | £11.8 million |
| Gross proceeds of the Placing (excluding Sale Shares being placed on behalf of Selling Shareholders) | £5.0 million |
| Estimated expenses of Admission (excluding VAT) | £0.8 million |
| Estimated net proceeds of the Placing receivable by the Company | £4.2 million |
| International Security Identification Number | GB00B8DV9647 |
| AIM symbol | COG |

FORWARD LOOKING STATEMENTS

This document includes “forward looking statements” which includes all statements other than statements of historical facts, including, without limitation, those regarding the Company or Group’s financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include forward-looking terminology such as the words “targets”, “believes”, “expects”, “aims”, “intends”, “plans”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from future results, performance or achievements, or dividends payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could give rise to the Company’s actual results, performance, achievements or dividends paid differing materially from those in forward looking statements include those factors entitled “Risk Factors” set out in Part II of this document. Any forward looking statements relate only to the position as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward looking statements or risk factors other than as required by law or the AIM Rules for Companies.

Market and Financial Information

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group’s position therein, are based on the Group’s records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Unless otherwise indicated, financial information in this document, including CCL’s audited financial statements for the years ended 31 December 2010, 31 December 2011 and 31 December 2012, and the notes to those financial statements, has been prepared in accordance with International Financial Reporting Standards.

Various figures and percentages in tables in this document have been rounded and accordingly may not total.

Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

DIRECTORS AND ADVISERS

| | | |
|--|---|---|
| Directors | Dr. Jane Ann Worlock (<i>Chairman</i>) Ruth Frances Keir (<i>Chief Executive Officer</i>) Dr. Andrew Damien Blackwell (<i>Chief Scientific Officer</i>) David McKay Blair (<i>Chief Financial Officer</i>) Dr. Nicholas Anthony Kerton (<i>Non-executive director</i>) Michael Geoffrey Lewis (<i>Non-executive director</i>) all of the registered office of Cambridge Cognition | |
| Secretary | David McKay Blair | |
| Registered Office | Tunbridge Court Tunbridge Lane Bottisham Cambridge CB25 9TU | |
| Telephone | +44 (0) 1223 810 700 | |
| Company website on Admission | http://www.cambridgecognition.com/ | |
| Nominated Adviser & Broker | finnCap Limited 60 New Broad Street London EC2M 1JJ | |
| Reporting Accountants & Tax Adviser | Deloitte LLP City House 126 – 130 Hills Road Cambridge CB2 1RY | (A member firm of the Institute of Chartered Accountants in England & Wales) |
| Auditors | Grant Thornton LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY | (A member firm of the Institute of Chartered Accountants in England & Wales) |
| Legal Advisers to Cambridge Cognition | Baker Botts (UK) LLP 41 Lothbury London EC2R 7HF | |
| Legal Advisers to finnCap | SNR Denton UK LLP One Fleet Place London EC4M 7WS | |
| Registrar | Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU | |
| Financial PR | Walbrook PR Ltd 4 Lombard Street London EC3V 9HD | |

DEFINITIONS

The following definitions shall have the following meanings in this document (other than in the report contained in Part III), unless the context requires otherwise:

| | |
|------------------------------------|--|
| “Act” | the Companies Act 2006, as amended |
| “Admission” | admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules |
| “AIM” | the market of that name operated by the London Stock Exchange |
| “AIM Rules” | the AIM Rules for Companies as issued by the London Stock Exchange |
| “Articles” | the Articles of Association of the Company from time to time |
| “Board“ or “Directors” | the board of directors of the Company, whose names are set out on page 5 of this document |
| “British Smaller Companies VCT” | British Smaller Companies VCT plc, a public limited company incorporated and registered in England and Wales with company number 03134749 |
| “British Smaller Companies VCT2” | British Smaller Companies VCT2 plc, a public limited company incorporated and registered in England and Wales with company number 04084003 |
| “City Code” | the City Code on Takeovers and Mergers (as published by the Panel) |
| “CCL” | Cambridge Cognition Limited, a company incorporated and registered in England and Wales with company number 04338746 |
| “CCL Group” | CCL, together with its Subsidiaries |
| “CC LLC” | Cambridge Cognition LLC, a company formed under the laws of the State of Delaware |
| “CC Trustees” | Cambridge Cognition Trustees Limited, a company incorporated and registered in England and Wales with company number 04213437 |
| “Company” or “Cambridge Cognition” | Cambridge Cognition Holdings plc, a company incorporated and registered in England and Wales with company number 8211361 |
| “CREST” | the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations) in accordance with which securities may be held or transferred in uncertificated form |
| “CREST Regulations” | the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any modifications of them or any regulations in substitution for them made under section 785 of the Act |
| “Deed of Termination” | the deed of termination entered into between CCL, the PallMall Investors and the Existing Shareholders dated 12 April 2013 pursuant to which the Subscription and Shareholders’ Agreement was terminated |

| | |
|-------------------------------------|---|
| “Disclosure and Transparency Rules” | rules made in accordance with section 73A(3) of FSMA relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made |
| “EBT” | the Cambridge Cognition Employee Benefit Trust 2002 |
| “EIS” | the Enterprise Investment Scheme and related reliefs as detailed in parts of the Income Tax Act 2007 and in sections 150A to 150C and Schedule 5B of the Taxation of Chargeable Gains Act 1992 |
| “Enlarged Share Capital” | the Existing Ordinary Shares and the New Ordinary Shares |
| “Executive Directors” | Ruth Keir, Andrew Blackwell and David Blair |
| “Existing Ordinary Shares” | the 6,852,658 Ordinary Shares in issue at the date of this document |
| “Existing Shareholders” | the holders of the Ordinary Shares prior to the Placing |
| “finnCap” | finnCap Limited, nominated adviser and broker to the Company |
| “Founder Shareholders” | Jean Hammond, John Hammond and Guy Wood-Gush |
| “FSA” | the Financial Services Authority |
| “FSMA” | the Financial Services and Markets Act 2000, as amended |
| “Group” | the Company, CCL, CC Trustees and CC LLC |
| “Historical Financial Information” | the consolidated historical information relating to the CCL Group set out in Part III of this document |
| “HMRC” | HM Revenue & Customs |
| “Lock-in Agreements” | the agreements by which each of the Directors and certain Existing Shareholders have agreed with finnCap and the Company certain undertakings with respect to their holdings of Ordinary Shares on Admission, as more particularly described in paragraph 10.3 of Part V of this document |
| “London Stock Exchange” | London Stock Exchange plc |
| “MM&K” | MM&K Limited, a company authorised by the FSA, which has been instructed by the Company to provide advice on its remuneration strategy |
| “New Ordinary Shares” | the 7,142,858 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing |
| “NHS” | National Health Service; the publically funded healthcare system in the United Kingdom |
| “Official List” | the Official List of the UK Listing Authority |
| “Old Share Option Scheme” | The Cambridge Cognition Limited 2004 Enterprise Management Incentive Share Option Scheme |
| “Options” | EMI Options and Unapproved Options, as the context requires |
| “Ordinary Shares” | ordinary shares of £0.01 each in the capital of the Company |

| | |
|---|---|
| “PallMall Investors” or “Selling Shareholders” | PallMall Technology Ventures, PallMall Technology Ventures III and PallMall Technology Ventures IV |
| “PallMall Technology Ventures” | a partnership established in England and registered as a limited partnership under the Limited Partnerships Act 1907 with number LP008134 |
| “PallMall Technology Ventures III” | a partnership established in England and registered as a limited partnership under the Limited Partnerships Act 1907 with number LP011252 |
| “PallMall Technology Ventures IV” | a partnership established in England and registered as a limited partnership under the Limited Partnerships Act 1907 with number LP011250 |
| “Panel” or “Takeover Panel” | the Panel on Takeovers and Mergers |
| “Placing” | the proposed placing of the Placing Shares at the Placing Price and sale of the Sale Shares at the Placing Price |
| “Placing Agreement” | the conditional agreement dated 12 April 2013 between (i) the Company, (ii) the Directors, (iii) the Selling Shareholders and (iv) finnCap, further details of which are set out in paragraph 10.1 of Part V of this document |
| “Placing Price” | 70 pence per Ordinary Share |
| “Placing Shares” | the New Ordinary Shares |
| “Prospectus Rules” | the prospectus rules made pursuant to section 73A of FSMA |
| “QCA Guidelines” | the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance |
| “Sale Shares” | 1,987,844 of the Existing Ordinary Shares proposed to be sold on behalf of the Selling Shareholders at the Placing Price under the Placing |
| “Shareholders” | person(s) who is/are registered as holder(s) of Ordinary Shares from time to time |
| “Share Exchange” | means the transfer of the entire issued share capital of CCL made, pursuant to the Share Exchange Agreement, in exchange for the Existing Ordinary Shares |
| “Share Exchange Agreement” | means the share for share exchange agreement entered into on 12 April 2013 between CCL, the Company and the CCL’s shareholders, pursuant to which the Company acquired the entire issued share capital of CCL as summarised in paragraph 10.4 of Part V of this document |
| “Share Option Scheme” | The Cambridge Cognition Holdings 2013 EMI Share Option Plan |
| “Subscription and Shareholders’ Agreement” | means the Subscription and Shareholders’ Agreement relating to CCL dated 12 April 2006 (as amended from time to time), and entered into between Pall Mall Partners Limited; Ian Harris (now no longer a party since he no longer holds any shares in CCL), David Blair and Dr. Guy Wood-Gush; and Dr. John Hammond, YFM, CC Trustees and Dr. Jean Hammond, as summarised in paragraph 10.5 of Part V of this document |

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|--------------------------------|---|
| “Subsidiary” | as defined in Section 1159 of the Act |
| “UK” or “United Kingdom” | the United Kingdom of Great Britain and Northern Ireland |
| “UK Corporate Governance Code” | the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council |
| “UK Listing Authority” | the Financial Services Authority acting in its capacity of competent authority for the purposes of Part VI of FSMA |
| “Unapproved Options” | options granted as unapproved options with no beneficial tax treatment applying to them |
| “USA” or “US” | United States of America |
| “VCT” | a venture capital trust for the purposes of Part 6 of the Income Tax Act 2007 and related reliefs detailed in Part 6 of the Income Tax Act 2007 and in sections 151A and 151B of the Taxation and Chargeable Gains Act 1992 |
| “YFM” | the British Smaller Companies VCT and British Smaller Companies VCT2 funds managed by YFM Private Equity |

Currency Definitions

| | |
|-------------------------|---|
| “p” or “pence” | one hundredth of one pound sterling |
| “£” or “sterling” | United Kingdom pounds sterling |
| “€” or “Euro” | Euro, the basic unit of currency among participating European countries |
| “\$” or “US\$” or “USD” | Dollar, the lawful currency of the United States |

GLOSSARY OF TECHNICAL AND SCIENTIFIC TERMS

The following technical and scientific terms apply throughout this document (other than in the report contained in Part III), unless the context requires otherwise:

| | |
|--|--|
| “21CFR Part II” | 21 CFR Part 11 of the Code of Federal Regulations deals with the United States Food and Drug Administration (FDA) guidelines on electronic records and electronic signatures to assure the integrity and security of electronically created data |
| “ADHD” | attention deficient hyperactivity disorder |
| “Alzheimer’s disease” | a condition resulting from specific degenerative changes in the brain. Symptoms include loss of memory, confusion, disorientation, impaired concentration, restlessness and anxiety |
| “CANTAB®” | Cambridge Neuropsychological Test Automated Battery, the software deployed in the Group’s commercial offering |
| “CANTABmobile Secondary Care Dementia Product” | a CANTABmobile product currently in development to address needs in secondary care |
| “cognition” | the mental processes behind memory, association, concept formation, language, perception and problem solving |
| “cognitive testing” | a method of assessing the cognitive capabilities of a person |
| “dementia” | a chronic or persistent disorder of the mental processes caused by brain disease or injury and marked by loss of cognitive ability |
| “e-learning” | practices in education employing various kinds of digital and electronic media information and communication |
| “GCP” or “Good Clinical Practice” | a standard for the design, conduct, performance, monitoring, auditing, recording, analysis and reporting of clinical trials or studies. GCP compliance provides public assurance that the rights, safety and well-being of human subjects involved in research are protected |
| “HMO” | health maintenance organisation |
| “ISO Certification” | a certificate of compliance with standards set by the International Organisation for Standardisation, which promotes worldwide proprietary, industrial and commercial standards |
| “MCI” | mild cognitive impairment |
| “Parkinson’s disease” | an abnormal condition of the nervous system caused by degeneration of a particular area of the brain, which results in rigidity of the muscles, slow body movement and tremor |
| “PCP” | primary care physician or provider, the medical professional who makes first contact with a person presenting undiagnosed health concerns |

PART I

INFORMATION ON THE GROUP

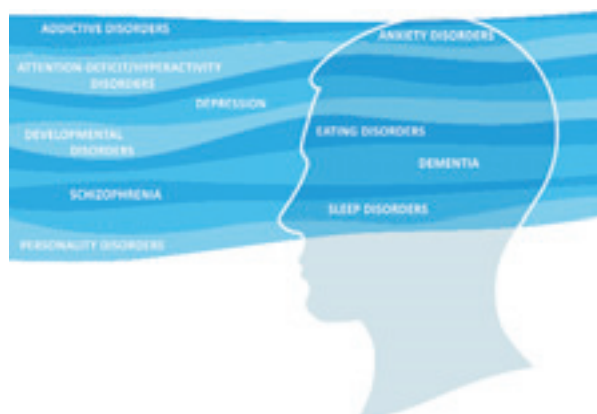
1. INTRODUCTION

Summary

The Group develops and commercialises computerised neuropsychological tests for sale worldwide, principally in the UK, the US and Europe. The Group trades through Cambridge Cognition's subsidiary, CCL, and it is this company which will continue to be the trading entity after Admission. Following the acquisition of the business and assets from CeNeS plc in 2002, CCL has created two well-established products, CANTABelect™ and CANTABeclipse™, which as standalone reportable segments have been profitable in each of the last three years. A third product, CANTABmobile™, was launched in the UK in May 2012, targeted at mainstream primary healthcare markets, in particular to enable the early detection of dementia. The Directors intend to use funds raised in the Placing to grow sales of CANTABmobile and continue development of a similar product for secondary healthcare markets.

Background

Brain and nervous system illnesses represent one of the largest unmet medical markets with two billion people worldwide affected. In addition to the human suffering of conditions such as anxiety disorders, addiction, dementias, depressive disorders and traumatic brain injury, the annual economic impact of brain-related illness is reported to have reached \$2.2 trillion worldwide. Early diagnosis is desirable as it can help to reduce the costs associated with Alzheimer's disease and dementia. Validated, user appropriate assessments can track disease progression and treatment compliance and efficacy, as well as aid research into cognitive disorders and potential new treatments.



Based on science and technology developed at the University of Cambridge, CANTAB® (being the software deployed in the Group's commercial offering) is a suite of 25 computerised cognitive tests which are all delivered on touchscreens. CANTAB is described in over 1,000 published peer-reviewed articles and the Directors are not aware of any other computerised cognitive battery with a comparable bibliography.

This independent, international and scientific validation makes CANTAB suited for use in pharmaceutical clinical trials to determine the effect of potential new pharmaceuticals on cognitive endpoints relating to efficacy or toxicity. Accordingly, CCL provides a GCP-compliant version of CANTAB to many pharmaceutical and biotech companies for use in pre-registration Phase I, 2 and 3 studies and post-marketing Phase 4 studies.

CANTAB is sold to research institutions around the world, over 700 to date and to ten of the twelve largest pharmaceutical companies. Sales of CANTAB to the research and development and pharmaceutical sectors, together with supporting services, generated revenue of approximately £5.68 million in the year to 31 December 2012.

In recent years, recognising an opportunity to access the mainstream healthcare market, CCL has invested in the development of CANTABmobile, a new CANTAB product line and an approved CE-marked Class II

medical device, to address the market need to rapidly detect early signs of cognitive impairment. The first CANTABmobile product, launched in May 2012, assesses memory loss relevant in the early stages of an incipient dementia of the Alzheimer's type. CANTABmobile's potential was given further credence in October 2012 in the announcement by the UK Technology Strategy Board, a body established by the UK Government to stimulate technology-enabled innovation, that they would provide a group of companies (including CCL) with a grant to continue work on a digital community-based dementia diagnosis service.

CANTABmobile was marketed initially to clinicians in NHS and private settings in the UK and CCL intends to launch the product in, initially, certain European countries and subsequently in other countries, including potentially the US and Canada. The Directors also see potential for developing CANTABmobile for use in secondary care environments, and intend to deploy some of the proceeds of the Placing in the development of a product to address this opportunity.

The Group operates from its headquarters near Cambridge, UK, where it currently employs 49 employees, excluding directors and consultants, across its operations, and has a presence in the USA, where it retains two employees and one consultant in sales and scientific functions.

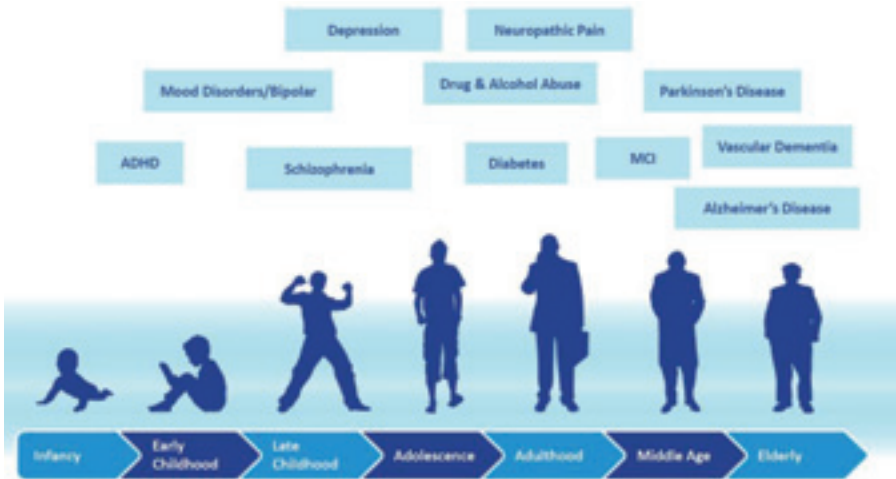
The Placing

Cambridge Cognition is proposing to raise £5 million (£4.2 million net of costs) by the issue of 7,142,858 New Ordinary Shares at the Placing Price which it intends to deploy predominantly in the expansion of the CANTABmobile sales and marketing function and completing development of the CANTABmobile Secondary Care Dementia Product.

Additionally, the PallMall Investors are proposing to sell 1,987,844 Ordinary Shares at the Placing Price. The New Ordinary Shares and the Sale Shares will together represent approximately 11.8 per cent. of the Enlarged Share Capital.

2. THE BUSINESS

There is rapid development of a new marketplace in digital brain health as consumers and healthcare providers seek to better monitor and enhance cognition. It was estimated by SharpBrains (an independent research firm) that the market for brain health software and biometrics was over \$1 billion in 2012 and forecast to grow to between \$4 and \$10 billion by 2020, with software accounting for approximately 50 per cent. of this.



CANTAB® ASSESSMENT SPANS ALL LIFE PHASES

Traditionally, cognitive tests have been carried out by pencil and paper and require a highly-trained examiner to follow a complex series of scoring and administrative steps. The advantages of computerised tests can include standardisation of administration, accurate measures of response latencies, automated comparison in real-time with an individual's performance as well as age-related norms, and efficiencies of staffing and costs. The CANTAB® suite of tests enable researchers (e.g. in academic or in commercial clinical study settings) or clinicians to test subjects/patients for cognitive status in a controlled, repeatable, manner and

evaluate effects of intervention upon cognition in conditions such as MCI, Alzheimer's disease, Parkinson's disease, schizophrenia and depression.

From its inception, CANTAB has been developed for use on touchscreens. This brings scientific benefit by enabling a platform of non-linguistic tests which are easy for the client to operate. However, the cost of touchscreen hardware has historically been prohibitively expensive for general use and consequently restricted the business space into which the tests can be sold. That has now changed with the advent of affordable and widely available touchscreen devices, such as iPad/Android tablet devices and phones.

The CANTAB suite currently comprises 25 separate cognitive tests. CCL has developed and expanded on the intellectual property relating to CANTAB assigned from within the University of Cambridge, including the addition of other in-licensed intellectual property and in-house developments.

Commercialisation of CANTAB has been expanded and grown into three distinct business streams, as set out below.

CANTAB product streams



Worldwide locations where CANTABelect and CANTABeclipse have been deployed

CANTABeclipse™ – Academic and other Research Users

CANTABeclipse is a cognitive test product designed for use by researchers working in a non-regulated environment, typically in academia. It provides the flexibility to researchers to design their own studies, using one or more of the CANTAB tests in accordance with their licence from Cambridge Cognition. The data generated from the study are available to the researcher immediately for use in their data modelling and analysis activities.

The customer base for CANTABeclipse has grown to include over 700 academic and research organisations globally (including leading academic institutions such as the University of Oxford, Cambridge University, Harvard University and Johns Hopkins University). The Group's suite of tests, in whole or in part, is licensed to individual researchers or institutions with licence periods depending on the study/institution needs, with the majority being for between 1 and 5 years. The Group also sells the tablet (or 'slate') computer on which to run the tests, if this is required by the customer.



Example of a tablet computer running a CANTAB test

CANTABelect™ – Clinical Research and Trials

CANTABelect, the Group's software for regulated clinical trials, is designed to be compliant with industry standards such as GCP and 21CFR Part 11. To fit within this operating environment and in contrast to CANTABeclipse, data generated with CANTABelect are date and time stamped to provide an audit trail, and this audit trail links back to the certified trained user. Data is fully encrypted and transferred back to Cambridge Cognition for decryption, analysis and data management. The Group's technologies are used by pharmaceutical companies in their clinical trials to characterise the cognitive effects of potential new medicines, for example in evaluating their cognitive efficacy or safety or remediation of cognitive deficits.

Cambridge Cognition provides clients with tailored CANTAB test packages to meet the needs of a specific clinical trial, together with data and project management services. Ten of the twelve largest pharmaceutical companies are clients of Cambridge Cognition. Sales of CANTABelect together with associated services currently represent the majority of the Group's revenues.

Typically the Group offer includes some or all of the following services to CANTABelect clients:

- Scientific consulting services
- CANTABelect test battery tailored to needs of specific clinical trial
- Phase I – IV data monitoring
- Electronic data capture, using Livedata (a form of third-party software allowing real-time data integrating and analytics) if requested by client
- Investigator training (in person or using e-Learning facility)
- Translation services (relating to CANTAB and if required for particular study sites)
- Biostatistics*
- Medical writing (relating to CANTAB outcomes)

**Currently the Group outsources biostatistics but may in future bring these services in-house.*

CANTABmobile™

Launched in the UK in May 2012, the first CANTABmobile product is an approved Class II medical device for use in primary healthcare settings which provides accurate, fast (typically less than 10 minutes) and patient-adaptive assessment of cognitive impairment. Whilst also assessing mood and assessing how an impairment can affect activities in daily life, the test of memory is particularly sensitive to detecting the early signs of memory loss which may be associated with incipient Alzheimer's disease. CANTABmobile is presented on an Apple iPad™ allowing for ease of use amongst the elderly or motion impaired. The product does not require specialist clinical training and hence can be administered by non-specialists. On completion of the test, the supervising physician can review the outcomes on a single-page report which provides clear recommendations for the physician to consider. On the basis of these recommendations, the physician can assess an appropriate pathway of patient care.

The initial market for this product is the 44,000 primary care doctors in the UK. CANTABmobile has received interest from NHS Commissioners of primary care services. Approximately one third of clinical commissioning groups are either undertaking pilot trials with CANTABmobile, have individual surgeries within the commissioning area with trial systems or in certain cases, have already purchased the software. Trials of the product are also ongoing in the US.

The Group intends to develop its CANTABmobile line with additional assessment products. Field testing is underway of the second product in the range, the CANTABmobile Secondary Care Dementia Product, which will provide more detailed information in secondary healthcare settings. The aim is to develop a product which evaluates a broader range of cognitive domains and is intended to enable physicians to more rapidly and cost-effectively evaluate patients referred on from primary care settings.



Example CANTABmobile output report

CCL has invested approximately £300,000 in financial year ending 31 December 2010, approximately £1,100,000 in financial year ending 31 December 2011 and approximately £700,000 (net of revenues) in the financial year ending 31 December 2012 in the development of CANTABmobile. The investment has been entirely funded by cash generated from ongoing operations.

3. MARKET OPPORTUNITY AND CORPORATE STRATEGY: A FOCUS ON DEMENTIA

Alzheimer's Research UK, the UK's leading dementia research charity, has stated that there are 820,000 people living with dementia in the UK, of whom it estimates that 400,000 are undiagnosed. These figures are expected to rise in line with an ageing population. Furthermore, the same body estimates the cost of dementia to the UK economy at £23 billion, a fact which has led the UK Department of Health to state that dementia is "one of the most important issues we face as the population ages". The combined health and social care costs of caring for persons suffering from dementia in the UK was estimated in 2008 to be £10.3 billion, greater than the comparable costs of cancer, stroke and heart disease combined (estimated to be £9.5 billion in 2008).

The UK is not unique in this respect. Alzheimer's Disease International reported that as of 2010, there were an estimated 35.6 million people with dementia worldwide. This number will nearly double every 20 years, to an estimated 65.7 million in 2030, and 115.4 million in 2050. The total estimated worldwide cost of dementia was US\$604 billion in 2010. About 70 per cent. of the costs occur in Western Europe and North America. These figure include costs attributed to informal care (unpaid care provided by family and others), direct costs of social care (provided by community care professionals, and in residential home settings) and the direct costs of medical care (the costs of treating dementia and other conditions in primary and secondary care).

Conversely, studies in the UK and overseas have highlighted the economic benefits of early assessment and treatment. The UK government has undertaken a number of initiatives focussing on dementia. For example, in October 2012, the UK Government announced a grant to CCL together with academic and clinical partners of 60 per cent. of the costs of establishing a prototype integrated early diagnosis service for dementia with the objective of cutting the average time for the diagnosis of dementia by 15 months and to double the diagnosis rate with an anticipated roll-out from 2014. In the USA, the government has introduced the Medicare Wellness Check, effective from January 2011, including an assessment of cognition.

Such initiatives, together with the focus on controlling health care costs as well as supporting quality of life, create a new business space for technologies which directly or indirectly support decisions relating to a patient's pathway of care. Consumers of the technology may be healthcare professionals such as PCPs, or payers such as HMOs, self-insuring companies, or indeed the patients/carers themselves.

The Directors believe that bringing CANTAB technology to the healthcare marketplace in a range of user-appropriate formats represents a value opportunity for the Group.

The Directors believe that the need to control rising healthcare costs and to optimise through-life mental capital through both pharmacological and non-pharmacological interventions create market potential for current and future Group products. The Group strategy is to generate additional revenue by developing all three of its current product lines:

- enhancing sales of CANTABeclipse and CANTABelect through product developments to enhance the efficiency of test delivery to clinical trial and academic sites, supporting for example, the increased research market demand for use of cognitive testing in epidemiological studies; and
- developing new healthcare products incorporating CANTAB, tailored to meet the end-user requirements for sale by CCL directly or through partners, in the UK and in other territories.

The Board considers that the CANTABmobile product is essential to this strategy insofar as it enables front-line healthcare providers to perform an accurate, initial assessment to indicate if presenting symptoms constitute a clinically relevant impairment. CCL also has in development a second CANTABmobile product designed to enable more extensive cognitive evaluation in secondary care settings.

The initial CANTABmobile product, launched in May 2012, demonstrates the Group's ability to create, secure medical device regulatory clearance and bring to market new CANTAB products.

The Group strategy is to partner with organisations with appropriate sales channels which can accelerate market adoption, particularly so outside of the United Kingdom, and also to engage in commercial relationships with organisations seeking to work together in complementing their own product lines.

In addition to the products focussed on dementia described above, the Directors believe that the Group has the potential to build an extended portfolio of innovative products incorporating tests from the CANTAB battery for use by healthcare professionals and/or consumers such as patients and carers/parents. Such products could address areas such as neurodevelopment (e.g. ADHD), neurodegeneration (e.g. Parkinson’s) and mood disorders (e.g. depression). The Group has been approached by a number of organisations seeking to partner with Cambridge Cognition to develop products of this nature and the Directors anticipate that the Group will evaluate the commercial potential and requirements of such projects in due course.

4. BARRIERS TO COMPETITOR ENTRY

CANTAB has received more than 25 years of validation by independent academic researchers. The Directors believe that this creates a barrier to entry for emerging competitors. The sensitivity of the CANTAB suite of tests has been demonstrated in over 90 clinical conditions and this validation is documented in peer-reviewed scientific journals. The CANTAB bibliography has grown over many years and is expected to continue to do so. The challenge of replicating this extensive body of research, including normative reference data, creates a barrier to entry for potential competitors when seeking to enter the science-led market of healthcare settings and ethical medications.

4.1. Competitor products

4.1.1. Traditional cognitive tests

The tools traditionally used for its measurement have shortcomings. Broadly, the two most commonly used categories of test have pencil and paper tests or specialist neuropsychological test batteries. The features of these are outlined in the following table:

| Test | Users | Advantages | Disadvantages |
|---|---|---|--|
| Pencil and paper screening tools such as the Mini Mental State Exam (MMSE) | Researchers, Primary Care Physicians and hospital doctors | Quick, inexpensive per se (but administration and scoring by a trained healthcare professional is expensive) | Subjective; require trained neuro-psychologists to conduct the administration and interpretation. Administration and scoring is manual and therefore could prove inaccurate. |
| Specialist neuropsychological test batteries such as the Wechsler Memory Scales and of other multi-component “Pencil and Paper” tools | Specialist Clinicians, Researchers | Scientific validation, familiarity for specialist. Comprehensive characterisation of function Normative data available. | Expensive. Very complex and time consuming to administer. Subject to errors in administration and scoring. Requires a highly qualified professional to administer. |

4.1.2. Computerised tests

Established competitors are Cogstate and Bracket (now part of United BioScience Corporation and formerly known as Cognitive Drug Research Ltd).

The CogState test (now branded as “Cognigram”) is said to assess cognition in patients and the reports generated on the basis of this assessment can allow physicians to identify subtle changes that could be indicative of the early stage of a neurodegenerative disease, such as Alzheimer’s disease.

A number of other companies are marketing computerised cognitive assessment to the Healthcare market, for example, Brain Resource Corporation, Medical Care Corporation (MCCare), Neurotrax and CNS Vital Signs:

- Brain Resource Corporation has formed a joint venture to provide a web-based cognitive assessment as part of a clinician's decision support systems, a second joint venture was entered into which has a focus on creating an ADHD portal.
- MC Care and Screen, Inc. focuses on dementia assessment. Screen, Inc.'s system requires off-line analysis of the results by the company before the clinician can receive the outcome.
- NeuroTrax markets a cognitive assessment product called Mindstreams. The product is said to be an adaptive computerised test a physician can use to assess patients and detect any deterioration since previous testing.
- CNS Vital Signs is a company based in the US that offers a series of neurocognitive assessments for the evaluation and management of patients. Software can be purchased online and downloaded via the web by physicians.

In addition, a number of new organisations are emerging in this sector. For example, Brain Baseline received a cash prize of \$25,000 in the Alzheimer's Challenge 2012 innovation competition aimed at the development of simple, cost-effective, consistent tools that could be used to assess memory, mood, thinking and activity level over time to help improve diagnosis and monitoring of people with Alzheimer's disease. The future commercial success of companies such as these is not known.

5. INTELLECTUAL PROPERTY PROTECTION

The protection of CANTAB® for the benefit of CCL arises through the following:

- Copyright in the look and feel of the different tests/test batteries that forms the basis of CANTAB products
- Copyright (and database rights) in the software which provides the functionality and operation of CANTAB® as a touch screen interactive technology
- Publicly available journal articles that form a bibliography of more than 1000 articles which reference the use of CANTAB® products and outcomes derived from their use
- Registered trade mark protection of the CANTAB® name and of CAMBRIDGE COGNITION which has been obtained and is being sought in additional countries

In addition to these, CCL holds licences to two families of patent applications relating to CANTAB. These patents are still at the application stage and the subject matter of the patent applications is not currently utilised.

5.1. Copyright in the "look and feel" of the different test batteries that form the basis of CANTAB products;

The "look and feel" of the test batteries that form the basis of CANTAB® products is proprietary to CCL and is protected by copyright in the images (different boxes and content and pictures that are used) that are used in those products. The rights in the look and feel of the original test battery were assigned by the original developers or by other third parties and have since been developed further by employees of CCL and by consultants under consulting agreements including assignments of intellectual property rights. Some additional images have been licensed from third parties for use in CANTAB® products.

5.2. Copyright in the software which provides the functionality and operation of CANTAB® as a touch screen interactive technology;

Software has been developed that produces the look and feel described in paragraph 5.1 above in conjunction with the operation of touch screen technology. The software provides the functionality behind the CANTAB® products.

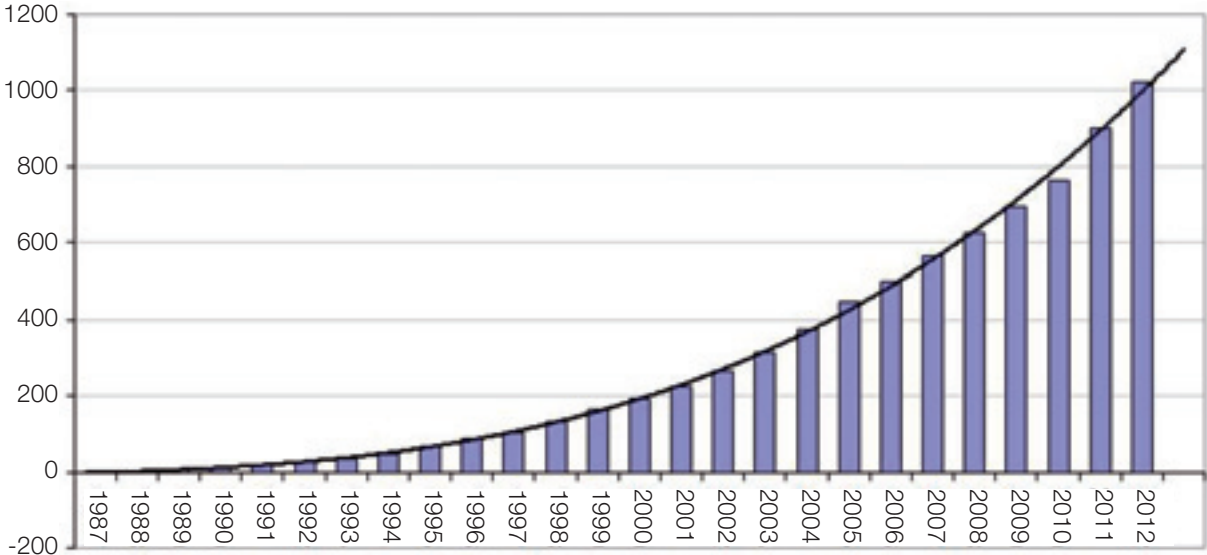
5.3. Barrier to entry of normative data sets

Certain of the CANTAB tests have normative data sets which can be used to compare an individual's performance on a test to that of a reference population. These data have been collated from a number of different sources over the period that this technology has been developed. The total number of datapoints of this nature relating to a single CANTAB test can exceed 5000. The combination of these datasets with

the insights derived from peer-reviewed articles (described further at paragraph 5.4 of this Part I) provides CCL with know-how on interpretation of CANTAB profiles across a range of conditions, including dementia, Parkinson’s disease and ADHD amongst others.

5.4. Barrier to entry of publicly available journal articles that form a bibliography of greater than 1000 articles relating to the use of CANTAB® products

A strength and differentiator of CANTAB® products is the bibliography of greater than 1000 peer reviewed journal articles that provide users with reference information when using CANTAB® products in patients and healthy volunteers. The bibliography has grown consistently over the past decade, as illustrated in the figure below.



Graph showing cumulative growth in CANTAB bibliography

5.5. Registered trade mark protection of the CANTAB name and of CAMBRIDGE COGNITION

CCL has a reputation both as a company and for its products. It has trade mark registrations to protect its brands.

5.5.1. House Mark

CCL’s use of its house mark CAMBRIDGE COGNITION is principally in connection with its CANTAB related bespoke services. In order to protect the CAMBRIDGE COGNITION house mark throughout the EU, a Community Trade Mark application has been filed and has proceeded successfully to registration. Further applications for protection of the logo including the house mark have been filed to cover Australia, Canada, China, India, Japan, Norway, Russian Federation, Switzerland and USA.

5.5.2. Product Names

CCL’s use of the CANTAB mark is in relation to cognitive testing software. Three forms of CANTAB are marketed: CANTABeclipse; CANTABelect; CANTABmobile. CANTABeclipse and CANTABelect are used widely across the globe, and the company anticipates similar deployment for the newest product stream, CANTABmobile. For this reason, it has been decided to protect the CANTAB trade mark widely. Trade mark registrations have been obtained in the EU and in the USA, and further applications for trade mark registration are pending covering: Australia, Canada, China, India, Japan, Norway, Russian Federation, Switzerland and to extend the scope of goods and services protected in the USA.

6. REGULATION

CCL successfully secured CE Class II approved medical device status in 2011 for the CANTABmobile primary care dementia product; a first for the Group, and the Directors believe this to be a first for any cognitive test. Securing this regulatory approval enables marketing across the European Union and the countries of the European Union Free Trade Association. The Group will seek to secure the additional regulatory approvals required to market and commercialise outside of these territories, if needed, on a country-by-country basis at the appropriate time.

7. SUMMARY FINANCIALS

The financial information in the table below has been extracted from the historical financial information for CCL set out in Part III of this document. In order to make a proper assessment of the CCL's business, investors should not rely solely on the summary information set out below but should read the whole of the CCL's historical financial information contained in Part III of this document.

| | <i>For the year ended 31 December 2010</i> | <i>For the year ended 31 December 2011</i> | <i>For the year ended 31 December 2012</i> |
|---|--|--|--|
| | £ | £ | £ |
| Revenue | 4,828,354 | 5,579,657 | 5,683,640 |
| Gross profit | 4,022,979 | 4,660,195 | 4,466,177 |
| Operating profit/(loss) | 921,410 | 15,230 | (1,453,834) |
| <i>Comprising of the following segmental results (excluding central costs):</i> | | | |
| CANTABeclipse | 725,260 | 937,266 | 850,609 |
| CANTABelect | 1,903,687 | 2,171,919 | 1,257,736 |
| CANTABmobile | (300,845) | (1,147,113) | (680,490) |
| Profit after tax | <u>719,610</u> | <u>(160,725)</u> | <u>(1,576,024)</u> |

8. THE BOARD

Dr. Jane Ann Worlock (née Batten) – *Chairman* (aged 58)

Jane Worlock joined the Board of CCL as a non-executive director in 2009, becoming Chairman of CCL in April 2010. She has senior operational experience, gained over the last 30 years, in the international pharmaceutical industry and is highly experienced in corporate strategy, holding board appointments in both private and listed companies. Jane is actively involved in fund raising & IPO activities, playing a significant role in strategy planning and policy making within several companies.

Ruth Frances Keir – *Chief Executive Officer* (aged 51)

Ruth joined the CCL board initially in 2010 as a non-executive director, bringing to it more than 26 years' experience in research and business development positions in the pharmaceutical industry, as well as a period as Director of her own consultancy business, Archea Ltd. Prior to this, Ruth was Head of Strategic Alliances at Pfizer, leading the UK and US based Business Development team responsible for early-stage compound and technology licensing. A pharmacologist by background, Ruth graduated from Edinburgh University prior to joining Pfizer's Discovery Research group.

Dr. Andrew Damian Blackwell – *Chief Scientific Officer* (aged 38)

Following an MA and a PhD in psychology from the University of St Andrews, Andrew undertook post-doctoral 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. Andrew has published numerous papers in quality journals, including Science, American Journal of Psychiatry and Neuropsychopharmacology.

Andrew joined CCL in 2006 and was appointed as a director and Chief Scientific Officer in 2007. Andrew now plays a leading role in the development of CCL's strategic roadmap and maintains key relationships with the scientific and technology community, industry partners and clients, patient advocacy groups and government. As well as providing vision and innovation, Andrew also plays a key role in the general management of CCL, overseeing all scientific activity required for business development, product research and development and in-contract service delivery.

David McKay Blair – *Chief Financial Officer* (aged 51)

David studied chemistry at Oxford, holds an MBA from Manchester Business School and the Advanced Diploma in Corporate Finance. He qualified as a Chartered Accountant with Price Waterhouse in 1987. He left to lead a successful MBI team and has subsequently held a variety of board positions in private and listed companies. Since 1994 he has specialised in working with small and medium enterprises in the technology arena and their investors.

Michael Geoffrey Lewis – *Non-Executive Director (aged 54)*

Mike 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 Luminare Ltd. Mike is also a lecturer, speaker and is currently chairing innovation sessions at the 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).

Dr. Nicholas Anthony Kerton – *Non-Executive Director (aged 62)*

Nick 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. Nick 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 UK 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.

9. SENIOR EXECUTIVES

In addition to the Board, the Group employs the following key senior executives:

Noleen Redden – *Operations Director*

Noleen is a medical laboratory technologist with international experience. Noleen has more than 10 years in pharma development in clinical data management and associated systems. Previous roles at Roche included global functional head for data integration and deputy site head for CDM UK.

Dr. Lisa Nolan – *Vice President Business Development*

Lisa has worked with CCL on a full-time consultancy basis since April 2011 in the position of Vice President Business Development.

Lisa has worked in the healthcare industry for over twenty years both in Europe and in the US. She initially worked in clinical research with AstraZeneca in Europe and later progressed into product management and strategic marketing positions before joining Elan Pharmaceuticals as Head of Strategic Marketing. She then held the positions of Vice President Business Development and Strategic Planning at the US based West Pharmaceutical Services (a medical device and contract services company) and later Global Vice President of Business Development and Strategic Marketing for SkyePharma, Inc. Prior to working with CCL, she was Chief Business Officer for Topigen Pharmaceuticals, a small biotech in Canada that was acquired by Pharmaxis, Inc.

Lisa holds a BSc and MSc in Pharmacy and a PhD in Clinical Pharmacology from Trinity College Dublin.

Dr. Jeffrey Baker – *Senior Scientific Director*

Dr. Jeffrey Baker was appointed Senior Scientific Director of North America at CCL in November of 2012. Jeffrey has a BA degree in chemistry and philosophy from Carson-Newman College in Jefferson City, Tennessee. After working for 3 years as chemist for IT Corporation in Knoxville, Tennessee, he completed a PhD degree in 1993 from Louisiana State University in Baton Rouge, Louisiana. From 1991 to 2001, Jeffrey was on the faculty at Southeastern Louisiana University where he taught courses in neuroscience and abnormal psychology. At this time he published peer reviewed papers on cognitive biases in eating disorders and the neuroplasticity of Pavlovian conditioning.

In 2001, Jeffrey joined Abbott Laboratories as a Neuroscience Research Scientist, during this time he had responsibility for advising on cognitive testing in clinical trials, including studies of ADHD, schizophrenia, Alzheimer's disease, Parkinson's disease and brain metastases. Jeffrey served as clinical lead for Phase 1 studies of cognition as well as Phase 2 studies for cognitive deficits in schizophrenia and for Alzheimer's disease.

Dr. Jenny Barnett – *Senior Scientific Director*

Jenny read Experimental Psychology at Oxford University before moving to Cambridge University for postgraduate studies. Her PhD charted cognitive changes in schizophrenia from first episode to chronic illness. Her post-doctoral research at the University of Cambridge and at Massachusetts General Hospital and the Broad Institute of Harvard and MIT included work on drugs of abuse, potential cognitive enhancers, and the genetic basis of cognition and psychiatric disorders. Jenny joined CCL in 2008, providing scientific consultancy in the pharmaceutical business before moving in 2011 to lead the scientific development of CCL's mainstream healthcare products. She is an Honorary Research Fellow at the University of Cambridge Department of Psychiatry where she works on lifecourse studies of cognition and mental health.

Simon Merritt – *Marketing and Communications Director*

Simon has had a 25 year career in marketing, and has held senior positions with Reckitt Benckiser, the Boots Group and Groupe Danone; and was most recently Global Director for Innovation at Danone Medical Nutrition. He was responsible for the development and global expansion of Nurofen whilst at Boots; and pioneering a more 'pharma' approach to the development of breakthroughs in completely new therapeutic areas for medical foods at Groupe Danone. Simon holds an MA from the University of Cambridge.

Prof. Wim Riedel – *Vice President Science Group*

Wim studied at Groningen University, the Netherlands, where he completed a major in Experimental Psychology and a minor in Mathematical Methodology in the Social Sciences. He started his career at the Institute for Human Psychopharmacology, Maastricht University where he wrote a dissertation on age-related cognitive decline, cholinergic function and cognition enhancing drugs.

Before joining CCL in December 2011, he worked in CNS early drug development at GlaxoSmithKline, Cambridge, UK and at Hoffmann-LaRoche, Basel, Switzerland. His current responsibility is to develop and supervise the implementation of CANTAB in academic and industry clinical trials.

10. CORPORATE GOVERNANCE

The Board recognises the importance of, and is committed to, good corporate governance and intends, following Admission, 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 to follow the provisions of the UK Corporate Governance Code. In any event, the Board intends to comply with the provisions of the QCA Guidelines.

The Board will comprise six directors, three executives and three non-executives and reflect a blend of different experience and backgrounds. The roles of Chairman (which is a non-executive position) and Chief Executive have been split by the Board and there is a clear division of responsibility between the two.

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 Board will take all reasonable steps to ensure compliance in due course.

The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The Audit, Remuneration and Nomination Committees are comprised of Jane Worlock, Nicholas Kerton and Michael Lewis. Michael Lewis will chair the Audit Committee, Nick Kerton will chair the Remuneration Committee and Jane Worlock will chair the Nomination Committee.

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

11. USE OF PROCEEDS

Cambridge Cognition is proposing to raise £5 million (£4.2 million net of costs) by the issue of 7,142,858 New Ordinary Shares at the Placing Price which it intends to use as follows:

- approximately £2.7 million to expand CANTABmobile sales and marketing function;
- approximately £1.0 million to complete the CANTABmobile Secondary Care Dementia Product;
- approximately £0.3 million as a final payment to CeNeS plc under the sale and purchase agreement dated 30 May 2002; and
- approximately £0.2 million as working capital.

Pending these uses, the Directors intend to hold the net proceeds of the Placing in cash deposits.

12. CURRENT TRADING AND PROSPECTS FOR THE GROUP POST ADMISSION

CCL has continued to trade in line with the Directors' expectations since 31 December 2012.

Save as disclosed in this document, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

13. DETAILS OF THE PLACING

The Company and the Selling Shareholders are proposing to raise approximately £6.4 million (before expenses) through the Placing by finnCap of 9,130,702 Ordinary Shares at the Placing Price.

Pursuant to the Placing Agreement, finnCap has agreed with the Company to use its reasonable endeavours to procure investors to subscribe for the New Ordinary Shares at the Placing Price. The Placing of the New Ordinary Shares at the Placing Price is expected to raise approximately £5 million (before expenses) for the Company through the issue of 7,142,858 New Ordinary Shares. The Placing Shares will represent approximately 42.3 per cent. of the Enlarged Share Capital immediately following Admission. The Placing of New Ordinary Shares issued by the Company will be in priority to the Placing of Sale Shares by the Selling Shareholders.

In addition, pursuant to the Placing Agreement, finnCap has agreed with the Selling Shareholders to use reasonable endeavours to procure investors to purchase the Sale Shares. The Placing of the Sale Shares at the Placing Price is expected to raise approximately £1.4 million (before expenses) for the Selling Shareholders. The Selling Shareholders are as follows:

| <i>Name and registered office address</i> | <i>Relationship</i> | <i>Ordinary Shares being sold (Number)</i> | <i>Ordinary Shares remaining on Admission</i> |
|---|---------------------|--|---|
| PallMall Technology Ventures 52A Cromwell Road, London SW7 5BE | Shareholder | 1,225,657 | 1,564,461 |
| PallMall Technology Ventures III 52A Cromwell Road, London SW7 5BE | Shareholder | 586,299 | 748,367 |
| PallMall Technology Ventures IV 52A Cromwell Road, London SW7 5BE | Shareholder | 175,888 | 224,511 |

Application has been made for admission of the Enlarged Share Capital to trading on AIM. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission. Admission is expected to take place at 8.00 a.m. on 18 April 2013.

On the basis of the above assumptions, the Company is expected to have, on Admission, a market capitalisation of approximately £11.8 million.

On the basis of the above assumptions, the issue of the Placing Shares is expected to represent a dilution of 59.4 per cent. for Existing Shareholders not participating in the Placing.

14. LOCK-INS AND ORDERLY MARKET

Immediately following Admission, the Directors and the Selling Shareholders will be directly interested, in aggregate, in 3,679,782 Ordinary Shares, representing approximately 21.8 per cent. of the Enlarged Share Capital (based on the assumptions in paragraph 13 of this Part I).

Other than pursuant to the Placing, each of the Directors, Michael Buxton and the PallMall Investors have undertaken not to sell, transfer or dispose of any interest in Ordinary Shares held by them (or acquired by them after Admission) for a period of 12 months following Admission, except in limited circumstances. The Directors and PallMall Investors have also agreed to accept certain orderly market restrictions for a further subsequent period of 12 months. In addition, YFM and the Founder Shareholders have agreed to accept certain orderly market restrictions for a period of 12 months from Admission.

Further details of these undertakings are set out in paragraph 10.3 of Part V of this document.

15. SHARE SCHEMES

The Board recognises the importance of ensuring that employees of the Group are effectively and appropriately incentivised and their interests aligned with those of the Group. The Board regards employee share ownership as a key part of such incentive arrangements and has therefore established the Share Option Scheme, further details of which are set out in paragraph 9.1 of Part V of this document.

In connection with the acquisition of CCL by the Company, certain employees of the Group and certain persons who are not employees were offered the opportunity to exchange their existing options over ordinary shares in the capital of CCL granted under the Old Share Option Scheme for options over Ordinary Shares. Such exchanged options remain on the same terms as those upon which they were originally granted. Details of the terms of such options are set out in paragraph 9.2 of Part V of this document.

Conditional on Admission, the Company intends to grant additional options over 844,255 Ordinary Shares (representing approximately 5 per cent. of the Enlarged Share Capital) at an exercise price of 70 pence per Ordinary Share to members of the Board and to Ruth Keir over 54,543 Ordinary Shares at an exercise price of 1 pence per Ordinary Share under the Share Option Scheme. The Directors intend that no more than 10.4 per cent. of the issued share capital of the Company from time to time may be capable of issue pursuant to Options.

Furthermore, the Directors intend to explore establishing a plan, subsequent to Admission and subject to HMRC approval, to encourage the purchases of Ordinary Shares by employees in a tax-efficient manner.

16. THE CITY CODE

The City Code is issued and administered by the Panel. The Company is a public company registered in England and Wales and whose central management is in the UK. Accordingly, its Shareholders are entitled to the protections afforded by the City Code.

17. DIVIDEND POLICY

The objective of the Directors is to achieve capital growth for Shareholders through the growth of revenue and profits. Consequently, they do not anticipate that the Company will pay dividends to Shareholders in the short to medium term.

The Directors will keep this position under review and would intend at an appropriate stage in the future to pay a proportion of the Company's profits in each year to Shareholders by way of a dividend. Pursuant to the Act, a dividend may only be paid if the Directors are satisfied, that the Company has distributable profits or reserves pursuant to section 830 of the Act and, as it is a company, positive net assets pursuant to section 831 of the Act.

18. TAXATION

The attention of Shareholders is drawn to the further information regarding taxation set out in paragraph 11 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law and Shareholders should seek independent advice as to their own position.

HMRC has given provisional assurance that the Company is a qualifying company for the purposes of EIS and they would be able to authorise certificates on receipt of an EIS1 and that the New Ordinary Shares would be qualifying holdings for the purpose of VCT. No guarantee is given that the qualifying conditions will continue to be met such as to retain any qualifying status for VCT and EIS purposes and no assurance is given as to the investors' qualifying status.

19. ADMISSION AND SETTLEMENT

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Admission is expected to take place at 8.00 a.m. on 18 April 2013. This date and time may change.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Group has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertified form following Admission will take place within the CREST system.

CREST is a voluntary system and the holders of the Ordinary Shares who wish to receive and retain share certificates will be able to do so.

All Placing Shares will be issued fully paid at the Placing Price. It is intended that, if applicable, definitive share certificates in respect of the Placing Shares will be distributed by 6 May 2013 or as soon thereafter as is practicable. No temporary documents of title will be issued.

20. RISK FACTORS

Your attention is drawn to the Risk Factors set out in Part II and to the information contained in Parts III, IV and V of this document.

Prospective investors should read the whole of this document which provides additional information of the Group and the Placing and not rely on summaries or individual parts only.

PART II

RISK FACTORS

An investment in Ordinary Shares may be subject to a number of risks. Accordingly, prospective investors should consider carefully all of the information set out in this document and the risks attaching to such an investment, including in particular the risks described below (which are not set out in any order of priority), before making any investment decision in relation to Ordinary Shares.

The information below does not purport to be an exhaustive list of relevant risks, since the Company's performance might be affected by other factors including, in particular, changes in market and/or economic conditions or in legal, regulatory or tax requirements. Prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this document and their individual circumstances. An investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate that investment.

Prospective investors are advised to consult an independent adviser authorised under FSMA. If any of the following risks relating to the Group were to materialise, the Group's business, financial condition and results of future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his, her or its investment.

Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company or the Group. In addition to the usual risks associated with an investment in a company, the Directors consider the following risk factors to be significant to potential investors:

RISKS RELATING TO THE GROUP AND THE MARKETS IN WHICH THE GROUP OPERATES

Protection of intellectual, confidential information and trade secrets

The success of the Group and its ability to compete effectively with other companies partly depends upon its ability to protect its intellectual property in the USA, Europe and the UK (providing that these jurisdictions remain its key markets) and exploitation of its technology. There can be no assurance that third parties will not secure intellectual property rights protection in priority to any application by the Group or over intellectual property which may be material to one or more of the Group's products but over which it has no protection. There can be no assurance that the patent applications that the Group has made, but which are pending, or which the Group will make, will be granted or that intellectual property rights of the Group will not be successfully challenged. Furthermore, there is no assurance that the Group's existing or future patent rights will afford adequate protection to the Group against unauthorised use of its technology by others or that others may have or obtain rights that may prevent or impede the exploitation of the Group's intellectual property. The Group may incur substantial costs, and diversion of effort, if required to enforce its intellectual property rights or defend against third party claims of infringement in relation to which there can be no guarantee of success. The Group recognises that there are certain jurisdictions where the Group has not obtained intellectual property rights protection and where no intellectual property rights protection may be available.

Even if intellectual property rights protection is obtained, no assurance can be given that the Group will successfully commercialise such product or technology prior to expiry of that protection. Even if competitors do not successfully challenge such intellectual property rights, there can be no assurance that they will not be able to design around the inventions claimed in such patents or develop unique technologies or products providing similar effects, which may decrease the Group's future potential revenues.

The Group's attempts to obtain patent or other protection for its technologies may also be subject to opposition, which the Group may need to incur substantial costs to overcome, with no guarantee of success. The Group may also feel it necessary to engage in costly opposition or interference proceedings to prevent third parties obtaining relevant patent or other protection, again with no guarantee of success.

The Group's methods and policies for protecting unpatented confidential information, including concepts, proprietary know-how and documentation of its proprietary technology may not afford the Group complete protection, and there can be no assurance that others will not obtain access to that confidential information.

A failure to protect adequately the Group's intellectual property rights may prevent the Group from developing or commercialising product programmes. This may have material and adverse consequences to the business and/or financial position of the Group.

Failure to protect the Group's intellectual property rights may result in another party copying or otherwise obtaining and using the Group's trade marks or other non-registered intellectual property without permission. The Group's rights in its trademarks are currently protected by a number of registrations held by the Group, but no assurance can be given that these registrations will be effective. Policing unauthorised use of trade marks can be difficult and expensive. Furthermore, the Group may need to take legal action to enforce its intellectual property rights and any such litigation may result in substantial costs and the diversion of resources and management attention. In addition, there can be no guarantee as to the outcome of any such litigation.

The initial CANTAB battery was assigned to CeNeS plc (and later CCL following the acquisition of the businesses and assets of CANTAB from CeNeS plc) by Trevor Robbins pursuant to an assignment of intellectual property and consultancy agreement dated 20 January 1997. This agreement contains a reversionary right in respect of the initial intellectual property back to Trevor Robbins. This right is exercisable in the event of: (a) insolvency or the appointment of a receiver; (b) failure to pay royalties to Trevor Robbins and Barbara Sahakian in accordance with the terms of the agreement (the aggregate sum of royalties paid under this agreement has not exceeded £30,000 in any of the three financial years to 31 December 2012); (c) sales of CANTAB fall below £50,000 (as adjusted annually in line with increases in RPI) in any 24 month period; or (d) CCL ceases to trade.

Infringement of intellectual property rights of third parties

There is a risk that the Group is infringing, or may in the future infringe, the proprietary right of third parties. Others might have been the first to make the inventions covered by each of the Group's or the Group's licensors' pending patent applications and issued patents and might have been the first to file patent applications for inventions. In addition, because the patent application process can take several years to complete, there may be currently pending applications, unknown to Cambridge Cognition, that may later result in issued patents that cover the production, manufacture, commercialisation or use of Cambridge Cognition's unapproved products. In addition, the production, manufacture, commercialisation or use of Cambridge Cognition's products may infringe existing patents of which Cambridge Cognition is not aware.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the life science industries. Defending the Group against third party claims, including litigation in particular, would be costly and time consuming and would divert management's attention from the Group's business, which could lead to delays in product development or commercialisation efforts. If third parties are successful in their claims, the Group might have to pay substantial damages or take other actions that are adverse to the Group's business. As a result of intellectual property infringement claims, or to avoid potential claims, the Group might:

- be prohibited from selling or licensing any product that it may develop unless the patent holder licenses the patent to the Group, which the patent holder is not required to do;
- be required to pay substantial royalties or grant a cross licence to the Group's patents to another patent holder; or
- be required to redesign the formulation of an unapproved product so it does not infringe, which may not be possible or could require substantial funds and time.

Product testing and regulatory approvals

The pre-market evaluation, manufacture and marketing of the Group's future products is subject to regulation by government and regulatory agencies. Regulatory approval may be required in respect of all territories within which the Group intends to market its future products, particularly in the US which is a heavily regulated market. There can be no assurance that, to the extent that such approvals have not already been

obtained, the Group's future products will successfully complete any clinical trials or that regulatory approvals to develop and market its products will ultimately be obtained.

Where regulatory approvals are or have been obtained, the Group's products are or will be subject to post-market surveillance and there can be no assurance that such approvals will not be withdrawn, restricted or changed. If there are changes in the application of legislation or regulatory policies or problems are discovered with the product or the manufacturer or if the Group fails to comply with the regulatory requirements, the regulators could impose fines against the Group, impose restrictions on the product, or the Group, require the Group to recall or remove a product from the market, suspend or withdraw its regulatory approvals, require the Group to conduct additional clinical trials, require the Group to change its product labelling, or require the Group to submit additional marketing applications. If any of these events occur, the Group's ability to sell its products may be impaired and the Group may incur substantial additional expense to comply with the regulatory requirements.

Competition

The Group's competitors include, amongst others, companies with substantially greater resources than the Group.

There can be no assurance that other companies will not develop competing products, including products about which information is not presently available, that are more suitable to meet the customer's needs and/or more cost effective and/or which are brought to market earlier than those being developed by the Group, thereby making the Group's products economically unviable.

The Group must effectively manage the growth of its operations

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. There can be no assurance that the Group will be able to implement improvements to its management information and control systems in an efficient and timely manner or that, if implemented, such improvements will be adequate to support the Group's operations. Any inability of the Group to manage its expansion successfully could have a material adverse effect on its business, results of operations and financial condition.

Dependence on key personnel

The Group has entered into employment and/or consulting arrangements with each of its key personnel with the aim of securing their services. The Group's success depends to a significant degree upon the continued contributions of the Executive Directors, consultants and other key personnel. The Group's future performance will be substantially dependent on its ability to retain and motivate such individuals. The loss of the services of any of the Executive Directors, consultants or of other key personnel could prevent the Group from executing its business strategy. Moreover, the Group's future success depends in part on its ability to hire, train and retain key technical, scientific, regulatory, sales, marketing, finance and executive personnel. The Group competes with a number of other organisations for suitable personnel. If the Group fails to retain and hire a sufficient number and type of personnel, it will not be able to maintain and expand its business. The Group may be required to increase spending to retain personnel. The Group has instructed Pinsent Masons LLP and MM&K to advise on incentivisation of employees and Directors and has considered their recommendations.

The Directors cannot give assurances that the Group's senior management team and the Executive Directors will remain with the Group. The loss of the services of the Executive Directors, members of senior management and other key personnel could damage the value of an investment in Ordinary Shares.

Keyman insurance for the benefit of CCL has been effected in relation to Dr. Andrew Blackwell, the chief scientific officer, but such insurance contains excesses, limitations and exclusions. Keyman insurance has not been put in place for any of the other Directors.

Dependence of collaborative partners

The Group has entered into, and intends to enter into collaboration arrangements with third parties. Collaboration arrangements may place the development, marketing or distribution of product programmes outside Cambridge Cognition's control, may require Cambridge Cognition to relinquish important rights or may otherwise be on terms unfavourable to Cambridge Cognition.

Cambridge Cognition may be unable to locate, and enter into favourable agreements with, suitable third parties, which could delay or impair its ability to develop and commercialise product programmes and could increase the Group's costs of development and commercialisation. Dependence on collaboration or arrangements will subject Cambridge Cognition to a number of risks, including the risks that:

- Cambridge Cognition may not be able to control the amount of timing of resources that its collaborators devote to the product development programme;
- Cambridge Cognition's collaborators may experience financial difficulties;
- Cambridge Cognition may be required to relinquish important rights such as certain marketing and distribution rights;
- business combinations or significant changes in a collaborator's business strategy may also adversely affect a collaborator's willingness or ability to complete its obligations under any arrangement;
- a collaborator could move forward with a competing product developed either independently or in collaboration with others, including Cambridge Cognition's competitors; or
- collaboration arrangements may be terminated or allowed to expire, which would delay the development or marketing or distribution or sales and may increase the cost of developing, marketing, distribution or sale of the Group's products or product programmes.

Changes in clinical practice

Sales of the products offered by the Group may be impacted significantly in the event that relevant treatment processes evolve so as to remove, or significantly diminish, the need for a particular product of this nature or if a cheaper or more effective alternative is successfully developed and distributed. Any such impact may have a significant adverse effect on the Group's financial performance and future prospects.

Dependency on the pharmaceutical industry

A proportion of the Group's current revenue results from expenditure by pharmaceutical businesses on running clinical trials. If customers or potential customers in this sector were to:

- reduce such expenditure, in particular by reducing the number of clinical trials;
- seek to retain work in-house rather than outsourcing it; and/or
- consolidate through the vertical integration of their businesses and choose not to engage the Group,

the Group's business could be negatively impacted. If any one such customer was to delay a significant clinical trial or terminate a significant master services agreement, it may have a significant adverse effect on the Group's financial performance and future prospects.

Licences, approvals and compliance

The Group is dependent to a degree on certain licences, compliance certification and regulatory approvals. Non-compliance, certification or approvals is likely to result in a warning from the relevant authority. However, in extreme cases, licences may be restricted or revoked, which could adversely affect the Group's business, results of operations, financial condition and future prospects.

Furthermore the extent of any change in relevant regulations and/or legislation may have a significant effect upon the revenues that the Group can generate from its products and/or the cost to the Group of generating such revenues.

The Group's insurance may not provide sufficient coverage

The Group maintains insurance to cover certain liability risks, for example, professional indemnity insurance, public and products liability insurance marine cargo insurance and employer's liability insurance. However,

this insurance is subject to coverage limits and may not be adequate to cover fully all potential claims. Maintaining insurance cover at reasonable costs and on reasonable terms sufficient to cover all potential claims cannot be guaranteed and any significant claim may increase the insurance premiums to an unaffordable level.

The occurrence of an insured or uninsured risk such as a product recall – liability for which could not be attributed to another party – may result in damage to the Group's reputation and financial standing.

Foreign currency risk

The Group expects to present its financial information in Sterling although part of its business will be conducted in US Dollars and Euros. As a result, it will be subject to foreign currency exchange risk due to exchange rate movements which will affect the Group's transaction costs and the translation of its results. The Directors intend minimising such risks, where appropriate, through the use of hedging or other financial instruments. However, there can be no guarantee that suitable arrangements will be available to the Group at an appropriate cost.

Failure of the Group's information technology systems

The Group's operations and business could be impaired by a failure of its information technology systems. A failure of information technology systems, the inability to access data, a privacy breach or loss or corruption of data may each have a negative impact on the Group's businesses, cash flows, continued regulatory compliance and reputation and may in some circumstances lead to a claim for damages. The Group has commenced the upgrade of certain of its existing information technology systems. There can be no assurance that this upgrade will be completed within the scheduled timescale or within budget or that the new systems, once installed will conform to specification or have the functionality which the Group is anticipating. Also, such upgrade may result in the loss of important data or in interruptions, delays or cessations in the availability of the Group's systems, any of which could have a material adverse effect upon the Group's business, financial condition and results of operations.

Market acceptance of Cambridge Cognition's products is uncertain

The success of the Group will depend on the market acceptance of its products and there can be no guarantee that this acceptance will be forthcoming or that the Group's technologies will succeed as an alternative to other new products. Notwithstanding the technical merits of a product developed by Cambridge Cognition, there can be no assurance that medical practitioners or others will adopt such products as a standard means of practice or that the procedures at which Cambridge Cognition's products are targeted will maintain market acceptance. Physicians will use Cambridge Cognition's products only if they determine, based on experience, clinical data, side effect profiles and other factors, that they are preferable to other products then in use or beneficial in combination with other products. Recommendations and endorsements by influential physicians will be essential for market acceptance of the Group's products, and Cambridge Cognition may not be able to obtain these recommendations and endorsements.

Many other factors influence the adoption of new products, including marketing and distribution restrictions, adverse publicity, product pricing and reimbursement by third-party payers, as well as the introduction of competing products. Even if Cambridge Cognition's products achieve market acceptance, the market may not be large enough to allow Cambridge Cognition to generate significant revenues. The failure of Cambridge Cognition's products to achieve market acceptance would prevent it from ever generating meaningful product revenues.

Market acceptance of Cambridge Cognition's products may depend on their superiority over existing products. Any restriction on Cambridge Cognition's ability to advertise or otherwise promote claims of superiority, or requirements to conduct additional expensive clinical trials to provide proof of such claims could negatively affect the sales of its products and/or its costs.

There may be uncertainty over reimbursement from third parties for newly approved products

The Group's ability to commercialise its products may depend, in part, on the extent to which reimbursement for these products will be available from government and health administration authorities, private health insurers, managed care programmes and other third-party payers.

Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. In many countries, healthcare products are subject to a regime of reimbursement by government health authorities, private health insurers or other organisation. There is increasing pressure from these organisations to limit healthcare costs by restricting the availability and level of reimbursement. There can be no assurance that adequate public health service resources or health insurance coverage or direct payment mechanisms will be available to enable Cambridge Cognition to obtain or maintain prices for its products sufficient to realise an appropriate return on investment.

In addition, changes to the rules and regulations regarding reimbursement or changes to existing regimes of reimbursement or the introduction of a new regime in any country could impact on whether reimbursement is available at adequate levels or at all. In Europe, the US and other territories there have been, and the Directors expect that there will continue to be, a number of legislative and regulatory proposals aimed at changing the healthcare system. Rules and regulations regarding reimbursement may change frequently, in some cases at short notice. In view of the global cost pressures on healthcare markets, further changes should be expected.

History of trading losses

CCL has a history of trading losses. As at 31 December 2012, CCL's accumulated losses as extracted from the Historical Financial Information relating to the CCL Group set out in Part III of this document were approximately £7.7 million. The Company, being newly incorporated, has not traded since its incorporation on 12 September 2012. There can be no assurance that the Group will ever achieve significant revenues or profitability.

Expansion of the Group's business into new markets may be constrained

A key aspect of the Group's growth strategy envisages the Group expanding the business both into additional geographical territories beyond the UK and with new products. Expansion of the Group's business geographically and into other product areas may be constrained by local regulatory regimes and the success in securing sales channel partners. Whilst the Directors believe that there are viable areas for growth over the medium to longer term, there can be no guarantee that the Group will successfully execute this strategy for growth which may have a material adverse effect on the Group's future performance, financial condition or business prospects material adverse effect upon the Group's business, financial condition and results of operations.

Competition risk

Competitors and potential competitors may develop technologies and products that are less costly and/or more effective or more attractive or appealing to consumers than the technology or products of Cambridge Cognition or which may make those of Cambridge Cognition uncompetitive. Cambridge Cognition's products may face competition from companies that have greater research, development, marketing, financial and personnel resources than Cambridge Cognition or its commercialisation partners. Technologies developed by Cambridge Cognition may have a shorter commercial life than anticipated, if any, due to the invention or development of more successful technology or applications by competitors who may have greater financial, marketing, operational and technological resources than Cambridge Cognition or its current and future commercialisation partners.

The expenditure required by Cambridge Cognition may be more than currently anticipated

There is a risk that the amounts Cambridge Cognition anticipates will be needed to fund its growth will be insufficient, that the anticipated timing of such investment may prove incorrect, or that Cambridge Cognition may be unable to raise the amounts required (if at all). Cambridge Cognition may not be able to generate revenues at the times targeted. Costs may be greater than planned, or timings may vary from those targeted.

Future regulatory restrictions

It may be the case that Cambridge Cognition's products (now or in the future) could become subject to regulatory or other restrictions from regulatory bodies in particular industry sectors or with respect to particular applications. Should this occur, Cambridge Cognition may incur further research and/or development costs, or be required to apply for regulatory approvals, that could have a material adverse impact on profitability.

The Company operates in a regulated environment. A risk exists that major regulatory change will take place, increasing the burden on the Company and resulting in additional expense being incurred. A risk also exists due to the ability of regulators to hand out sanctions and shut down business activities if they are not compliant with the regulations.

Commercial agreements

If customer contracts were cancelled or not renewed this could have adverse effects on Cambridge Cognition's future revenues and profitability. Generally, contract cancellation carries a penalty fee, so this risk is partially mitigated. If Cambridge Cognition or a member of its Group is unable to fulfil the conditions of a contract, that contract is usually able to be cancelled with no penalty fee charged. Revenue for individual contracts can have peaks and troughs depending on the nature of the services provided. The Company will need to manage its cashflow effectively to ensure the availability of working capital.

Early stage of CANTABmobile

Whilst the Group has made initial sales of its CANTABmobile products, this CANTABmobile product revenue stream is still at an early stage of commercial development. There are a number of operational, strategic and financial risks associated with early stage products. Cambridge Cognition faces risks frequently encountered by early stage and pre-revenue companies looking to bring new products to the market. In particular, its future growth and prospects will depend on its ability to develop products which have broad commercial appeal, to secure commercialisation partnerships on appropriate terms, to manage growth and to continue to improve operational, financial and management information, quality control systems and its commercialisation function on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to improve operational, financial and management information and quality control systems in line with Cambridge Cognition's growth could have a material adverse effect on Cambridge Cognition's business, financial condition and results of operations. Adverse or inconclusive results from the development process could substantially delay, or halt entirely, any further development of the products and/or subsequent out-licensing of the products. Furthermore, Cambridge Cognition's CANTABmobile products are at an early stage of commercialisation and the Group may not have an adequate budget to support the marketing of those products to achieve market acceptance, market penetration and sales of those products in commercial volumes. There can be no certainty that Cambridge Cognition will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Group or at all.

Commercialisation

The Group has and will continue to enter into arrangements with third parties in respect of the development, production, marketing and commercialisation of its products where appropriate. Cambridge Cognition's principal route to commercialisation is expected to be through partnerships.

Cambridge Cognition does not intend to operate large-scale direct sales organisations other than in order to demonstrate demand to prospective partners to improve its position in negotiating commercialisation partnerships. This commercialisation strategy may result in commercialisation parties demanding higher margins than may be the case with traditional distribution arrangements, but the Directors believe that the strategy has the potential to reduce risk by protecting Cambridge Cognition from having to incur significant direct sales and marketing expense and by utilising the established commercial footprint of potential future partners.

Cambridge Cognition's long-term success will depend both on its ability to enter into commercialisation partnerships and on its negotiation of appropriate terms for any future partnerships. Furthermore, Cambridge Cognition's negotiating position in agreeing terms for commercialisation may be affected by its size and limited cash resources relative to potential commercialisation partners with substantial cash resources and established levels of commercial success.

An inability to enter into such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to reduced milestone and royalty payments and/or delays in the Group's product development and/or commercialisation plans and this may have a significant adverse effect on the Group's business, financial condition and results. The results of any research and development undertaken with a partner may not meet the required specifications or expectations of that partner or be successful, attractive or acceptable in consumer trials.

Accordingly, there can be no assurance that cooperation with the Group's partners will result in a continuing partnership on favourable terms or at all, or in a licensing arrangement with those partners on favourable terms or at all, and that the Group will achieve any revenue, profitability or cash flow from such activities. The loss of, or changes affecting, Cambridge Cognition's relationships with commercialisation partners could adversely affect Cambridge Cognition's results or operations and Cambridge Cognition will have limited input on the sales strategies adopted by any of its partners.

Furthermore, although Cambridge Cognition will endeavour to include performance obligations on its partners in all of its commercialisation agreements, there is a risk that commercialisation partners may reprioritise within their product portfolio resulting in Cambridge Cognition achieving sales below that which it expects. In any such arrangement, Cambridge Cognition will be dependent on such partners for its revenue and the sales strategies and product positioning of the Group's commercialisation partners may have a material and adverse effect on Cambridge Cognition's business, financial condition and results of operations.

Furthermore, some of the contracts entered into by the Group with its partners may require Cambridge Cognition to give wide indemnities to its partners, which can expose the Group to potentially significant liabilities. In addition, such contracts may also provide that the partner may terminate the agreement without cause, on short notice periods, or immediately. If such key partner contracts were to be terminated, or notice to terminate is served, or if the Group were to receive material claims under the indemnities or were to otherwise suffer a financial loss arising therefrom, the Group's financial performance and prospects may be adversely affected.

GENERAL RISKS

Economic conditions and current economic weakness

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products and services. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to realise a profit. The markets in which the Group offers its products and services are directly affected by many national and international factors that are beyond the Group's control.

Volatility of Ordinary Share price

The Placing Price has been agreed between the Company, finnCap and the Selling Shareholders and may not be indicative of the market price for the Ordinary Shares following Admission. The subsequent market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Part II, as well as stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Group's actual financial, trading or operational performance. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares (or the perception that such sales may occur, as, for example in the period leading up to the expiration of the various lock-in agreements to which certain Shareholders are subject), legislative changes and market, economic, political or regulatory conditions.

Liquidity of Ordinary Shares

Prior to Admission, there has been no public market for the Ordinary Shares. Admission to trading on AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. The liquidity of a securities market is often a function of the volume of the underlying Ordinary Shares that are publicly held by unrelated parties. If a liquid trading market for Ordinary Shares does not develop, the price of Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for Ordinary Shares.

Future sales of Ordinary Shares in the public market could cause the share price to fall

Any future sales of a substantial number of Ordinary Shares in the public market after the Placing, or the perception that such sales might occur, could materially and adversely affect the market price of Ordinary Shares and could impair Cambridge Cognition's ability to raise capital through the sale of additional equity securities. The lock-in agreements described in paragraph 10.3 of Part V, which relate to 4,306,568 Ordinary Shares, limit the number of Ordinary Shares that can be sold immediately following the Placing. However, other than these restrictions, there are no limitations on the number of Ordinary Shares that may be sold in the UK public market.

The Group is unable to predict whether substantial amounts of Ordinary Shares in addition to those which will be available in the Placing will be sold in the open market following the termination of the relevant restrictions in the Lock-in Agreements described in paragraph 10.3 of Part V.

The Ordinary Shares will not be admitted to the Official List

Ordinary Shares will be traded on AIM and will not be admitted to the Official List or admitted to trading on the London Stock Exchange's main market for listed securities. The rules of AIM are less demanding than those of the Official List and an investment in Ordinary Shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in Ordinary Shares on AIM may have limited liquidity, making it more difficult for an investor to realise its investment than might be the case in respect of an investment in shares which are quoted on the London Stock Exchange's main market for listed securities. Investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than the market prices of shares quoted on the London Stock Exchange's main market for listed securities and may not reflect the underlying value of the net assets of the Group. For these and other reasons, investors may not be able to sell at a price which permits them to recover their original investment.

Legislation and compliance

This document has been prepared on the basis of current legislation, rules and practice and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change.

Additional capital and dilution

If the Group fails to generate sufficient revenue, then it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion and development. If the Group is unable to obtain this financing on terms acceptable to it, then it may be forced to curtail its planned strategic development. If additional funds are raised through the issue of new equity or equity-linked securities of the Group other than on the basis of a pro rata offer to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that market conditions prevailing at the relevant time will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at a price which is equal to or in excess of the Placing Price. If required funds are not available, the Group may have to reduce expenditure on research and development and marketing which could have an adverse effect on the Group's business, financial condition and prospects.

Dividends

There can be no assurance that the Company will declare dividends or as to the level of any dividends. The approval of the declaration and amount of any dividends of the Company is subject to the discretion of the directors of the Company (and, in the case of any final dividend, the discretion of the Shareholders) at the relevant time and will depend upon, among other things, the Group's earnings, financial position, cash requirements and availability of distributable profits, as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

Taxation risk

Any change in the Group's tax status or in taxation legislation or its interpretation, could affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change. Neither the Group nor its advisers are responsible for making Shareholders aware of any changes to current tax law and practice.

EIS and VCT Status

The Company has obtained assurance from HMRC that the Company qualifies as a qualifying company/holding for the purposes of EIS and that the New Ordinary Shares may comprise part of a qualifying holding for VCT purposes. The actual availability of EIS Relief and qualifying status for VCT purposes will be contingent upon certain conditions being met by both the Company and the relevant investors. Neither the Company nor the Company's advisors give any warranties or undertakings that EIS relief or VCT qualifying status will be available or that, if initially available, such relief or status will not be withdrawn. Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Group ceases to carry on the business outlined in this document, changes the manner in which the business is undertaken or acquires or commences a business which is not insubstantial to the Group's activities at any time this could prejudice the status of the New Ordinary Shares under the VCT provisions. If these changes are made during the three year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company (as referred to above) under the EIS provisions. Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves the EIS or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any shareholder.

If the Company does not employ all of the proceeds of an EIS share issue for qualifying trading purposes within 24 months of the date of issue of the New Ordinary Shares, the Company will not be a qualifying company and as such EIS relief will be withdrawn.

In respect of subscriptions for New Ordinary Shares made by a VCT if the Company does not employ the funds invested by the VCT for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned pro rata and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trade purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holding.

The above information is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company

Future acquisitions

The Board believes that there are acquisition opportunities for the Group. There can be no assurance that the Group will be able to conclude successfully agreements with any of the target businesses which may be identified. Further, there is no certainty that any acquisitions conducted will prove successful.

PART III

Historical Financial Information relating to the CCL Group

Deloitte.

Deloitte LLP
City House
126-130 Hills Road
Cambridge
CB2 1RY

The Board of Directors
on behalf of Cambridge Cognition Holdings plc
Tunbridge Court
Tunbridge Lane
Bottisham
Cambridge
CB25 9TU

finnCap Limited
60 New Broad Street
London
EC2M 1JJ

Dear Sirs

Cambridge Cognition Holdings plc

We report on the financial information for the three years ended 31 December 2012 for Cambridge Cognition Limited and its subsidiaries (together, the “CCL Group”) set out in Part III of the AIM admission document dated 12 April of Cambridge Cognition Holdings plc (the “Company” and, together with its subsidiaries, the “Group”) (the “Admission Document”). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with IFRS as adopted by the EU.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the CCL Group as at 31 December 2012 and of its profits, cash flows and changes in equity for the three years ended 31 December 2012 in accordance with the basis of preparation set out in Note 1 and in accordance with IFRS as adopted by the EU.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in this Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully

Deloitte LLP

Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

HISTORICAL FINANCIAL INFORMATION RELATING TO THE CCL GROUP

Consolidated Statement of Comprehensive Income

| | Note | <i>For the year ended 31 December 2012 £</i> | <i>For the year ended 31 December 2011 £</i> | <i>For the year ended 31 December 2010 £</i> |
|--|------|--|--|--|
| Continuing operations | | | | |
| Revenue | 5,6 | 5,683,640 | 5,579,657 | 4,828,354 |
| Cost of sales | | <u>(1,217,463)</u> | <u>(919,462)</u> | <u>(805,375)</u> |
| Gross profit | | 4,466,177 | 4,660,195 | 4,022,979 |
| Other operating income | | – | 3,220 | 8,813 |
| Administrative expenses | | <u>(5,920,011)</u> | <u>(4,648,185)</u> | <u>(3,110,382)</u> |
| Operating (loss)/profit | | (1,453,834) | 15,230 | 921,410 |
| Finance costs | 10 | <u>(122,190)</u> | <u>(175,955)</u> | <u>(201,800)</u> |
| (Loss)/profit before tax | | (1,576,024) | (160,725) | 719,610 |
| Tax | 11 | <u>–</u> | <u>–</u> | <u>–</u> |
| (Loss)/profit for the year from continuing operations | 7,27 | <u>(1,576,024)</u> | <u>(160,725)</u> | <u>719,610</u> |
| Total comprehensive (loss)/income for the year | | <u><u>(1,576,024)</u></u> | <u><u>(160,725)</u></u> | <u><u>719,610</u></u> |
| (Loss)/earnings per share from continuing operations | | | | |
| Basic | 12 | (0.32) | (0.03) | 0.14 |
| Diluted | 12 | <u>(0.32)</u> | <u>(0.03)</u> | <u>0.14</u> |

Consolidated Balance Sheet

| | | <i>As at</i> | <i>As at</i> | <i>As at</i> |
|-------------------------------|-------------|---------------------------|---------------------------|---------------------------|
| | <i>Note</i> | <i>31 December</i> | <i>31 December</i> | <i>31 December</i> |
| | | <i>2012</i> | <i>2011</i> | <i>2010</i> |
| | | £ | £ | £ |
| Non-current assets | | | | |
| Goodwill | 13 | 351,808 | 351,808 | 351,808 |
| Property, plant and equipment | 14 | 71,851 | 54,233 | 41,662 |
| | | <u>423,659</u> | <u>406,041</u> | <u>393,470</u> |
| Current assets | | | | |
| Inventories | 16 | 112,715 | 172,183 | 118,585 |
| Trade and other receivables | 17 | 1,219,193 | 1,689,657 | 1,715,075 |
| Cash and cash equivalents | | 641,043 | 1,391,216 | 1,173,084 |
| | | <u>1,972,951</u> | <u>3,253,056</u> | <u>3,006,744</u> |
| Total assets | | <u><u>2,396,610</u></u> | <u><u>3,659,097</u></u> | <u><u>3,400,214</u></u> |
| Current liabilities | | | | |
| Trade and other payables | 21 | (3,780,034) | (4,034,778) | (3,640,502) |
| Provisions | 22 | (300,000) | – | – |
| Total liabilities | | <u><u>(4,080,034)</u></u> | <u><u>(4,034,778)</u></u> | <u><u>(3,640,502)</u></u> |
| Net liabilities | | <u><u>(1,683,424)</u></u> | <u><u>(375,681)</u></u> | <u><u>(240,288)</u></u> |
| Equity | | | | |
| Share capital | 23 | 59,970 | 53,725 | 53,725 |
| Share premium account | 24 | 5,988,419 | 5,867,014 | 5,867,014 |
| Own shares | 25 | (204,030) | (204,030) | (204,030) |
| Equity reserve | | 168,301 | 196,571 | 196,571 |
| Retained earnings | 26 | (7,696,084) | (6,288,961) | (6,153,568) |
| Total equity | | <u><u>(1,683,424)</u></u> | <u><u>(375,681)</u></u> | <u><u>(240,288)</u></u> |

Consolidated Statements of Changes in Equity

| | <i>Share capital</i> £ | <i>Share Premium Account</i> £ | <i>Own shares reserve</i> £ | <i>Equity reserves</i> £ | <i>Retained Earnings</i> £ | <i>Total</i> £ |
|--|-------------------------------|---|--|---------------------------------|-----------------------------------|-------------------|
| Balance at 1 January 2010 | 52,490 | 5,867,014 | (3,030) | 196,571 | (6,932,700) | (819,655) |
| Profit for the period | – | – | – | – | 719,610 | 719,610 |
| Total comprehensive income for the year | – | – | – | – | 719,610 | 719,610 |
| Own shares acquired in the period | – | – | (201,000) | – | – | (201,000) |
| Share options exercised | 1,235 | – | – | – | – | 1,235 |
| Credit to equity for equity-settled share based payments | – | – | – | – | 59,522 | 59,522 |
| Balance at 31 December 2010 | 53,725 | 5,867,014 | (204,030) | 196,571 | (6,153,568) | (240,288) |
| Loss for the year | – | – | – | – | (160,725) | (160,725) |
| Total comprehensive income for the period | – | – | – | – | (160,725) | (160,725) |
| Credit to equity for equity-settled share based payments | – | – | – | – | 25,332 | 25,332 |
| Balance at 31 December 2011 | 53,725 | 5,867,014 | (204,030) | 196,571 | (6,288,961) | (375,681) |
| Loss for the year | – | – | – | – | (1,576,024) | (1,576,024) |
| Total comprehensive income for the period | – | – | – | – | (1,576,024) | (1,576,024) |
| Issue of share capital | 6,245 | 121,405 | – | – | – | 127,650 |
| Reserve transfer | – | – | – | (28,270) | 28,270 | – |
| Credit to equity for equity-settled share based payments | – | – | – | – | 140,631 | 140,631 |
| Balance at 31 December 2012 | 59,970 | 5,988,419 | (204,030) | 168,301 | (7,696,084) | (1,683,424) |

Consolidated Statement of Cash Flows

| | <i>For the year ended 31 December Note</i> | <i>For the year ended 31 December</i> | <i>For the year ended 31 December</i> |
|---|--|---|---|
| | 2012 | 2011 | 2010 |
| | £ | £ | £ |
| Net cash from operating activities | 27 (700,746) | 535,213 | 550,161 |
| Investing activities | | | |
| Purchase of property, plant and equipment | (54,916) | (40,399) | (32,117) |
| Net cash (used in) investing activities | (54,916) | (40,399) | (32,117) |
| Financing activities | | | |
| Repayment of convertible loan notes | (122,161) | (276,682) | – |
| Purchase of own shares | – | – | (201,000) |
| Proceeds on issue of shares | 127,650 | – | 1,235 |
| Net cash from/(used in) financing activities | 5,489 | (276,682) | (199,765) |
| Net (decrease)/increase in cash and cash equivalents | (750,173) | 218,132 | 318,279 |
| Cash and cash equivalents at beginning of year | 1,391,216 | 1,173,084 | 854,805 |
| Cash and cash equivalents at end of year | 641,043 | 1,391,216 | 1,173,084 |

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

The historical financial information in Part III presents the financial record of the CCL Group for the three years ended 31 December 2012 (together, the "Consolidated Financial Information").

Basis of preparation

The CCL Group has prepared the Consolidated Financial Information under International Financial Reporting Standards ("IFRS") as adopted by the EU. The Consolidated Financial Information has been prepared on a going concern basis and under the historical cost convention, modified by the revaluation of certain financial instruments.

The Consolidated Financial Information does not constitute statutory accounts.

The Consolidated Financial Information is presented in UK GBP. This is the predominant functional currency of the Group, and is the currency of the primary economic environment in which it operates.

Foreign operations are consolidated within the Consolidated Financial Information in accordance with the policies set out below. The subsidiary undertakings included within the Consolidated Financial Information are shown below.

The CCL 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 CCL Group prior to 31 December 2009 remains unchanged up to 1 January 2010 and is subject to an annual impairment review.

Companies in the consolidated financial information

The subsidiary undertakings included within the Consolidated Financial Information as at 31 December 2012 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 Trustees Limited | UK | Investment company | 10 May 2001 | 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 1 (amended) | Government Loans |
| IFRS 7 (amended) | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Annual Improvements to IFRSs | (2009 – 2011) Cycle |
| IFRS 9 | Financial Instruments |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 10, IFRS 12 and IAS 27 (amended) | Investment entities |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| IAS 27 (revised) | Separate Financial Statements |
| IAS 28 (revised) | Investments in Associates and Joint Ventures |
| IAS 32 (amended) | Offsetting Financial Assets and Financial Liabilities |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the Consolidated Financial Information of the Group in future periods.

3. Significant accounting policies

The accounting policies set out below have been applied consistently for all periods presented in this Consolidated Financial Information.

Basis of consolidation

The Consolidated Financial Information incorporates the results of CCL and subsidiaries. Subsidiaries are entities over which CCL has the power to govern the financial and operating policies so as to obtain benefits from its activities.

No subsidiaries were acquired during the year therefore no income and expenses are required to be included in the consolidated statement of comprehensive income for the period.

When necessary, adjustments are made to the Consolidated Financial Information of subsidiaries to bring their accounting policies into line with those used by other members of the CCL Group.

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

Non-controlling interests in subsidiaries are identified separately from the CCL Group's equity therein.

The interests of non-controlling shareholders are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in CCL Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the CCL Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of CCL.

Business combinations

The CCL Group has made no acquisition or disposals during the period under review. As noted above the CCL Group has chosen to utilise the exemption available under IFRS 1, 'First time adoption of IFRS'.

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 CCL 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.

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.

Revenue is classified as follows:

Sales of goods and licences

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

- the CCL Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the CCL 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 the income statement but not yet invoiced is held on the balance sheet within 'Trade and other receivables'. Revenue invoiced but not yet recognised in the income statement is held on the balance sheet within 'Deferred revenue'.

Supply of software licences and other associated services

Sales from software licences sold in conjunction with goods are recognised in full when the licences are provided.

Sales of clinical testing services are recognised upon 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.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the CCL 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.

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.

The CCL Group as lessor

CCL Group currently does not act as a lessor for any finance or operating leases.

The CCL Group as lessee

CCL Group does not currently hold any assets under finance 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 recycled 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.

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 predominant functional currency of the CCL Group and presentation currency for the Consolidated Financial Information.

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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Borrowing costs

The CCL Group has incurred no borrowing costs attributable to the acquisition, construction or production of qualifying assets.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of associates but before investment or finance income and finance costs.

Retirement benefit costs

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

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 CCL Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 Information 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 generally 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. 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 and associates, and interests in joint ventures, 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 balance sheet 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 balance sheet 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.

Tangible and intangible assets

Property, plant and equipment

The CCL Group has held no land and buildings for the period covered by the Consolidated Financial Information.

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.

The CCL Group has no class of tangible fixed asset that has been revalued in 2012, 2011 or 2010. On transition to IFRS the net book values recorded at 1 January 2010 have been applied and these are based on historic cost or fair value recognised at the date of acquisition.

Internally-generated intangible assets – research and development expenditure

The CCL 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.

Internally-generated intangible assets

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.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the CCL Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the CCL Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of: (i) fair value less costs to sell and (ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation balance is greater than the impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years for the asset (or cash-generating unit). A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

Financial instruments

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

Financial assets

All financial assets are normally recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. On derecognition however, where a specific transaction is entered into with a counterparty that is judged to carry a high credit or liquidity risk, then management may determine that derecognition of the financial asset shall be based on settlement date rather than trade date, with any realised gain or loss taken to profit and loss on date of settlement.

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 receipts (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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the CCL Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the CCL Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract(asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 31.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale financial assets

The CCL Group holds no financial assets classified as available for sale.

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet 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 listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including finance lease receivables, 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 CCL 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.

Derecognition of financial assets

The CCL Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the CCL Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the CCL Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the CCL Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the CCL Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 CCL Group are recognised at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either 'financial liabilities at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the CCL Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the CCL Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 31.

Other financial liabilities

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

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

Derivative financial instruments

The CCL Group has not entered into transactions with derivative financial instruments.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The CCL Group has not entered into hedge accounting transactions.

Provisions

Provisions are recognised when the CCL Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the CCL Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the CCL Group's obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the CCL Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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 29.

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 balance sheet 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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the CCL 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 CCL Group's accounting policies

The following are the critical judgements that the directors have made in the process of applying the CCL 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 CCL Group recognise revenue with regard to amounts chargeable to customers under service contracts. The policy is to recognise 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 considered 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 in equal instalments 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 13.

Recovery of deferred tax assets

Deferred tax assets have not been recognised for deductible temporary differences 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 a Black-Scholes model, with the assumptions detailed in note 29. 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 expenses and equity.

5. Revenue

An analysis of the CCL Group's revenue is as follows:

| | <i>Year ended</i> 2012 £ | <i>Year ended</i> 2011 £ | <i>Year ended</i> 2010 £ |
|--|--------------------------------|--------------------------------|--------------------------------|
| Continuing operations | | | |
| Sales of goods, software licences and associated services: | | | |
| CANTABmobile | 97,865 | – | – |
| CANTABeclipse | 1,379,287 | 1,403,918 | 1,130,275 |
| CANTABelect | 4,206,488 | 4,175,739 | 3,698,079 |
| | <u>5,683,640</u> | <u>5,579,657</u> | <u>4,828,354</u> |

6. Business and geographical segments

Products and services from which reportable segments derive their revenues

Information reported to the CCL 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 CCL Group operates. The CCL Group's reportable segments under IFRS 8 are therefore as follows:

- CANTABmobile – Medical software for use in healthcare delivery settings
- CANTABeclipse – Cognitive test products for researchers working in a non regulated environment, typically in academia
- CANTABelect – Products and services for use in regulated clinical trials

Segment revenues and results

The following is an analysis of the CCL Group's revenue and results by reportable segment in 2012:

| | <i>CANTABmobile</i> <i>Year ended</i> <i>2012</i> £ | <i>CANTABeclipse</i> <i>Year ended</i> <i>2012</i> £ | <i>CANTABelect</i> <i>Year ended</i> <i>2012</i> £ | <i>Consolidated</i> <i>Year ended</i> <i>2012</i> £ |
|------------------------------|--|---|---|--|
| Revenue | | | | |
| External sales | 97,865 | 1,379,287 | 4,206,488 | 5,683,640 |
| Total revenue | <u>97,865</u> | <u>1,379,287</u> | <u>4,206,488</u> | <u>5,683,640</u> |
| Result | | | | |
| Segment result | <u>(680,490)</u> | <u>850,609</u> | <u>1,257,736</u> | 1,427,855 |
| Central administration costs | | | | <u>(2,881,689)</u> |
| Operating (loss) | | | | (1,453,834) |
| Finance costs | | | | <u>(122,190)</u> |
| Loss before tax | | | | (1,576,024) |
| Tax | | | | <u>–</u> |
| Loss after tax | | | | <u>(1,576,024)</u> |

The following is an analysis of the CCL Group's revenue and results by reportable segment in 2011:

| | <i>CANTABmobile</i> <i>Year ended</i> <i>2011</i> £ | <i>CANTABeclipse</i> <i>Year ended</i> <i>2011</i> £ | <i>CANTABelect</i> <i>Year ended</i> <i>2011</i> £ | <i>Consolidated</i> <i>Year ended</i> <i>2011</i> £ |
|------------------------------|--|---|---|--|
| Revenue | | | | |
| External sales | – | 1,403,918 | 4,175,739 | 5,579,657 |
| Total revenue | <u>–</u> | <u>1,403,918</u> | <u>4,175,739</u> | <u>5,579,657</u> |
| Result | | | | |
| Segment result | <u>(1,147,113)</u> | <u>937,266</u> | <u>2,171,919</u> | 1,962,072 |
| Central administration costs | | | | <u>(1,946,842)</u> |
| Operating profit | | | | 15,230 |
| Finance costs | | | | <u>(175,955)</u> |
| Loss before tax | | | | (160,725) |
| Tax | | | | <u>–</u> |
| Loss after tax | | | | <u>(160,725)</u> |

The following is an analysis of the CCL Group's revenue and results by reportable segment in 2010:

| | <i>CANTABmobile</i> Year ended 2010 £ | <i>CANTABeclipse</i> Year ended 2010 £ | <i>CANTABelect</i> Year ended 2010 £ | <i>Consolidated</i> Year ended 2010 £ |
|------------------------------|--|---|---|--|
| Revenue | | | | |
| External sales | – | 1,130,275 | 3,698,079 | 4,828,354 |
| Total revenue | – | 1,130,275 | 3,698,079 | 4,828,354 |
| Result | | | | |
| Segment result | (300,845) | 725,260 | 1,903,687 | 2,328,102 |
| Central administration costs | | | | (1,406,692) |
| Operating profit | | | | 921,410 |
| Finance costs | | | | (201,800) |
| Profit before tax | | | | 719,610 |
| Tax | | | | – |
| Profit after tax | | | | 719,610 |

The accounting policies of the reportable segments are the same as the CCL Group's 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 CCL Group's 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 CCL Group.

Segment net assets

| | 2012 £ | 2011 £ | 2010 £ |
|---------------------------|-----------|-----------|-----------|
| CANTABmobile | 1,500 | – | – |
| CANTABeclipse | 211,648 | 496,030 | 184,807 |
| CANTABelect | 844,268 | 1,130,259 | 1,385,937 |
| Total allocated assets | 1,057,416 | 1,626,289 | 1,570,744 |
| Unallocated assets | 1,339,194 | 2,032,808 | 1,829,470 |
| Consolidated total assets | 2,396,610 | 3,659,097 | 3,400,214 |

For the purposes of monitoring segment performance and allocating resources between segments the CCL Group's Chief Executive 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 13.

Geographical information

The CCL Group's revenue from external customers by geographical location is detailed below:

| | Revenue from external customers | | |
|--------------------------|--|---------------------------|---------------------------|
| | <i>Year ended</i> 2012 | <i>Year ended</i> 2011 | <i>Year ended</i> 2010 |
| | £ | £ | £ |
| United Kingdom | 2,349,556 | 2,874,548 | 1,650,629 |
| United States of America | 1,663,162 | 1,574,346 | 2,366,238 |
| European Union | 1,235,245 | 637,362 | 636,343 |
| Rest of world | 435,677 | 493,401 | 175,144 |
| | <u>5,683,640</u> | <u>5,579,657</u> | <u>4,828,354</u> |

Revenues from major products and services

The CCL Group's revenues from its major products and services are disclosed in note 5.

Information about major customers

Revenue accounting for at least 10 per cent. of reported CCL Group sales can be attributed to a single direct sales customer in 2012, 2011 and 2010. No other customers account for more than 10 per cent. of reported revenue.

7. (Loss)/profit for the year

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

| | <i>Year ended</i> 2012 | <i>Year ended</i> 2011 | <i>Year ended</i> 2010 |
|---|---------------------------|---------------------------|---------------------------|
| | £ | £ | £ |
| Net foreign exchange losses | 75,365 | 8,491 | 9,877 |
| Research and development costs | 1,089,040 | 412,263 | 313,893 |
| Depreciation of property, plant and equipment | 37,298 | 27,828 | 22,643 |
| Gain on disposal of property, plant and equipment | – | – | (1,209) |

8. Auditor's remuneration

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

| | <i>Year ended</i> 2012 | <i>Year ended</i> 2011 | <i>Year ended</i> 2010 |
|--|---------------------------|---------------------------|---------------------------|
| | £ | £ | £ |
| Fees payable to the company's auditor and their associates for the audit of the company's annual accounts | <u>16,000</u> | <u>12,500</u> | <u>9,500</u> |
| Total audit fees | <u>16,000</u> | <u>12,500</u> | <u>9,500</u> |
| – Taxation compliance services | <u>2,300</u> | <u>2,300</u> | <u>2,300</u> |
| Total non-audit fees | <u>2,300</u> | <u>2,300</u> | <u>2,300</u> |

9. Staff costs

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

| | 2012 Number | 2011 Number | 2010 Number |
|------------------------|----------------|----------------|----------------|
| Operations | 38 | 27 | 20 |
| Business development | 6 | 6 | 5 |
| Administrative support | 9 | 9 | 7 |
| | <u>53</u> | <u>42</u> | <u>32</u> |

Their aggregate remuneration comprised:

| | Year ended 2012 £ | Year ended 2011 £ | Year ended 2010 £ |
|-----------------------------------|-------------------------|-------------------------|-------------------------|
| Wages and salaries | 2,949,625 | 2,147,368 | 1,787,688 |
| Social security costs | 269,278 | 190,948 | 141,222 |
| Other pension costs (see note 30) | 164,107 | 100,826 | 85,973 |
| | <u>3,383,010</u> | <u>2,439,142</u> | <u>2,014,883</u> |

10. Finance costs

| | <i>Continuing operations</i> | | |
|---------------------------------------|------------------------------|-------------------------|-------------------------|
| | Year ended 2012 £ | Year ended 2011 £ | Year ended 2010 £ |
| Interest on bank overdrafts and loans | 7,305 | 5,930 | 4,798 |
| Interest on convertible loan notes | 114,885 | 170,025 | 197,002 |
| | <u>122,190</u> | <u>175,955</u> | <u>201,800</u> |

Other financial expenses include bank charges arising on transactions executed and completed in the corresponding period. The unwinding of discount effect on convertible loan notes is explained in note 19.

11. Tax

Corporation tax is calculated at 24.5 per cent. (2011: 26.5 per cent, 2010: 28 per cent) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

| | <i>Year ended</i> 2012 £ | <i>Year ended</i> 2011 £ | <i>Year ended</i> 2010 £ |
|---|--------------------------------|--------------------------------|--------------------------------|
| (Loss)/profit before tax on continuing operations | <u>(1,576,024)</u> | <u>(160,725)</u> | <u>719,610</u> |
| Tax at the UK corporation tax rate of 24.5% (2011: 26.5%, 2010: 28.0%) | 386,126 | 42,592 | (201,491) |
| Tax effect of expenses that are not deductible in determining taxable profit | (77,745) | 6,070 | (2,430) |
| Tax effect of income not taxable in determining taxable profit | – | – | – |
| Tax effect of utilisation of tax losses not previously recognised | – | – | 252,800 |
| Change in unrecognised deferred tax assets Effect of different tax rates of subsidiaries operating in other jurisdictions | <u>(308,381)</u> | <u>(48,662)</u> | <u>(48,879)</u> |
| Tax expense for the year | <u>–</u> | <u>–</u> | <u>–</u> |

12. Earnings per share

From continuing operations

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

| | <i>Year ended</i> 2012 £ | <i>Year ended</i> 2011 £ | <i>Year ended</i> 2010 £ |
|--|--------------------------------|--------------------------------|--------------------------------|
| Earnings | | | |
| Earnings for the purposes of basic earnings per share being net (loss)/profit attributable to owners of CCL | (1,576,024) | (160,725) | 719,610 |
| Effect of dilutive potential ordinary shares: | | | |
| Interest on convertible loan notes (net of tax) | <u>–</u> | <u>–</u> | <u>–</u> |
| Earnings for the purposes of diluted earnings per share | <u>(1,576,024)</u> | <u>(160,725)</u> | <u>719,610</u> |
| | <i>Year ended</i> 2012 £ | <i>Year ended</i> 2011 £ | <i>Year ended</i> 2010 £ |
| Number of shares | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 4,942,961 | 4,943,001 | 5,231,884 |
| Effect of dilutive potential ordinary shares: | | | |
| Share options | – | – | – |
| Convertible loan notes | <u>–</u> | <u>–</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <u>4,942,961</u> | <u>4,943,001</u> | <u>5,231,884</u> |

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing operations.

13. Intangible fixed assets

| | <i>Goodwill</i> £ |
|--------------------------------------|----------------------|
| Cost and net book value | |
| At 1 January 2010 & 31 December 2010 | 351,808 |
| At 1 January 2011 & 31 December 2011 | 351,808 |
| At 1 January 2012 & 31 December 2012 | 351,808 |

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 CCL Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CANTABeclipse CGUs is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on management growth forecasts. The CCL Group has conducted a sensitivity analysis on the impairment test of the CGUs carrying value.

The CCL Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next two years.

14. Property, plant & equipment

| | <i>Leasehold Improvements</i> £ | <i>Fixtures & fittings</i> £ | <i>Total</i> £ |
|---------------------|--|---|-------------------|
| Cost | | | |
| At 1 January 2010 | 37,756 | 199,571 | 237,327 |
| Additions | – | 32,117 | 32,117 |
| Disposals | – | (3,798) | (3,798) |
| At 31 December 2010 | 37,756 | 227,890 | 265,646 |
| At 1 January 2011 | 37,756 | 227,890 | 265,646 |
| Additions | – | 40,399 | 40,399 |
| At 31 December 2011 | 37,756 | 268,289 | 306,045 |
| At 1 January 2012 | 37,756 | 268,289 | 306,045 |
| Additions | – | 54,916 | 54,916 |
| At 31 December 2012 | 37,756 | 323,205 | 360,961 |

| | <i>Leasehold Improvements</i> £ | <i>Fixtures & fittings</i> £ | <i>Total</i> £ |
|-----------------------|--|---|-----------------------|
| Depreciation | | | |
| At 1 January 2010 | 31,425 | 172,152 | 203,577 |
| Charge for the year | 2,546 | 20,097 | 22,643 |
| On disposals | – | (2,236) | (2,236) |
| At 31 December 2010 | <u>33,971</u> | <u>190,013</u> | <u>223,984</u> |
| At 1 January 2011 | 33,971 | 190,013 | 223,984 |
| Charge for the year | 2,389 | 25,439 | 27,828 |
| At 31 December 2011 | <u>36,360</u> | <u>215,452</u> | <u>251,812</u> |
| At 1 January 2012 | 36,360 | 215,452 | 251,812 |
| Charge for the year | 1,290 | 36,008 | 37,298 |
| At 31 December 2012 | <u><u>37,650</u></u> | <u><u>251,460</u></u> | <u><u>289,110</u></u> |
| Net Book value | | | |
| At 31 December 2012 | <u>106</u> | <u>71,745</u> | <u>71,851</u> |
| At 31 December 2011 | <u>1,396</u> | <u>52,837</u> | <u>54,233</u> |
| At 31 December 2010 | <u><u>3,785</u></u> | <u><u>37,877</u></u> | <u><u>41,662</u></u> |

15. Subsidiaries

Details of CCL's subsidiaries at 31 December 2012 are as follows:

| <i>Name</i> | <i>Place of incorporation (or registration) and operation</i> | <i>Proportion of ownership interest</i> % | <i>Proportion of of voting power held</i> % |
|--------------------------------------|---|--|--|
| Cambridge Cognition Trustees Limited | United Kingdom | 100% | 100% |
| Cambridge Cognition LLC | Delaware, United States of America | 100% | 100% |

16. Inventories

| | <i>2012</i> £ | <i>2011</i> £ | <i>2010</i> £ |
|----------------|------------------|------------------|------------------|
| Finished goods | 112,715 | 172,183 | 118,585 |
| | <u>112,715</u> | <u>172,183</u> | <u>118,585</u> |

No inventories have been pledged as security for the CCL Group's bank overdrafts.

17. Trade and other receivables

| | 2012 £ | 2011 £ | 2010 £ |
|---|-------------------------|-------------------------|-------------------------|
| Amount receivable for the sale of goods | 944,701 | 1,454,106 | 1,452,160 |
| Allowance for doubtful debts | <u>(23,497)</u> | <u>(20,000)</u> | <u>(20,000)</u> |
| | 921,204 | 1,434,106 | 1,432,160 |
| Prepayments | 279,265 | 228,564 | – |
| Other debtors | <u>18,724</u> | <u>26,987</u> | <u>282,915</u> |
| | <u><u>1,219,193</u></u> | <u><u>1,689,657</u></u> | <u><u>1,715,075</u></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 amongst the group with Academic customers having payment on receipt and Pharma customers ranging 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 CCL Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts (which include interest accrued on overdue receivable balances) are still considered recoverable. The average age of these receivables is 43 days in 2012 (2011: 57 days, 2010: 74 days).

Ageing of past due but not impaired receivables:

| | 2012 £ | 2011 £ | 2010 £ |
|-------------|-----------------------|-----------------------|-----------------------|
| 31-60 days | 132,989 | 158,553 | 91,740 |
| 61-90 days | 35,317 | 79,505 | 30,267 |
| 91-120 days | <u>15,310</u> | <u>11,534</u> | <u>15,769</u> |
| Total | <u><u>183,616</u></u> | <u><u>249,592</u></u> | <u><u>137,776</u></u> |

Movement in the allowance for doubtful debts:

| | 2012 £ | 2011 £ | 2010 £ |
|---|----------------------|----------------------|----------------------|
| Balance at the beginning of the period | 20,000 | 20,000 | 17,606 |
| Foreign exchange translation gains and losses | – | – | – |
| Increase in provision | <u>3,497</u> | <u>–</u> | <u>2,394</u> |
| Balance at the end of the period | <u><u>23,497</u></u> | <u><u>20,000</u></u> | <u><u>20,000</u></u> |

In determining the recoverability of a trade receivable the CCL 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.

18. Borrowing

| | 2012 £ | 2011 £ | 2010 £ |
|--|------------------|------------------|------------------|
| Unsecured borrowing at amortised cost | | | |
| Convertible loan notes | 2,028,754 | 2,036,030 | 2,142,687 |
| | <u>2,028,754</u> | <u>2,036,030</u> | <u>2,142,687</u> |
| Total borrowings | | | |
| Amount due for settlement within 12 months | <u>2,028,754</u> | <u>2,036,030</u> | <u>2,142,687</u> |
| | | <i>US</i> | |
| | <i>sterling</i> | <i>dollars</i> | <i>Total</i> |
| | £ | £ | £ |
| Analysis of borrowings by currency: | | | |
| <i>31 December 2012</i> | | | |
| Convertible loan notes | 2,028,754 | – | 2,028,754 |
| | <u>2,028,754</u> | <u>–</u> | <u>2,028,754</u> |
| <i>31 December 2011</i> | | | |
| Convertible loan notes | 2,036,030 | – | 2,036,030 |
| | <u>2,036,030</u> | <u>–</u> | <u>2,036,030</u> |
| <i>31 December 2010</i> | | | |
| Convertible loan notes | 2,032,798 | 109,889 | 2,142,687 |
| | <u>2,032,798</u> | <u>109,889</u> | <u>2,142,687</u> |

The CCL Group has convertible loans notes. See note 19 for further details of following principal convertible loans.

19. Convertible loan notes

The convertible loan notes were issued during 2008 at issue prices of £1,500,000, £100,000, £100,000 and \$200,000 respectively. The notes are convertible into C ordinary shares of CCL on the sale or listing of the CCL Group.

If the notes have not been converted, they will be redeemed in the event of a listing or sale at par. Interest of 6 per cent. will accrue annually up until that settlement date.

19. Convertible loan notes (continued)

The net proceeds received from the issue of the convertible loan notes have been split between a financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the CCL, as follows:

| | £ |
|--|-----------|
| Proceeds of issue of convertible loan notes | 1,808,690 |
| Equity component | (196,571) |
| Liability component at date of issue | 1,612,119 |
| Accrued interest charge at 1 January 2010 | 333,566 |
| Liability component at 1 January 2010 | 1,945,685 |
| Interest charged | 197,002 |
| Liability component at 31 December 2010 and 1 January 2011 | 2,142,687 |
| Interest charged | 170,025 |
| Principal and interest repaid | (276,682) |
| Liability component at 31 December 2011 and 1 January 2012 | 2,036,030 |
| Interest charged | 114,885 |
| Principal and interest converted | (122,161) |
| Liability component at 31 December 2012 | 2,028,754 |

The equity component of £196,571 has been credited to equity reserve.

The interest expensed for the year is calculated by applying an effective interest rate of 9.3 per cent. to the liability component for the 36 month period since the loan notes were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the balance sheet at 31 December 2012 represents the effective interest rate less interest paid to that date.

20. Deferred tax

At the balance sheet date, the group has unused tax losses of £6.4 million (2011: £5.3 million; 2010: £5.3 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. These losses may be carried forward indefinitely.

21. Trade & other payables

Amounts falling due within one year

| | 2012 | 2011 | 2010 |
|---------------------------------|------------------|------------------|------------------|
| | £ | £ | £ |
| Convertible loans | 2,028,754 | 2,036,030 | 2,142,687 |
| Trade creditors | 461,118 | 378,429 | 186,003 |
| Social security and other taxes | 91,186 | 123,293 | 150,417 |
| Other creditors | 1,198,976 | 1,497,026 | 1,161,395 |
| | <u>3,780,034</u> | <u>4,034,778</u> | <u>3,640,502</u> |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 47 days. For all suppliers no interest is charged on the trade payables. The CCL 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. Other creditors include sales taxes, property taxes, social security and employment taxes due to local tax authorities.

The Directors consider that the carrying amount of trade payables approximates their fair value.

22. Provisions

| | 2012 £ | 2011 £ | 2010 £ |
|----------------------------------|----------------|-----------|-------------------|
| Other | <u>300,000</u> | <u>–</u> | <u>–</u> |
| Current | <u>300,000</u> | <u>–</u> | <u>–</u> |
| | | | <i>Other</i> £ |
| At 1 January 2012 | | | – |
| Additional provision in the year | | | <u>300,000</u> |
| At 31 December 2012 | | | <u>300,000</u> |

£300,000 is payable to CeNeS Pharmaceuticals plc in relation to the acquisition of Cambridge Cognition Trustess Limited in the event that the company is either sold or obtains a listing on a recognised stock exchange.

23. Share capital

| | 2012 £ | 2011 £ | 2010 £ |
|--|------------------|------------------|------------------|
| Authorised | | | |
| 580,251 A Ordinary shares of £0.01 each | 5,803 | 5,803 | 5,803 |
| 1,368,738 (2011 and 2010: 799,207) B Ordinary shares of £0.01 each | 13,688 | 7,992 | 7,992 |
| 1,636,712 (2011 and 2010: 1,658,424) C Ordinary shares of £0.01 each | 16,367 | 16,584 | 16,584 |
| 150,735,806 D Ordinary shares of £0.01 each | 1,507,358 | 1,507,358 | 1,507,358 |
| 762,207 E Ordinary shares of £0.01 each | <u>7,622</u> | <u>7,622</u> | <u>7,622</u> |
| | <u>1,550,838</u> | <u>1,545,359</u> | <u>1,545,359</u> |
| Issued and fully paid | | | |
| 275,250 A Ordinary shares of £0.01 each | 2,753 | 2,753 | 2,753 |
| 1,253,867 (2011 and 2010: 704,953) B Ordinary shares of £0.01 each | 12,540 | 7,050 | 7,050 |
| 491,151 (2011 and 2010: 415,744) C Ordinary shares of £0.01 each | 4,912 | 4,157 | 4,157 |
| 3,672,561 D Ordinary shares of £0.01 each | 36,726 | 36,726 | 36,726 |
| 303,876 E Ordinary shares of £0.01 each | <u>3,039</u> | <u>3,039</u> | <u>3,039</u> |
| | <u>59,970</u> | <u>53,725</u> | <u>53,725</u> |

The ordinary shares rank *pari passu* with respect to dividends and capital but special voting rights apply upon the occurrence of certain events as defined within the Company's Articles of Association.

24. Share premium account

| | <i>Share premium £</i> |
|-----------------------------|--------------------------------|
| Balance at 31 December 2012 | 5,988,419 |
| Balance at 31 December 2011 | 5,867,014 |
| Balance at 31 December 2010 | 5,867,014 |

25. Own shares

| | <i>Own shares £</i> |
|-----------------------------|-----------------------------|
| Balance at 1 January 2010 | 3,030 |
| Acquired in the period | 201,000 |
| Balance at 31 December 2010 | 204,030 |
| Balance at 31 December 2011 | 204,030 |
| Balance at 31 December 2012 | 204,030 |

The own shares reserve represents the cost of shares in CCL purchased in the market and held by the Cambridge Cognition Employee Benefit Trust to satisfy options under the group's share options schemes (see note 29). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2012 was 429,423 (2011:429,423; 2010: 429,423).

26. Retained earnings

| | £ |
|--|-------------|
| Balance at 1 January 2010 | (6,932,700) |
| Net profit for the year | 719,610 |
| Credit to equity for equity-settled share-based payments | 59,522 |
| Balance at 31 December 2010 | (6,153,568) |
| Net (loss) for the year | (160,725) |
| Credit to equity for equity-settled share-based payments | 25,332 |
| Balance at 31 December 2011 | (6,288,961) |
| Reserve transfer | 28,270 |
| Net (loss) for the year | (1,576,024) |
| Credit to equity for equity-settled share-based payments | 140,631 |
| Balance at 31 December 2012 | (7,696,084) |

27. Notes to the cash flow statement

| | 2012 £ | 2011 £ | 2010 £ |
|--|------------------|----------------|----------------|
| (Loss)/profit for the year | (1,576,024) | (160,725) | 719,610 |
| Adjustments for: | | | |
| Finance costs | 122,190 | 175,955 | 201,800 |
| Depreciation of property, plant and equipment | 37,298 | 27,828 | 22,643 |
| Share-based payment expense | 140,631 | 25,332 | 59,522 |
| Gain on disposal of property, plant and equipment | – | – | 1,562 |
| Increase/(decrease) in provisions | 300,000 | – | – |
| Operating cash flows before movements in working capital | (975,905) | 68,390 | 1,005,137 |
| Decrease/(Increase) in inventories | 59,468 | (53,599) | (60,964) |
| Decrease/(increase) in receivables | 470,464 | 25,418 | (986,653) |
| Decrease/(Increase) in payables | (247,468) | 500,933 | 597,439 |
| Cash generated by operations | (693,441) | 541,142 | 554,959 |
| Interest paid | (7,305) | (5,929) | (4,798) |
| Net cash from operating activities | <u>(700,746)</u> | <u>535,213</u> | <u>550,161</u> |

Cash and cash equivalents

| | 2012 £ | 2011 £ | 2010 £ |
|------------------------|----------------|------------------|------------------|
| Cash and bank balances | <u>641,043</u> | <u>1,391,216</u> | <u>1,173,084</u> |
| | <u>641,043</u> | <u>1,391,216</u> | <u>1,173,084</u> |

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.

28. Operating lease arrangements

| | 2012 £ | 2011 £ | 2010 £ |
|--|-----------|-----------|-----------|
| Lease payments under operating leases recognised as an expense in the year | 135,727 | 128,285 | 127,363 |

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

| | 2012 £ | 2011 £ | 2010 £ |
|--|-----------|-----------|-----------|
| Within one year | 68,907 | 131,905 | 112,935 |
| In the second to fifth years inclusive | 6,160 | 72,040 | 153,000 |
| After five years | 907 | 1,280 | – |

Operating lease payments represent rentals payable by the CCL Group for rent, phone systems, copiers and franking machines. Property rental on two units had 6 months to expiry at 31 December 2012, with an option to extend for a further year at the then prevailing market rate. The property rental on another unit had 14 months to expiry at the 31 December 2012. The average rental period for other leases is 6 years.

29. Share based payments

Equity-settled share option scheme

CCL has a share option scheme for key employees of the CCL Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting periods vary between 0 and 3 years. Options are forfeited if the employee leaves the CCL Group before the options vest. Details of the share options outstanding during the year are as follows.

| | 2012 | | 2011 | | 2010 | |
|--------------------------------------|-------------------------------|--|-------------------------------|--|-------------------------------|--|
| | Number of share options | Weighted average exercise price (in £) | Number of share options | Weighted average exercise price (in £) | Number of share options | Weighted average exercise price (in £) |
| Outstanding at beginning of period | 625,898 | 0.13 | 669,903 | 0.13 | 857,087 | 0.13 |
| Granted during the period | 255,000 | 0.47 | – | – | – | 0.01 |
| Forfeited during the period | – | – | (44,005) | 0.01 | (63,681) | 0.01 |
| Exercised during the period | (549,014) | (0.01) | – | – | (123,503) | 0.01 |
| Outstanding at the end of the period | <u>331,884</u> | <u>0.60</u> | <u>625,898</u> | <u>0.13</u> | <u>669,903</u> | <u>0.13</u> |
| Exercisable at the end of the period | <u>161,884</u> | <u>0.73</u> | <u>504,862</u> | <u>0.16</u> | <u>303,028</u> | <u>0.14</u> |

The weighted average share price at the date of exercise for share options exercised during the period was 0.73. The options outstanding at 31 December 2012 had a weighted average exercise price of 0.6, and a weighted average remaining contractual life between 0 and 3 years.

In 2012, options were granted on 24 May 2012*. The aggregate of the estimated fair values of the options granted on those dates is £202,725. The inputs into the Black-Scholes model are as follows:

| | 2012 | 2011 | 2010 |
|---------------------------------|-------------|-------------|-------------|
| Weighted average share price | 47p | 47p | 47p |
| Weighted average exercise price | 81p | 81p | 81p |
| Expected volatility | 200% | 200% | 200% |
| Expected life | 5 years | 5 years | 5 years |
| Risk-free rate | 0.5% | 0.5% | 0.5% |
| Expected dividend yields | <u>0.0%</u> | <u>0.0%</u> | <u>0.0%</u> |

Expected volatility was determined by considering the expected share price movements and other comparable listed companies in the sector. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The group recognised total expenses of £140,631, £25,332 and £59,522 related to equity-settled share-based payment transactions in 2012, 2011 and 2010 respectively.

*The options granted on 24 May 2012 were surrendered on 7 March 2013 in exchange for the grant of new options on the same terms, but at an exercise price of £0.01 per share.

30. Retirement benefit schemes

Defined contribution schemes

The CCL Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total cost charged to income of £164,107 (2011: £100,826, 2010: £85,973) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes. As at 31 December 2012, contributions of £17,453 (2011: £13,429, 2010: £8,998) due in respect of the current reporting period had not been paid over to the schemes.

31. Financial instruments

Capital risk management

The Group manages its capital to ensure the CCL Group is able to continue as going concerns while maximising the return to stakeholders through optimising the balance between the Group debt and equity.

The capital structure of the CCL Group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 25 to 28.

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

Gearing ratios have not been calculated as the CCL Group has net liabilities at each balance sheet date.

Debt is defined as long- and short-term borrowings as detailed in note 18.

Equity includes all capital and reserves of the CCL Group that are managed as capital.

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

| | 2012 | 2011 | 2010 |
|---|-----------|-----------|-----------|
| | £ | £ | £ |
| Financial assets | | | |
| Cash and bank balances (including cash and bank balances in a disposal group held for sale) | 641,043 | 1,391,216 | 1,173,084 |
| Loans and receivables | 1,219,193 | 1,689,657 | 1,715,075 |
| Financial liabilities | | | |
| Other | 1,751,280 | 1,998,748 | 1,497,815 |
| Amortised cost | 2,028,754 | 2,036,030 | 2,142,687 |

Financial risk management objectives

The CCL 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 CCL Group through internal reports which analyse exposures by degree and magnitude. The risks reviewed include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

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

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

Foreign currency risk management

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

The carrying amounts of the CCL Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2012, 2011 and 2010 were as follows:

| | <i>Liabilities</i> | | | <i>Assets</i> | | |
|-----------|--------------------|-------------|-------------|---------------|-------------|-------------|
| | <i>2012</i> | <i>2011</i> | <i>2010</i> | <i>2012</i> | <i>2011</i> | <i>2010</i> |
| | £ | £ | £ | £ | £ | £ |
| US Dollar | 18,081 | 5,035 | 131,428 | 323,852 | 705,396 | 534,210 |
| Euro | 1,076 | – | – | 154,659 | 73,019 | 64,924 |

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the CCL Group. The CCL 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 CCL Group makes appropriate enquiries of the counterparty and independent third parties to determine credit worthiness. Use of other publicly available financial information and the CCL Group's own trading records is made to rate its major customers. The CCL 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 CCL Group management continuously.

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

The carrying amount recorded for financial assets in the Consolidated Financial Information is net of impairment losses and represents the CCL 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 Consolidated Financial Information approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. The grouping into Levels 1 to 3 is based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments held by the CCL Group that are measured at fair value all relate to financial liabilities measured at fair value through profit and loss (FVTPL) using methods associated with Level 3.

| | 2012 | | | |
|---|---------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | | | £ | £ |
| Financial liabilities at FVTPL | | | | |
| Financial liabilities designated at FVTPL | – | – | 1,987,749 | 1,987,749 |
| Total | – | – | 1,987,749 | 1,987,749 |

| | 2011 | | | |
|---|---------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | | | £ | £ |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | | | | |
| Financial liabilities designated at FVTPL | – | – | 1,995,488 | 1,995,488 |
| Total | – | – | 1,995,488 | 1,995,488 |

| | 2010 | | | |
|---|---------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | | | £ | £ |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | | | | |
| Financial liabilities designated at FVTPL | – | – | 2,112,961 | 2,112,961 |
| Total | – | – | 2,112,961 | 2,112,961 |

There were no transfers between Level 1 and 2 during the period under review.

Significant assumptions used in determining fair value of financial assets and liabilities

Convertible notes

The fair value of the liability component of convertible notes is determined assuming redemption on 31 December 2012 and using a 9.34 per cent. interest rate.

32. Events after the balance sheet date

On 8 March 2013 CCL and Cambridge Cognition entered into an agreement with the holder of the convertible loan note described in notes 18 and 19 pursuant to which the entire outstanding balance of the convertible loan (including all accrued interest) would, immediately prior to and conditional upon, Admission, be converted into 2,889,589 New Ordinary Shares. On 12 April 2013, the entire issued share capital of CCL was acquired by Cambridge Cognition.

33. Related party transactions

Balances and transactions between the CCL and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the CCL 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 CCL Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

| | 2012 | 2011 | 2010 |
|------------------------------|----------------|----------------|----------------|
| | £ | £ | £ |
| Short-term employee benefits | 671,453 | 625,944 | 364,651 |
| Post-employment benefits | 44,380 | 30,604 | 15,499 |
| Termination benefits | – | – | 32,500 |
| Share-based payments | 131,440 | 20,750 | 52,184 |
| | <u>847,273</u> | <u>677,298</u> | <u>464,834</u> |

Other transactions

During 2012 the company incurred professional fees of £41,199 (2011: £34,162, 2010: 29,766) from Pall Mall Partners Limited. Pall Mall Partners Limited is the investment manager of the investment funds which are shareholders in Cambridge Cognition Limited and have had, until 8 February 2013, three directors on the board. Fees include £40,500 (2011: £33,000, 2010: £26,000) in respect of directors' services. At the year end a balance of £11,166 (2011: £3,600, 2010: nil) was outstanding to Pall Mall Partners Limited.

During 2010 the company incurred professional fees of £103,727 from DBA Group Limited, a company under control of a director of the company. No fees were incurred during 2012 and 2011.

PART IV

PRO FORMA FINANCIAL INFORMATION RELATING TO THE CCL GROUP

The unaudited pro forma net assets statement set out below has been prepared for illustrative purposes only and on the basis of the notes set out below. The unaudited pro forma balance sheet has been prepared to illustrate the effect on the balance sheet of the CCL Group had the Placing and conversion (as set out in paragraph 4.5 of Part V of this document) taken place on 31 December 2012.

As a result of its nature, the unaudited pro forma net assets statement addresses a hypothetical situation and, therefore, does not represent the CCL Group's or the Group's actual financial position.

The unaudited pro forma net asset statement is compiled from the balance sheet of the CCL Group as at 31 December 2012, as set out in the Historical Financial Information. No account has been taken of any trading activity or other profits or losses in any entity after 31 December 2012.

The pro forma net asset statement of the CCL Group does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

| | <i>CCL Group</i> | <i>Net proceeds of the Placing</i> | <i>Conversion of convertible loan</i> | <i>Payment to CeNeS</i> | <i>Pro forma</i> |
|---------------------------------|---------------------------|------------------------------------|---------------------------------------|-------------------------|----------------------------------|
| <i>Note</i> | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| | <i>1</i> | <i>2</i> | <i>3</i> | <i>4</i> | |
| Non-current assets | | | | | |
| Goodwill | 351,808 | – | – | – | 351,808 |
| Property, plant and equipment | 71,851 | – | – | – | 71,851 |
| | <u>423,659</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>423,659</u> |
| Current assets | | | | | |
| Inventories | 112,715 | – | – | – | 112,715 |
| Trade and other receivables | 1,219,193 | – | – | – | 1,219,193 |
| Cash and cash equivalents | 641,043 | 4,200,000 | – | (300,000) | 4,541,043 |
| | <u>1,972,951</u> | <u>4,200,000</u> | <u>–</u> | <u>(300,000)</u> | <u>5,872,951</u> |
| Total assets | <u><u>2,396,610</u></u> | <u><u>4,200,000</u></u> | <u><u>–</u></u> | <u><u>(300,000)</u></u> | <u><u>6,296,610</u></u> |
| Current liabilities | | | | | |
| Trade and other payables | (3,780,034) | – | 2,028,754 | – | (1,751,280) |
| Provisions | (300,000) | – | – | 300,000 | – |
| Total liabilities | <u><u>(4,080,034)</u></u> | <u><u>–</u></u> | <u><u>2,028,754</u></u> | <u><u>300,000</u></u> | <u><u>(1,751,280)</u></u> |
| Net (liabilities)/assets | <u><u>(1,683,424)</u></u> | <u><u>4,200,000</u></u> | <u><u>2,028,754</u></u> | <u><u>–</u></u> | <u><u>4,545,330</u></u> |

Notes

1. CCL Group

The figures for the CCL Group are extracted without material adjustment from the Historical Financial Information of the CCL Group as set out in Part III of this document.

2. Net proceeds of the Placing

This figure represents the proposed Placing of the Placing Shares at the Placing Price less estimated expenses of Admission (excluding VAT).

3. Conversion of convertible loan

This figure represents the conversion of the convertible loan notes which is expected to occur immediately prior to Admission, as set out in paragraph 4.5 of Part V of this document, had such conversion taken place on 31 December 2012.

4. CeNeS

This figure represents the payment of £300,000 to CeNeS plc pursuant to the agreement set out in paragraph 17.2 of Part V of this document.

PART V

ADDITIONAL INFORMATION

1 Responsibility

- 1.1 The Directors of the Company, whose names are set out on page 5 of this document, accept responsibility for the information contained in this document and confirm that, to the best of their knowledge (having taken all reasonable care to ensure that such is the case) the information contained in it is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company

- 2.1 The Company was incorporated and registered as a private company limited by shares in England and Wales on 12 September 2012 under the Act with registered number 8211361. The Company was incorporated with the name SEVCO 5101 Limited and, by virtue of a special resolution dated 6 February 2013, the company changed its name to Cambridge Cognition Holdings Limited. On 12 April 2013, the Company was re-registered under section 90 of the Act as a public limited company with the name Cambridge Cognition Holdings plc.
- 2.2 The Company is a public limited company and accordingly the liability of its members is limited to the amount paid up or to be paid up on the shares. The Company and its activities and operations are principally regulated by the Act and the regulations made thereunder.
- 2.3 The Company's principal business activity is that of a holding company. The Group's activities and operations will principally be carried on by CCL, a wholly owned subsidiary of the Company.
- 2.4 The Company's registered office and principal place of business is Tunbridge Court, Tunbridge Lane, Bottisham, Cambridge, Cambridgeshire CB25 9TU. The telephone number is +44 1223 810 700.
- 2.5 Since incorporation, the Company has not commenced operations and, other than shares in CCL, has no material assets or liabilities and therefore no financial statements have been prepared as at the date of this document.

3 The Subsidiaries

- 3.1 Following execution of the Share Exchange Agreement as described in paragraph 10.5 of this Part V, the Company became the ultimate holding company of the following subsidiaries*:
- 3.1.1 Cambridge Cognition Limited, a company incorporated and registered as a private company limited by shares in England and Wales on 12 December 2001 with the registered number 04338746. CCL is the principal trading company in the Group;
- 3.1.2 Cambridge Cognition Trustees Limited, a company incorporated and registered as a private company limited by shares in England and Wales on 10 May 2001 with the registered number 04213437; and
- 3.1.3 Cambridge Cognition LLC, a limited liability company formed under the laws of the State of Delaware, USA on 11 July 2006.

* CCL is 100 per cent. owned by the Company and CC Trustees and CC LLC are 100 per cent. owned by CCL.

4 Share Capital

- 4.1 As at 12 April 2013 (being the latest practicable date prior to the issue of this document), the issued fully paid up share capital of the Company was as follows:

Issued and Fully Paid

| <i>Class of Share</i> | <i>Number</i> | <i>Amount (£)</i> |
|-----------------------|---------------|-------------------|
| Ordinary | 6,852,658 | 68,526.58 |

- 4.2 The issued and fully paid share capital of the Company immediately following completion of the Placing and Admission is expected to be as follows:

Issued and Fully Paid

| <i>Class of Share</i> | <i>Number</i> | <i>Amount (£)</i> |
|-----------------------|---------------|-------------------|
| Ordinary | 16,885,105 | 168,851.05 |

- 4.3 At the date of incorporation the Company had an issued share capital of £1 divided into one ordinary share of £1. This was transferred to David Blair on 6 February 2013. By resolution passed on 8 March 2013, the one ordinary share of £1 in the capital of the Company was subdivided into 100 ordinary shares of £0.01 each in the capital of the Company.
- 4.4 On 12 April 2013, a further 6,852,558 Ordinary Shares, in aggregate, were issued to the existing shareholders of CCL pursuant to the Share Exchange Agreement (described in paragraph 10.4 of this Part V) on the basis that each such shareholder received 1.138 Ordinary Shares for each ordinary share of £0.01 in CCL. To the extent that any such shareholder was to receive a fraction of an Ordinary Share, the total number of Ordinary Shares issued was rounded down to the nearest whole Ordinary Share.
- 4.5 Immediately prior to Admission, a further 2,889,589 Ordinary Shares will be issued to Michael Buxton following issue of a conversion notice, dated 12 April 2013, by the Company. Pursuant to such conversion notice, the Company will exercise the right to convert Michael Buxton's loan in accordance with clause 6.1 of the loan agreement between Michael Buxton, CCL and the Company dated 8 March 2013 (as described in paragraph 10.7 of Part V). Following such conversion, Michael Buxton's loan will be cancelled and cease to carry interest.
- 4.6 Save as disclosed in this paragraph 4 of Part V, there has been no change in the amount of the issued share of the Company since its incorporation.
- 4.7 No major shareholder has enhanced voting rights. All shares afford equal voting rights as set out in paragraph 5 of this Part V.
- 4.8 As at the date of this document, Options are outstanding over a total of 349,380 Ordinary Shares at exercise prices of between £0.009 and £2.39 per Ordinary Share.
- 4.9 By resolutions passed on 12 April 2013 it was resolved that:
- 4.9.1 in substitution for all existing authorities conferred on the directors, the directors are generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot and to make offers or agreements to allot shares or grant rights to subscribe for or to convert any securities into shares (together the "Relevant Securities") up to an aggregate nominal amount of one hundred and sixty eight thousand, three hundred and nineteen pounds and sixty three pence. This authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 December 2014, except that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted or granted after such expiry and the directors may allot Relevant Securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired and that this authority shall be in substitution to all previous authorities conferred upon the directors pursuant to section 551 of the Act and without prejudice to the allotment of any Relevant Securities already made or to be made pursuant to such authorities;

- 4.9.2 the directors are generally empowered, in accordance with section 571 of the Act to allot equity securities (within the meaning of section 560(1) of the Act) pursuant to the authority conferred on the directors in paragraph 4.9.1 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities up to an aggregate nominal amount of twenty eight thousand, eight hundred and ninety five pounds and eight nine pence in connection with the conversion of a loan held by Michael Buxton pursuant to the convertible loan agreement between CCL and Michael Buxton dated 8 March 2013 (the benefit which has been assigned to the Company);
 - (b) the allotment of equity securities up to an aggregate nominal amount of four hundred and fifty five pounds and sixteen pence in connection with the potential exercise of options granted to non-employees;
 - (c) the allotment of equity securities up to an aggregate nominal amount of seventy one thousand, four hundred and twenty eight pounds and fifty eight pence in connection with the placing of new ordinary shares to institutional and other investors; and
 - (d) the allotment of equity securities up to an aggregate nominal amount of fifty thousand, six hundred and fifty five pounds sterling provided that this authority may only be used in connection with a rights issue or other *pro rata* offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders at such record dates as the directors may determine are proportionate (as nearly as they may be) to the respective numbers of equity securities held or deemed to be held by them or otherwise allotted in accordance with the rights attaching to such equity securities, subject to such exclusions or other arrangements as the directors may consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal difficulties in or under the laws of any territory or the requirements of a regulatory body or stock exchange; and
 - (e) in any other case in addition to the authorities set out above, to exercise all the powers of the Company to allot equity securities up to an aggregate nominal amount of sixteen thousand, eight hundred and eighty five pounds sterling.

The authority in sub-paragraphs (d) and (e) shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the next annual general meeting of the Company and 31 December 2014, except that the Company may, before such expiry, make offers or arrangements which would or might require Relevant Securities as the case may be to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of any such offer or agreement as it the authority conferred by the Company's shareholders had not expired.

- 4.10 The proposed issue of New Ordinary Shares pursuant to the Placing will be carried out by virtue of the authorities set out in paragraph 4.9 above.
- 4.11 The provisions of Section 561 of the Act (to the extent not disapplied pursuant to Section 570 of the Act) confer on Shareholders rights of pre-emption in respect of allotment of equity shares and sales of equity securities held in treasury which are, or are to be, paid in cash, and apply to the unissued share capital of Cambridge Cognition to the extent not disapplied as described in this paragraph 4.9. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of the existing Ordinary Shares on a *pro rata* basis.
- 4.12 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.13 The Company does not have in issue any securities not representing share capital.
- 4.14 As at the date of this document, 488,683 Ordinary Shares are held by the EBT (290,190 of the Ordinary Shares held by the EBT are subject to Options granted by the EBT to Ruth Keir) the aggregate book value of the holding of the EBT at the Placing Price is £342,078.10 and the face value is £4,886.83.

- 4.15 Save as disclosed in paragraph 4.8 of this Part V, no person has any acquisition rights over, and the Company has incurred no obligation over, its unissued share capital or given undertaking to increase its capital.
- 4.16 Save as disclosed in 4.8 of this Part V, no share or loan capital of the Company, or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option, nor are there any outstanding convertible securities, exchangeable securities or any undertaking to increase its capital.

5 Articles

In this paragraph 5 of Part V, “Statutes” means the Act and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company.

The Articles contain provisions, among others, to the following effect:

5.1 *Voting rights*

Subject to any special terms as to voting upon which any share may be issued, or may be held, and subject to the provisions of the Articles, on a show of hands every member of the Company (“Member”) present in person and entitled to vote shall have one vote and on a poll every Member present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder.

Subject to the paragraphs 5.1.3 and 5.1.4 below, on a vote on a resolution on a show of hands at a meeting, every proxy present who has been duly appointed by one or more Member entitled to vote on the resolution has one vote.

On a vote on a resolution on a show of hands at a meeting, a proxy has one vote for and one vote against the resolution if:

- 5.1.1 the proxy has been duly appointed by more than one Member entitled to vote on the resolution; and
- 5.1.2 the proxy has been instructed by one or more of those Members to vote for the resolution and by one or more of those other Members to vote against it.

On a vote on a resolution on a show of hands at a meeting, if:

- 5.1.3 a proxy has been duly appointed by more than one Member entitled to vote on the resolution; and
- 5.1.4 the proxy has been instructed by one or more Members (“Member(s)”) to vote in a certain manner and has been given discretionary authority by one or more other Members (“Member(s)”) to vote in relation to the resolution in the manner such proxy deems fit, such proxy is entitled, pursuant to the discretionary authority granted by Member(s) B to cast a second vote which is contrary to the manner in which such proxy voted in accordance with the instructions of Member(s).
- 5.1.5 No Member is entitled to be present or to be counted in the quorum or vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll, unless all calls or other moneys due and payable in respect of the Member’s share or shares have been paid.
- 5.1.6 Where a notice is served by the Company under section 793 of the Act (a “section 793 notice”) on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any shares (the “default shares” which expression includes any shares issued after the date of the section 793 notice in respect of those shares) to give the Company the information required within 14 days from the date of service of the section 793 notice then, unless the Board otherwise decides, the Member is not entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll.

5.2 *Dividends*

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend which has remained unclaimed for a period of 12 years from the date it became due for payment is forfeited and ceases to remain owing by the Company.

Where a section 793 notice is served on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days of the service of the section 793 notice and the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class then, unless the Board otherwise decides, any dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it and the Member is not entitled to elect to receive shares instead of a dividend.

5.3 *Distribution of assets on a winding up*

If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a special resolution and any sanction required by law, divide among the Members in kind the whole or any part of the assets of the Company and whether or not the assets consist of property of one kind or of different kinds and may for this purpose set such value as he deems fair on any class or classes of property and may determine on the basis of that valuation and in accordance with the then existing rights of Members how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the same authority, vest any part of the assets in the trustees upon such trust for the benefit of Members as the liquidator may think fit but so that no member shall be compelled to accept any asset in respect of which there is a liability or potential liability.

5.4 *Variation of class rights*

Subject to the Statutes, the rights attached to any class of shares may be modified, varied or abrogated:

5.4.1 in such manner (if any) as may be provided by those rights; or

5.4.2 in the absence of provision, either with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of that class and then only subject to the provisions of section 633 of the Act.

5.5 *Pre-emption rights*

The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of Ordinary Shares.

5.6 *Redemption and conversion*

The Ordinary Shares are not redeemable or convertible.

5.7 *Transfer of shares*

Subject to the provisions of the Articles, any Member may transfer all or any of his certificated shares by instrument of transfer in any usual form or in such other form as the Board may approve and the instrument must be executed by or on behalf of the transferor and (except in the case of a share which is fully paid up) by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of Members in respect of it.

Subject to the provisions of Articles, the Board may refuse to register a transfer of a certificated share unless it is:

- 5.7.1 in respect of only one class of shares;
- 5.7.2 in favour of not more than four joint transferees;
- 5.7.3 duly stamped (if required);
- 5.7.4 not in favour of a minor, infant, bankrupt or person with mental disorder; and
- 5.7.5 delivered for registration to the registered office of the Company from time to time or such other place as the Board may decide accompanied by the certificate for the shares to be transferred (save in the case of a transfer by a recognised person to whom no certificate was issued) and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so. The Board may impose restrictions on the transfer of a certificated share which is not fully paid, provided that the restrictions are not such as to prevent dealings in the shares from taking place on an open and proper basis.

The Board may, in exceptional circumstances approved by the Financial Services Authority and the London Stock Exchange, disapprove the transfer of a certificated share, provided that exercise of such powers does not disturb the market in the shares.

Subject to the Uncertificated Securities Regulations 2001, the Board may permit shares of any class to be held in uncertificated form and to be transferred by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

The Board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the Financial Services Authority, the London Stock Exchange, the Uncertificated Securities Regulation 2001 and the rules and practices of the operator of the relevant system.

Where a section 793 notice is served on a Member, or another person appearing to be interested in shares held by that Member, and the Member or other person has failed in relation to any default shares to give the Company the information required within 14 days from the date of service of the section 793 notice and such shares represent at least 0.25 per cent. in nominal value of the issued shares of their class, then, unless the Board otherwise decides, no transfer of any of the default shares shall be registered unless the transfer is an "excepted transfer" (as defined in the Articles) or the Member is not himself in default in supplying the information required and the Member proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer or the transfer is required by the Uncertificated Securities Regulations 2001.

Other than as set out above, the Articles contain no restrictions as to the free transferability of fully paid shares.

5.8 *Alterations to capital*

Subject to the Act, the Company may by ordinary resolution:

- 5.8.1 consolidate and divide all or any of its authorised share capital into shares of a larger amount than its existing shares; and
- 5.8.2 sub-divide all or any of its shares into shares of a smaller amount and may by the resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any restrictions, as compared with the others.

5.9 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) remaining undischarged of all moneys borrowed by the Group does not at any time without the previous sanction of an ordinary resolution exceed a sum equal to three times the aggregate of:

- 5.9.1 the amount paid up on the allotted or issued share capital of the Company; and

5.9.2 the amount standing to the credit of the consolidated capital and revenue reserves of the Group (including any share premium account and capital redemption reserve) plus or minus the credit or debit balance, as the case may be, of the consolidated profit and loss account all as shown in the then latest audited consolidated balance sheet of the Group, adjusted as specified in the Articles.

5.10 *Directors*

Unless and until otherwise determined by the Company by ordinary resolution the number of directors is not subject to a maximum but must not be fewer than two. The Board may appoint a person who is willing to act to be a director, either to fill a vacancy or as an addition to the Board. A director so appointed shall hold office only until the dissolution of the annual general meeting following next after his appointment, unless he is reappointed during the meeting. A director so retiring shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting. Each director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected.

The remuneration of director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money or in whole or in part by participation in profits or otherwise as the Board may determine and may be in addition to or instead of a fee payable to him for his services as director pursuant to the Articles.

The directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in the performance of their duties as directors, including their expenses of travelling to and from meetings of the Board (or committees of the Board), JT general meetings or separate meetings of the holders of a class of shares and any expenses incurred by them in obtaining independent professional advice.

The Board may establish, maintain, participate in or contribute to or procure the establishment or maintenance of, participation in or contribution to any pension, superannuation, benevolent or life assurance fund, scheme or arrangement (whether contributory or otherwise) for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances, benefits and emoluments to, any persons who are or were at any time in the employment or service of or who have at any time been directors of the Company or of any company which is or was a member of the Group or any of their predecessors in business (and for any member of his family, including a spouse or civil partner or former spouse or former civil partner or a person who is or was dependent on him). Any director or former director shall be entitled to participate in and retain for his own benefit any such donations, gratuities, pensions, allowances, benefits or emoluments. The Board may arrange for this to be done by the Company either alone or in conjunction with any other person.

Without prejudice to the requirements of the Statutes, a director who is in any way, directly or indirectly, interested in a contract, arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first taken into consideration, if he knows his interest then exists, or, in any other case, at the next meeting of the directors after he knows that he is or has become interested.

Except as provided in the Articles, a director may not vote in respect of any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he is, to his knowledge, materially interested, directly or indirectly otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. This prohibition does not apply to any resolution concerning any of the following matters namely:

- 5.10.1 the giving to him of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- 5.10.2 the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility, in whole or in part, under a guarantee or indemnity or by the giving of security;

- 5.10.3 a contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- 5.10.4 a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise (relevant company) if he is not directly or indirectly the holder of or beneficially interested in one per cent. or more of a class of equity share capital of the relevant company (excluding any shares held as treasury shares) or of the voting rights available to members of the relevant company or able to cause one per cent., or more of those voting rights to be cast at his direction (and for the purposes of this Article, shares held by a director as bare or custodian trustee and in which he has no beneficial interest, shares comprised in a trust and in which the director's interest is in reversion or is in remainder, if and so long as another person is entitled to receive the income from the trust, and shares comprised in an authorised unit trust scheme in which the director is interested only as a unit holder are disregarded);
- 5.10.5 a contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or personal pension plan or employees' share scheme under which he may benefit and which has been approved by or is subject to and conditional on approval by HM Revenue & Customs for taxation purposes or which does not accord to any director as such any privilege or benefit not accorded to the employees to whom the scheme or fund relates;
- 5.10.6 a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings under which the director benefits in a similar manner to the employees and which does not accord to any director as such any privilege or benefit not accorded to the employees to whom it relates; or
- 5.10.7 contract, arrangement, transaction or proposal concerning the maintenance or purchase of any insurance policy for the benefit of directors or for the benefit of persons including directors.

5.11 *Directors' indemnity*

Subject to the provisions of the Act, the Company may:

- 5.11.1 indemnify any person who is or was a director, or a director of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company; and/or
- 5.11.2 indemnify to any extent any person who is or was a director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any liability incurred by him in connection with the company's activities as trustee of an occupational pension scheme; and/or
- 5.11.3 purchase and maintain insurance for any person who is or was a director, or a director of any associated company, against any loss or liability or any expenditure he may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company.

5.12 *General meetings*

At least 21 clear days' notice of every annual general meeting and at least 14 clear days' notice of every other general meeting shall be given to such Members as are, under the Articles, or the terms of issue of shares, entitled to receive such notices from the Company and to the Directors and the auditors of the Company.

Every notice of meeting shall specify the place, date and time of the meeting and the general nature of the business to be transacted and, if a meeting is convened to pass a special resolution, the intention to propose the resolution as a special resolution. Where the Company has given an electronic

address in any notice of meeting, any Documents or information relating to proceeding at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice.

6 Directors and Other Interests

6.1 The interests of the Directors (including interests of persons connected with them within the meaning of sections 252 and 254 of the Act), in the issued Ordinary Shares as at the date of this document and as they are expected to be immediately following the Placing are/will be as follows:

| <i>Director</i> | <i>As at the date of this document</i> | | <i>Immediately following the Placing</i> | |
|------------------|--|---|--|---|
| | <i>Number of Ordinary Shares</i> | <i>Percentage of issued Ordinary Shares</i> | <i>Number of Ordinary Shares</i> | <i>Percentage of issued Ordinary Shares</i> |
| Andrew Blackwell | 281,095 | 4.1 | 281,095 | 1.7 |
| Jane Worlock | 140,546 | 2.1 | 169,117 | 1.0 |
| David Blair | 140,546 | 2.1 | 161,974 | 1.0 |
| Ruth Keir | – | – | 28,571 | 0.2 |
| Michael Lewis | – | – | 14,285 | 0.1 |
| Nicholas Kerton | – | – | 14,285 | 0.1 |
| Total | <u>562,187</u> | <u>8.2</u> | <u>669,327</u> | <u>4.0</u> |

6.2 As at the date of this document and immediately following Admission, the following Options granted to a Director remains outstanding:

| <i>Director</i> | <i>Date of grant</i> | <i>Number of Ordinary Shares subject to Option</i> | <i>Expiry of Option</i> | <i>Exercise price per Ordinary Share (£)</i> |
|-----------------|----------------------|--|-----------------------------|--|
| Ruth Keir* | 07.03.2013 | 290,190 | 06.03.2023 | £0.009 |

* These options were originally granted to Ruth Keir by CCL under the Old Share Option Scheme and were exchanged for Options on the same terms under the Share Option Scheme on 6 April 2013.

6.3 In addition to the interests of the Directors set out in paragraphs 6.1 and 6.2 above, as at 12 April 2013 (being the date of this document) insofar as known to the Company, the following persons were, or will after the Share Exchange Agreement and the Placing be, holding voting rights (within the meaning of rule 5 of the Disclosure and Transparency Rules) in three per cent. or more of the issued share capital of the Company;

| <i>Shareholder</i> | <i>As at the date of this Document</i> | | <i>Immediately following the Placing</i> | |
|----------------------------------|--|---|--|---|
| | <i>Number of Ordinary Shares</i> | <i>Percentage of Existing Ordinary Shares</i> | <i>Number of Ordinary Shares</i> | <i>Percentage of Enlarged Share Capital</i> |
| Octopus Investments Nominees Ltd | – | – | 3,071,428 | 18.2% |
| Michael Buxton | – | – | 2,889,589 | 17.1% |
| Euroblue Investments Limited* | – | – | 2,785,714 | 16.5% |
| PallMall Investors | 4,525,183 | 66.0% | 2,537,339 | 15.0% |
| AXA Investment Managers UK Ltd | – | – | 714,285 | 4.2% |
| Artemis Fund Managers Ltd | – | – | 714,285 | 4.2% |
| CC Trustees | 488,683 | 7.1% | 488,683 | 2.9% |
| YFM | 473,116 | 6.9% | 473,116 | 2.8% |
| Guy Wood-Gush | 344,955 | 5.0% | 344,955 | 2.0% |
| John & Jean Hammond | 281,832 | 4.1% | 281,832 | 1.7% |
| Total | <u>6,113,769</u> | <u>89.2%</u> | <u>14,301,226</u> | <u>84.7%</u> |

*Euroblue Investments Limited is wholly owned by Nigel Wray.

- 6.4 Save as disclosed above at paragraph 6.3, there are no persons, so far as the Company is aware, who are or will be immediately following the Placing, be directly or indirectly interested in three per cent. or more of the Company's issued Ordinary Shares, nor so far as the Company is aware, are there any persons who at the date of this document or immediately following the Placing, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 6.5 The Company is to grant, conditional on Admission and certain other matters, share options over an aggregate of 844,255 Ordinary Shares (representing 5 per cent. of the Enlarged Share Capital) to Directors at the Placing Price under the Share Option Scheme. A further 54,543 Ordinary Shares to Ruth Keir at an exercise price of 1 pence per Ordinary Share.
- 6.6 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company, where "control" means owning 30 per cent. or more of the share capital or the voting rights attaching to the share capital of the Company.
- 6.7 The Company's share capital consists of one class of Ordinary Shares with equal voting rights (subject to the Articles). No major Shareholder has any different voting rights from the other Shareholders.
- 6.8 There are no outstanding loans or guarantees provided by any member of the Group to or for the benefit of any of the Directors.
- 6.9 CCL entered into the Subscription and Shareholders' Agreement. Pursuant to clause 6.3 of that agreement, each of the PallMall Investors had the right to appoint and dismiss one director (3 in total). The PallMall Investors were entitled to an amount equal to £18,000 per annum (exclusive of any VAT properly chargeable thereon), payable monthly in advance on account of the services to be provided to the Company through the office of each appointed director. As at 8 February 2013, £5,785.71 (excluding VAT) has been invoiced by the PallMall Investors for the current financial year. As at the end of the preceding financial year (31 December 2012), the total aggregate sum of £40,500 (excluding VAT) was invoiced by the PallMall Investors. This agreement has now been terminated pursuant to the Deed of Termination.
- 6.10 CCL entered into a consultancy agreement with Jane Ann Worlock on 28 May 2012 pursuant to which Jane Ann Worlock agreed to act as non-executive Chairman and provide services to CCL for at least 4 days each month. Dr. Worlock received a consultancy fee of £72,000 per annum plus reasonable expenses to CCL. For any additional time over and above the time allocated under the agreement, CCL paid an additional fee of £190.00 per hour. The agreement has been terminated pursuant to a letter of resignation dated 11 April 2013.
- 6.11 On 1 April 2004, CCL entered into an agreement with David Blair Associates (DBA Group Limited subsequently acquired the business and assets of David Blair Associates) for the provision of professional services. The agreement was terminated on 21 June 2010 and certain employees of DBA Group Limited transferred to CCL. A fee of £103,727 was received by DBA Group Limited in 2010. No fees were incurred during 2011 and 2012.
- 6.12 Save as disclosed at paragraphs 6.10 and 6.11 above, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group during the current or immediately preceding financial year of the Group or which were effected during any earlier financial year and remain in any respect outstanding or underperformed.
- 6.13 On 14 October 2010, CCL entered into a consultancy agreement with Archea Limited, a company owned 100 per cent. by Ruth Keir. Archea Limited was dissolved on 18 September 2012. The last payment made to Archea Limited was on 8 December 2011. Ruth Keir is now a director of the Company and CCL.
- 6.14 Save as disclosed in this document at paragraphs 6.9, 6.10 and 6.11, as at 12 April 2013 (being the latest practicable date prior to the publication of this document), there have been no related party transactions of the kind set out in the Standards adopted according to the Regulation (EC) No 1606/2002 that any member of the Group has entered into for the period of three years ended 31 December 2012.

7 Directors' appointments and emoluments

7.1 The Company has entered into the following letters of appointment or service agreements:

| <i>Executive Directors</i> | <i>Notice Period</i> | <i>Annual Salary (£)</i> |
|----------------------------|----------------------|---|
| Ruth Keir | 6 months | £170,000 |
| Andrew Blackwell | 6 months | £155,000 |
| David Blair | 6 months | £100,320 pro rated to a full time equivalent salary of £125,400 (4 days a week) |

| <i>Non-Executive Directors</i> | <i>Notice Period</i> | <i>Annual Fee (£)</i> |
|--------------------------------|----------------------|-----------------------|
| Jane Ann Worlock | 3 months | £44,000 |
| Nicholas Anthony Kerton | 1 month | £30,000 |
| Michael Geoffrey Lewis | 1 month | £30,000 |

7.2 Each of the executive Directors receives the fee set out in paragraph 7.1 above and certain other benefits from the Company, including medical insurance and reasonable travel expenses. Andrew Blackwell and David Blair also receive a pension contribution of 10 per cent. of their basic salary each month or, at their option, to be paid a payment in lieu of the whole or part of the agreed pension contributions. Ruth Keir receives a payment in lieu of pension of 10 per cent. of her basic salary each month. In January 2013, a bonus of £60,000 was also approved for Andrew Blackwell. Payment of £40,000 of that has been deferred until completion of the Placing.

7.3 Each non-executive Director will receive the fee set out in paragraph 7.1 above, and will be reimbursed for all reasonable expenses incurred in performing their duties. The fees of the non-executive Directors will be reviewed annually. Jane Worlock will provide her services to the Company for four days a month. Nicholas Kerton and Michael Lewis are required to provide their services to the Company for three days a month. Each letter of appointment contains obligations of confidentiality which have effect during and following termination of the appointment.

7.4 Save as set out in paragraph 7.1 above, there are no existing or proposed service agreements between any of the Directors and any member of the Group.

7.5 There is no arrangement under which any Director has agreed to waive future emoluments nor save as disclosed in paragraph 7.2 above, has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

7.6 Other than payment of salary and benefits in lieu of notice, the Directors' service contracts and letters of appointment do not provide for benefits upon termination of employment.

7.7 The aggregate remuneration paid and benefits in kind granted to the Directors including amounts paid from all members of the Group during the financial year ended 31 December 2012 amounted to £715,833 (excluding any share-based payments).

7.8 The aggregate remuneration payable and benefits in kind to be granted to the Directors under the arrangements in force at the date of this document during the financial year ended 31 December 2013 are estimated to amount to £594,690 (excluding any share-based payments and any bonus payments which will be determined by the Remuneration Committee).

7.9 Save as disclosed in this section 7, there have been no changes to the terms of the service agreements or letters of appointment within the six months prior to the date of this document.

8 Additional Information on the Directors

8.1 Other than their directorships of group companies, directorships and partnerships currently held by the Directors and held over the five years preceding the date of this document are as follows:

| <i>Director</i> | <i>Current</i> | <i>Past</i> |
|-------------------------|---|--|
| Jane Ann Worlock | Akthelia Limited CCL CC Trustees | Clavicle Partners LLP |
| Ruth Frances Keir | CCL | Archea Limited |
| David McKay Blair | Aspire Creative LLP David Blair Associates Limited DBA Group Limited Simugen Limited David Blair Associates Limited DBA Secretaries Limited Wyvern Asset Management Limited Studium Ventures Limited CC Trustees CCL | Simugen Limited Enlightks Limited Mxdata – Technologies Limited Thinkserve LLP Leighton Consulting Limited |
| Andrew Damian Blackwell | CCL | none |
| Nicholas Anthony Kerton | Queen's Copse Management Limited Actionreaction Limited | Lab 21 Limited Sirigen Limited Sirigen Group |
| Michael Geoffrey Lewis | HAEM02 Limited Luminate Limited Ranier Limited E-Merj Limited IPlato Limited Ranier Technology Limited | Gambro Hospital Limited Antisoma PLC Align Technology UK Limited |

8.2 David Blair was appointed as a director and company secretary to Priory Furniture (1991) Limited (Registered No: 02603140) on 6 June 1991 and 6 June 1991 respectively. Receivers were appointed on 23 August 1994. The estimated deficiency at the time of the appointment of the receiver was £687,144. The Company was struck off pursuant to Section 652(5) of the Companies Act 1985 on 3 February 2004 and dissolved by notice in the London Gazette dated 10 February 2004. David was still a director and the company secretary when the Company was struck off.

8.3 Nick Kerton is a joint defendant in civil action which was commenced in April 2012 in California along with a US company and a UK company. The lawsuit was brought by four shareholders in the UK company who allege that their shareholdings were unfairly diluted as a result of alleged acts and omissions of Dr. Kerton and others. The complaint alleges causes of action including for fraud, breach of fiduciary duty and negligence. The allegations are denied and the lawsuit is being vigorously defended.

8.4 Save as otherwise disclosed in paragraph 8.2 of this Part V, none of the Directors have:

8.4.1 any unspent convictions in relation to indictable offences;

8.4.2 had a bankruptcy order made against him or made an individual voluntary arrangement;

8.4.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary arrangement or made any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within twelve months after he ceased to be a director of that company;

- 8.4.4 been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within twelve months after he ceased to be a partner in that partnership;
- 8.4.5 had an asset placed in receivership or any asset of a partnership in which he was a partner placed in receivership whilst he was a partner in that partnership or within twelve months after he ceased to be a partner in that partnership;
- 8.4.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); and
- 8.4.7 been disqualified in court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

9 Share Option Schemes

The main terms of the Share Option Scheme and Old Share Option Scheme are summarised below.

9.1 The Share Option Scheme

9.1.1 Outline

The Share Option Scheme provides for the grant of options to acquire Ordinary Shares (“Options”) to selected employees of the Group. Options may be granted as EMI Options or Unapproved Options. Options are not transferable and there is no entitlement to employer pension contributions in respect of them. The operation of the Share Option Scheme is overseen by the Board and, following Admission, will be overseen by the Remuneration Committee established by the Company (and references below to the Board should, following Admission, be read as references to the Remuneration Committee accordingly).

The Share Option Scheme was established following the Company’s acquisition of the entire issued share capital of CCL as a replacement for the Old Share Option Scheme, which was operated by CCL prior to the acquisition.

9.1.2 Eligibility

Participation in the Share Option Scheme is restricted to selected employees, including executive directors, of any member of the Group. The Board has discretion as to the selection of employees to whom Options are to be granted. EMI Options may only be granted to employees who qualify for the grant of such Options in accordance with the legislation governing EMI Options from time to time.

9.1.3 Grant of Options

Options may be granted under the Share Option Scheme at any time prior to Admission. Following Admission, Options may be granted in the period of 42 days beginning with the date of Admission, in the period of 42 days, following an announcement of the Company’s results for any period and within the period of 28 days after a new employee first joins the Group, but otherwise only in circumstances judged by the Board to be exceptional. Following Admission, no Option may be granted in breach of the AIM Rules. No Options may be granted after the tenth anniversary of the approval of the Share Option Scheme by the Board.

9.1.4 Exercise price

The price per Ordinary Share (if any) payable on the exercise of an Option is determined by the Board when Options are granted and on any occasion may be equal to or less than the market value of an Ordinary Share at the time of grant including (for the avoidance of doubt) being at nil or nominal value.

9.2 *Old Share Option Scheme*

9.2.1 *Outline*

The Old Share Option Scheme provided for the grant of options to acquire ordinary shares in the capital of CCL ("Old Options") to selected employees of CCL's group in the form of EMI Options or Unapproved Options. Old Options are not transferable and there is no entitlement to employer pension contributions in respect of them. The operation of the Old Share Option Scheme is overseen by the board of CCL.

The Old Share Option Scheme closed to the grant of new options following the Company's acquisition of the entire issued share capital of CCL. Holders of Old Options which were outstanding at the time of the acquisition have been exchanged their Old Options for options over Ordinary Shares on the same terms as such Old Options.

Old Options have been granted to two individuals who were not employees of CCL at the time of grant and a corporate entity, on terms similar to those of the Old Share Option Scheme.

9.2.2 *Exercise Price*

The price per Ordinary Share payable on the exercise of Old Options ranges from £0.009 to £2.39.

9.2.3 *Source of Shares*

Old Options (with the exception of the Old Option granted to Ruth Keir) were granted as rights to subscribe for new ordinary shares in CCL. The exercise of the Old Option granted to Ruth Keir is intended to be satisfied by the transfer of ordinary shares by the EBT.

9.2.4 *Exercise and lapse of Old Options*

With the exception of one third of the Old Option granted to Ruth Keir, all Old Options are fully exercisable. The final third of Ruth Keir's Old Option will become exercisable on 1 January 2014 or upon Admission.

An Old Option may not be exercised after the day immediately preceding the tenth anniversary of the date of grant.

If an Old Option holder who is an employee ceases to be employed within the Group by reason of injury, ill health or disability, redundancy, retirement or because the business or company for which he works is sold outside the Group, he may exercise his Old Option within 6 months of the date of leaving employment (subject to his Old Option being exercisable during such period).

If an Old Option holder dies in service, his personal representatives may exercise his Old Option within 12 months of the date of death in respect of all Option Shares (to the extent it is then exercisable).

If the Option holder leaves the Group for any other reason, his Option will lapse unless and insofar as the board of CCL determines otherwise.

10 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or any other member of the Group within the two years immediately preceding the date of this document which are, or may be material:

10.1 *Placing Agreement*

10.1.1 The Company, the Directors, the Selling Shareholders and finnCap have entered into an agreement (the "Placing Agreement") dated 12 April 2013 under which finnCap has agreed,

as agent of the Company and the Selling Shareholders (conditionally among other things, on Admission occurring not later than 30 April 2013 or such later date as the Company and finnCap may agree) to use its reasonable endeavours to procure placees for the Placing Shares and buyers for the Sale Shares both at the Placing Price.

- 10.1.2 The Company has agreed to pay, conditional on Admission, to finnCap:
- (a) a fee of £150,000; and
 - (b) a commission of 5 per cent. on the aggregate value, at the Placing Price of the Placing Shares and the Sale Shares.
- 10.1.3 The Company has agreed to pay all other costs, charges and expenses of, and incidental to, the Placing and Admission, including the fees of the London Stock Exchange, registrars fees, printing, advertising and distribution expenses, the Company's legal and accountancy expenses and finnCap's legal expenses and all related irrecoverable value added tax, if applicable. The Selling Shareholders will pay the stamp duty chargeable on the purchase of the Sale Shares.
- 10.1.4 finnCap will receive warranties, undertakings and indemnities from other parties to the Placing Agreement. finnCap is entitled to terminate the Placing Agreement at its absolute discretion in certain specified circumstances prior to Admission including, *inter alia*, for a material breach by the Company of the terms of the Placing Agreement or of any warranties contained therein or in the case of a material adverse event arising (on terms set out in the Placing Agreement).

10.2 *Nominated Adviser and Broker Engagement*

- 10.2.1 finnCap issued a letter of engagement on 4 December 2012 to the Directors of CCL pursuant to which finnCap will act as nominated adviser any for the purpose of AIM and broker to the Company for an initial period of one year from Admission and such appointment is terminable on not less than 3 months written notice by either party. Pursuant to the letter of engagement, the Company has agreed to undertake to pay to finnCap an annual fee of £50,000 (plus VAT) for acting as the Company's nominated adviser and broker on an on-going basis.
- 10.2.2 The standard terms and conditions includes various indemnities given by the Company to finnCap.

10.3 *Lock-in and Orderly Marketing Agreements*

- 10.3.1 Immediately following Admission, the Directors, PallMall Investors, YFM and Founder Shareholders will be directly interested, in aggregate, in 4,306,569 Ordinary Shares, representing approximately 25.5 per cent. of the Enlarged Share Capital.
- 10.3.2 Other than pursuant to the Placing, each of the Directors, Michael Buxton and the PallMall Investors have undertaken not to sell, transfer or dispose of any interest in Ordinary Shares held by them (or acquired by them after Admission) for a period of 12 months following Admission, except in limited circumstances. The Directors and PallMall have agreed also to accept certain orderly market restrictions for a further subsequent period of 12 months. In addition, YFM and the Founder Shareholders have agreed to accept certain orderly market restrictions for a period of 12 months from Admission.
- 10.3.3 The restrictions contained in the lock-ins Agreements may be relaxed by the Nominated Adviser and as mentioned above are subject to certain exceptions including they do not apply to general offers for shares, schemes of arrangement, share repurchases, insolvency events or the transfer to family members or trusts, subject to transferees executing acceptable lock-ins.

10.4 *Share Exchange Agreement*

- 10.4.1 The Company entered into the Share Exchange Agreement pursuant to which all of the shareholders in CCL agreed to exchange each of their ordinary shares of £0.01 each in the capital of CCL for 1.138 Ordinary Shares.
- 10.4.2 Covenants as to title to the ordinary shares in CCL and the capacity of the shareholder to sell such shares were given by each of the existing shareholders in CCL under the Share Exchange Agreement.

10.4.3 All arrangements under the Share Exchange Agreement were completed on 12 April 2013 and a claim for stamp duty relief has been made to HMRC under section 77 of the Finance Act 1986. Pursuant to the terms of the Share Exchange Agreement, the Company agreed that in the event that stamp duty exemption relief under section 77 of the Finance Act 1986 was not granted, the Company would indemnify each of CCL's shareholders for any stamp duty arising under thereunder. If stamp duty was to fall due on the Share Exchange, the tax liability is 0.5 per cent. of the value of the shares issued by the Company in consideration for the purchase of the entire issued share capital of CCL.

10.5 *Subscription and Shareholders' Agreement*

10.5.1 CCL was party to the Subscription and Shareholders' Agreement which was governed by English law and the parties agreed to submit to the exclusive jurisdiction of the English courts.

10.5.2 Since the date of the agreement, each new shareholder of CCL (or person holding any security convertible into shares in CCL) has signed a deed of adherence to the Subscription and Shareholders' Agreement.

10.5.3 The Subscription and Shareholders' Agreement set out the terms of the subscription by PallMall Technology Ventures III and PallMall Technology Ventures IV for shares in CCL and certain other terms and conditions between CCL and its shareholders, including anti-dilution provisions in favour of the PallMall Investors and restrictive covenants.

10.5.4 In particular, in the event of a "Sale" or "Listing" (as such terms are defined in the Subscription and Shareholders' Agreement) no PallMall Investor shall give any warranty or indemnity (other than to title and capacity), be required to contribute towards the costs of any other party in respect of such process or be required to appoint an agent to act for them. Furthermore, the PallMall Investors agreed to retain their shares in accordance with the rules of the relevant exchange or as required by the broker.

10.5.5 The Subscription and Shareholders' Agreement was terminated pursuant to the Deed of Termination.

10.6 *Convertible loan agreement with Michael Buxton*

On 8 March 2013, CCL and the Company entered into a new convertible loan agreement with Michael Buxton (the "New Loan Agreement") to replace an existing loan agreement between CCL and Michael Buxton, dated 18 January 2008 (the "Existing Loan Agreement").

The principal terms of the New Loan Agreement are as follows:

10.6.1 the New Loan Agreement terminates the Existing Loan Agreement with effect from 1 January 2013;

10.6.2 the parties to the new Loan Agreement agree that, as of 31 December 2012, Michael Buxton had advanced the sum of £1,987,749.92 to CCL (including all accrued interest to that date) (the "Loan");

10.6.3 unless previously converted, the Loan is repayable by CCL to Michael Buxton on 31 December 2013 (the "Repayment Date") together with all accrued interest thereon calculated at 6 per cent. per annum and accruing on a daily basis on the outstanding amount of the Loan. All such payments are to be made by CCL without set-off or counter-claim and clear of any withholding or deduction for or on account of tax;

10.6.4 following the Share Exchange and the subsequent re-registration of the Company as a public limited company:

- (a) the benefit of the New Loan Agreement was assigned to the Company; and
- (b) the Loan (together with all accrued interest at such time) converted into Ordinary Shares in the Company at the rate of no more than £1.62 per Ordinary Share (the "Conversion Price") immediately prior to Admission (rounded down to the nearest whole share) provided that, in the event the price of each share in the Company at Admission is less than £1.62 (the "Admission Price"), the Conversion Price will be amended to such Admission Price;

- 10.6.5 Michael Buxton agrees to a lock-in of any shares in the Company issued to him for a 12 month period following Admission and agrees to enter into any additional lock-in agreement proposed by finnCap provided that such additional lock-in agreement does not exceed the same 12 month period; and
- 10.6.6 the New Loan Agreement is governed by and construed in accordance with English law and the parties have submitted to the exclusive jurisdiction of the English courts.

10.7 UK Technology Strategy Board Grant Agreement

- 10.7.1 On 26 October 2012, the Technology Strategy Board issued a letter to CC confirming its intention to make a contribution of up to a maximum of £2,103,389 towards the eligible costs (estimated at £3,275,080) of the digital healthcare platform for early dementia diagnosis project.
- 10.7.2 The project is to be carried out in collaboration with Imperial College London, University of Sussex, King's College London and IXICO Limited. CCL is set to receive a contribution of £797,442. The grant is payable by installments following submission by CCL of costs and supporting evidence.

10.8 Services Agreements

- 10.8.1 Dr Lisa Nolan's services are provided to CCL pursuant to a services agreement dated as of 21 March 2011. Such contractor provides strategic corporate partnering, business development and licensing expertise for the US market. The fee for such services is \$1,350 per working day, plus expenses. The original contract term ran until 30 September 2011, but has been extended until 1 September 2013.
- 10.8.2 Simon Merritt's services are provided to CCL pursuant to a services agreement dated as of 17 January 2011 between Flywheel Marketing and Innovation Ltd, an English company, and CCL. Such contractor provides healthcare innovation strategic marketing services. The fee for such services is £950 per working day plus any agreed time extensions at £115 per hour, plus expenses. The original contract term ran until 30 June 2011, but has been extended until 1 September 2013.

11 Taxation

11.1 Introduction

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation and what we believe to be HM Revenue & Customs practice as at the date of this document. The below is not a complete and exhaustive analysis of all the potential tax consequences for Shareholders. It will only apply to Shareholders who are resident, ordinarily resident and domiciled in the UK for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account ("ISA")). The below does not cover securities held in the course of a trade and does not cover Investors who may be subject to special rules, for example, pension funds, insurance companies, brokers, intermediaries etc. Shareholders who receive shares in connection with an employment contract with any member of the Group or as an office holder, should seek specific advice on their tax position. Shareholders are strongly recommended to consult their own professional advisers immediately; particularly if they are subject to tax in a jurisdiction other than the UK.

11.2 Income Tax

11.2.1 Taxation of dividends

Under current UK taxation legislation, no tax is withheld at source from dividend payments made by the Company.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend paid by the Company will currently be entitled to receive a tax credit equal to 1/9th of the cash dividend. The individual will be taxable on the total of the dividend and the related

tax credit (the “gross dividend”) which will be regarded as the top slice of the individual’s income.

An individual Shareholder who pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the dividend ordinary rate of 10 per cent. Accordingly, the tax credit will be treated as satisfying the individual’s liability to income tax in respect of the dividend and there will be no further tax to pay.

An individual Shareholder who pays income tax at the higher rate will be subject to income tax on the gross dividend at the higher rate for dividends of 32.5 per cent. After taking account of the tax credit, a higher rate tax payer will have further income tax to pay at the rate of 22.5 per cent. The total tax payable would equal 25 per cent. of the cash dividend received.

An individual Shareholder who pays income tax at the additional rate will be subject to income tax on the gross dividend at the higher rate for dividends of 42.5 per cent. (37.5 per cent. from 6 April 2013). After taking account of the tax credit, a additional rate tax payer will have further income tax to pay at the rate of 32.5 per cent. (27.5 per cent. from 6 April 2013). The total tax payable would equal 36.11 per cent. (30.6 per cent. from 6 April 2013) of the cash dividend received.

Tax credits are generally not repayable to individual Shareholders with no income tax liability or whose liability to income tax does not exceed the amount of tax credit.

A corporate Shareholder which is resident for tax purposes in the United Kingdom and which receives a dividend paid by the Company will not normally be liable to corporation tax on the dividend, subject to anti-avoidance rules and some exclusions for insurance companies and companies holding shares as trading stock.

A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders’ not resident in the UK should consult their own tax adviser on the application of such provisions and the procedure or claiming relief.

Tax credits are generally not repayable to corporate Shareholders with no income tax liability or whose liability to income tax does not exceed the amount of tax credit.

11.3 *Tax on Chargeable Gains*

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident, or in the case of an individual ordinarily resident, in the UK may give rise to chargeable gain (or allowable loss) for the purposes of UK capital gains tax (“CGT”), where the Shareholder is an individual, or UK corporation tax on chargeable gains, where the Shareholder is within the charge to UK corporation tax.

Where a shareholder is not UK resident or ordinarily resident, a tax charge may still arise, e.g. where an individual is temporarily resident outside the UK or a corporate has a permanent establishment, branch or agency in the UK and the shares are acquired, held or used for the purposes of the trade, profession or vocation of that permanent establishment, branch or agency.

To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will generally constitute the base cost of a Shareholder’s holding.

As regards an individual Shareholder, the principal factors that will determine the extent to which a gain will be subject to CGT are (i) the extent to which they realise any other capital gains in the tax year of assessment in which the gain arises, (ii) the extent to which they have incurred capital losses in that or any earlier tax year or assessment and (iii) the level of annual allowance of tax-free gains in the tax year of assessment in which the disposal takes place, currently £10,600 (in tax year 12/13).

Subject to the availability of any such exemptions, reliefs and/or allowable losses, a disposal of Ordinary Shares by UK resident or ordinarily resident individuals, trustees and personal representatives

will generally be subject to CGT at the rate of 28 per cent. Individuals whose taxable income (including any capital gain) for the year in question is less than the upper limit of the basic rate income tax band are subject to CGT at the rate of 18 per cent. To the extent the individuals taxable income and gains exceed the upper rate limit of the basic rate band, the excess gain is taxed at 28 per cent.

Subject to the availability of any exemptions, reliefs and/or allowable losses, a disposal of Ordinary Shares by companies subject to UK corporation tax will generally be subject to UK corporation tax at the prevailing rate of 24 per cent. (23 per cent. from 1 April 2013). Indexation allowance may be available to reduce any chargeable gain arising on such disposal but cannot act to create or increase a loss.

11.4 *Stamp duty and stamp duty reserve tax ("SDRT")*

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by broker dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

11.4.1 *Placing Shares*

No liability to stamp duty or SDRT should arise on the issue of Placing Shares by the Company under the Placing.

11.4.2 *Sale Shares*

Stamp duty or SDRT arising on the first transfer of the Sale Shares following Admission will be paid by the Selling Shareholders under an indemnity provided to the purchaser of the shares.

11.4.3 *General*

Subsequent sales of Sale Shares and/or Placing Shares inside CREST will generally be liable to SDRT (rather than stamp duty) at the rate of 0.5 per cent. of the amount or value of the consideration calculated to the nearest pence. CREST is obliged to collect SDRT from the purchaser of the shares on relevant transactions settled within the system. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

11.4.4 Subsequent sales of Sale Shares and/or Placing Shares outside of CREST will generally be liable to ad valorem stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration rounded up to the next £5. An exemption from stamp duty will be available on an instrument transferring the shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

An unconditional agreement to transfer the Sale Shares and the Placing Shares will normally give rise to a charge to SDRT in the hands of the purchaser at the rate of 0.5 per cent. of the amount or value of the consideration for the shares. However, where an instrument of transfer which completes an unconditional agreement to transfer the shares is duly stamped within six years after the agreement was entered into (or it becomes unconditional) the stamp duty will cancel the SDRT liability and any SDRT paid can be recovered. Stamp duty is normally, and SDRT is always, the liability of the purchaser or transferee of the Sale Shares and Placing Shares.

11.5 *Inheritance Tax*

Individual Shareholders should note that transfers of Ordinary Shares (including on death) may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax.

11.6 VCT Legislation

The Company has received advance assurance from HMRC that the New Ordinary Shares should be able to form part of a qualifying holding for the purposes of the VCT legislation.

The advanced assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of the Sale Shares and/or Placing Shares. The conditions for relief are complex and depend not only upon the qualifying status of the Company but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for VCT relief should consult their own tax advisers regarding this.

The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of Chapter 4, Part 6, Income Tax Act 2007.

Neither the Company nor its advisers give any warranties or undertakings that VCT relief will be available or that, if given, such relief will not be withdrawn.

The tax legislation in respect of VCTs is found in Part 6 of the Income Tax Act 2007 and sections 151A and 151B of the Taxation of Capital Gains Act 1992.

11.7 EIS Legislation

The Company has also received advance assurance from HMRC that the Company will be a “qualifying company” and the Placing Shares will be eligible shares for EIS purposes. Prospective investors who may be eligible for EIS relief are strongly recommended to consult their own professional advisers particularly on the conditions which must be satisfied by both the Company and the investor to obtain such relief, the nature of the tax advantages which may be obtained, and the circumstances in which relief may be withdrawn or reduced.

The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of Chapter 4, Part 5 of the Income Tax Act 2007. Neither the Company nor its advisers give any warranties or undertakings that EIS relief will be available, or that if available, such relief will not be withdrawn or reduced. The tax legislation in respect of EIS relief is found in Part 5 of the Income Tax Act 2007 and in Section 150A to 150C and Schedule 5B of the Taxation of Chargeable Gains Act 1992.

12 City Code and Compulsory Acquisition Rules relating to the Ordinary Shares (Rule 9)

12.1 Mandatory offer

The Company will be subject to the City Code on Takeovers and Mergers (the “City Code”). Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and, depending on the circumstances, its concert parties, the acquirer would be required (except with the consent of the UK Panel on Takeovers and Mergers (the “Panel”)) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

12.2 Squeeze-out

Under the Act, if a “takeover offer” (as defined in section 974 of the Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Ordinary Shares to which the offer relates (the “Target Shares”) and not less than 90 per cent. of the voting rights attached to the Target Shares, it could, within three months of the last day on which its offer can be accepted, acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their Target Shares and then, six weeks later, it would execute a transfer of the outstanding Target Shares in its favour and pay the consideration to the Company, which would hold the consideration

on trust for outstanding shareholders. The consideration offered to the shareholders whose Target Shares are acquired compulsorily under the Act must, in general, be the same as the consideration that was available under the takeover offer.

12.3 *Sell-out*

The Act also gives minority shareholders the right to be bought out in certain circumstances by an offeror who has made the takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer related, any holder of Ordinary Shares to which the offer related who had not accepted the offer could, by written communication to the offeror, require it to acquire those Ordinary Shares.

The offeror is required to give any shareholder notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his/her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

13 **Working Capital**

In the opinion of the Directors having made due and careful enquiry, the working capital available to the Group will, following the Placing, be sufficient for the period of at least the next 12 months from the date of Admission.

14 **Litigation**

14.1 On 11 January 2011, CCL entered into a Framework Agreement with Boehringer Ingelheim ("BI") in relation to the provision by CCL to BI of neuropsychological testing services in the shape of a software development package. This was supplemented by a work order dated 28 January 2011. BI have requested a refund on the basis that the payment due from BI should be calculated on the basis of the number of patients to be enrolled in a particular study. CCL have received legal advice that BI do not have a right to terminate the work order or request a refund. As at 12 April 2013 (being the latest practicable date prior to publication of the document), no further correspondence has been received on the matter.

14.2 No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Group nor, save as disclosed in paragraphs 14.1, so far as the Directors are aware are any such proceedings pending or threatened.

15 **Premises**

CCL is a tenant of the premises Units 1, 3 and 8 Tunbridge Court, Tunbridge Lane, Bottisham, Cambridge CB25 9TU for a term of approximately 2 years or 22 months from and including 1 August 2011 to 24 June 2014. The current rent per annum is £120,500.

16 **Consents**

16.1 finnCap of 60 New Broad Street, London EC2M 1JJ is authorised and regulated in the United Kingdom by the Financial Services Authority. finnCap has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.

16.2 Deloitte LLP has given and not withdrawn its written consent to the inclusion of its Accountant's Report in Part III of this document in the form and context in which it appears.

17 General

- 17.1 Save as disclosed in this document, as at 12 April 2013 (being the latest practicable date prior to the publication of the document), there has been no significant change in the financial or trading position of the Company since incorporation and CCL since 31 December 2012.
- 17.2 There is a contingent liability to CeNeS Pharmaceuticals plc of £300,000 payable on the listing of the any member of the Group pursuant to the sale and purchase agreement entered into between CeNeS Pharmaceuticals plc, Cambridge Guarantee Limited, CCL and CC Trustees dated 30 May 2002.
- 17.3 Adrian Rapazzini, who provides consultancy services to the board of CCL, has invoiced a fee of £23,538 (exclusive of VAT) in the financial year ending 31 December 2012.
- 17.4 Nigel Swycher, who provides intellectual property protection advice to CCL, received a fee of £10,000 (exclusive of VAT) in the financial year ending 31 December 2012.
- 17.5 MM&K, which advise the Company on the level of remuneration for the Directors, will receive a fee of £13,043.63 (exclusive of VAT) in relation to Admission.
- 17.6 Pinsent Masons LLP, which have advised the Company in relation to, inter alia, the Old Share Option Scheme and the Share Option Scheme, will receive a fee of £48,000 (exclusive of VAT and disbursements).
- 17.7 Field Fisher Waterhouse LLP, which provides ongoing advice to the Company on its intellectual property portfolio and employment matters, will receive a fee of £23,926.65 (exclusive of VAT and disbursements) in respect of employment and intellectual property advice given in relation to the Admission.
- 17.8 Schulte Roth & Zabel International LLP, which provided advice to the PallMall Investors in respect of Admission, will receive a fee of £50,000 (exclusive of VAT and disbursements).
- 17.9 Save as disclosed in this document at paragraph 17.2 to 17.8 above, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after completion of the Placing, as relevant:
- 17.9.1 fees totaling £10,000 or more;
- 17.9.2 securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
- 17.9.3 any other benefit with a value of £10,000 or more at the date of completion of the Placing.
- 17.10 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 17.11 With effect from Admission, the Company will maintain a website containing all the information required by AIM Rule 26 at www.cambridgecognition.com.
- 17.12 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 17.13 The Directors are unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 17.14 Save as disclosed in Part II of this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

- 17.15 Save as disclosed in Part I of this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Company.
- 17.16 Save as disclosed in this document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the company's business or profitability.
- 17.17 The current accounting reference period of the Company will end on 31 December 2013.
- 17.18 The financial information contained in Part III of this document does not constitute statutory accounts within the meaning of section 434 of the Act.
- 17.19 The estimated amount of the expenses of the Placing and Admission which are all payable by the Company, assuming the Placing is fully subscribed are approximately £810,500 (excluding VAT).
- 17.20 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 17.21 The Group employed on average 32 people during the financial year ending 31 December 2010, 42 people during the financial year ending 31 December 2011 and 53 people during the financial year ending 31 December 2012. As at 31 December 2012, the Group had 51 employees, excluding directors and consultants, as follows:

| <i>Activity</i> | <i>Number of Employees</i> | <i>Territory</i> |
|------------------------|----------------------------|----------------------------------|
| Business Development | 6 | UK (5), America (1) |
| Central Administration | 5 | UK |
| Operations | 40 | UK (38), America (1), France (1) |

- 17.22 As at 12 April 2013 (being the latest practicable date prior to the publication of the document), the Company had 3 employees; CCL had 49 employees; CC Trustees had no employees and CC LLC had 2 employees. Two employees are based in the United States of America and one is based in France. The remainder work at the Company's head office, being its registered address in the United Kingdom.
- 17.23 The International Security Identification Number (ISIN) of the Ordinary Shares is GB00B8DV9647.
- 17.24 Other than the intended application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor, except as stated below, are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 17.25 The Ordinary Shares are in registered form and will, following Admission, be capable of being held in uncertificated form. The Company will apply to Euroclear, the operator of CREST, for the Ordinary Shares to be admitted to CREST with effect from First Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles of Association of the Company permit the holding of Ordinary Shares under CREST. CREST is a voluntary system and holders of Ordinary Shares who wish to retain share certificates will be able to do so.
- 17.26 There are no arrangements, known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 17.27 No public takeover bids by third parties in respect of the Company's equity, have occurred during the last and current financial year.

Copies of this document are available to the public, free of charge, at the offices of finnCap Limited, 60 New Broad Street, London EC2M 1JJ, during normal business hours on any weekday (excluding weekends and public holidays) for a period of one month from the date of Admission.

Dated: 12 April 2013

