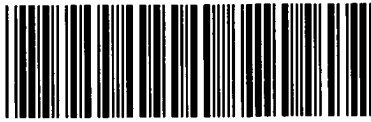

IESO DIGITAL HEALTH LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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IESO DIGITAL HEALTH LIMITED

COMPANY INFORMATION

DIRECTORS	S Cartmell V Gulati N Pitchford A Richards IP2IPO Services Limited
COMPANY SECRETARY	C Kightley
REGISTERED NUMBER	04063351
REGISTERED OFFICE	The Jeffreys Building Cowley Road Cambridge Cambridgeshire CB4 0DS
INDEPENDENT AUDITORS	Peters Elworthy & Moore Chartered Accountants & Statutory Auditors Salisbury House Station Road Cambridge CB1 2LA

IESO DIGITAL HEALTH LIMITED

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IESO DIGITAL HEALTH LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The Group is a leading provider of online psychological therapy, specialising in delivering evidence based Cognitive Behavioural Therapy (CBT) for people dealing with common mental health conditions such as depression or anxiety via its technology platform.

Through the application of deep-learning capabilities the Group develops proprietary digital therapy products to improve clinical outcomes, optimise and automate the patient journey and reduce the costs of care delivery.

BUSINESS REVIEW

The transformation of the Group continued through 2019. The emphasis was on growing the UK service business and improving profitability, whilst investing in proprietary AI-led digital therapy products that improve clinical outcomes, productivity and ultimately scalability.

Key performance indicators

	2019	2018
Turnover	£000 7,460	£000 4,905
Number of patients* treated	13,200	8,099
Number of hours of therapy delivered	91,728	52,388
Average Recovery Rate	61%	57%
Average number of employees	102	92

* Defined as someone receiving two treatment sessions from Ieso following assessment in the UK

1. Business Progress

a. UK - Over 38,000 patients suffering moderate to severe mental health conditions (i.e. Step 3) have now been treated by Ieso in the UK with numbers continuing to rise. Ieso is the leading provider of online CBT within the NHS and is ideally placed to benefit from the accelerating transition of traditional care delivery to online solutions. The Company delivered £7.5m of revenues in 2019, representing growth of 52% over 2018 revenues and expects revenue growth of at least 50% in 2020. The Covid-19 crisis has resulted in the NHS referring significant numbers of additional patients to Ieso ensuring that the projections for 2020 remain robust.

By intensifying the focus on the unit economics of service delivery the Company was able to significantly improve the profitability of this activity in the UK. Ongoing initiatives to develop technology to increase the efficiency of processes, alongside evidence-led changes to clinical practice, will improve productivity and profitability further during 2020.

In November, the Company launched a Step 2 offering for patients with mild to moderate condition severity. As a result, Ieso can now provide CBT for patients with conditions ranging from mild to moderate to severe. Contracting progress into the NHS has been encouraging and Step 2 will likely be a major contributor to revenues in 2020 and beyond.

A study sponsored by Roche Diagnostics to explore the impact of Ieso technology on the long-term care of Type 2 diabetes sufferers was commenced in 2019. Interest is growing from the pharmaceutical industry into the impact of behavioural health on physical health conditions, particularly for chronic diseases, and Ieso expects this to result in additional collaborations of this type with pharmaceutical industry partners.

IESO DIGITAL HEALTH LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

b. USA – Market feedback from major health insurers, several of whom had engaged with Ieso in pilot studies across multiple states, indicated that access to the Company's proprietary technologies for their own service provision was preferable to Ieso becoming an alternative nationwide service provider. As a result, the Company decided to close down its service-based operational infrastructure in the US during 2019. The small Ieso team that remains in the US is focused on building customer and clinical relationships in readiness for the commercialisation of its digital therapy products currently in development.

c. Corporate Development – Investments continue to be made into the Cambridge-based teams who are developing proprietary highly differentiated digital therapy products, as the Company views these activities as essential to long-term prosperity of the Group.

2. Clinical

Ieso proudly continues to deliver excellent clinical outcomes. Like-for-like recovery rates in the benchmark population were 61% for 2019 compared to 57% in 2018, highlighting the improvements to the service that the Company has been investing in. These outcomes also compare favourably with those reported across NHS England in 2019 which were 52%.

Improving clinical outcomes are an example of the impact that the Ieso approach to therapy is having on the delivery of mental healthcare. The Company aims to set new standards of care and it invests into building deep insights into clinical data that translate into quality-enhancing digital tools and methodologies.

3. Technology

Ieso continues to develop and deploy novel AI-led technologies around its clinical delivery platform. Current capabilities include:

- a. Digital Triage – an automated tool to rapidly triage patients into the right care pathway;
- b. Clinical Decision Support – supporting the therapist's decision making at the start of treatment to determine the right presenting problem and treatment pathway, thereby maximising the probability of recovery;
- c. Therapist Insights – automated scoring of therapist transcripts against widely accepted effectiveness measures that enables quality-control of therapist performance and effective supervision.

Ieso has established an unparalleled dataset that provides unique insights into the mechanisms underlying effective CBT and digital therapy products. Ieso continues to work with the research community to make these insights available through peer reviewed scientific publications.

Work commenced in 2019 to redevelop the underlying clinical service delivery platform to make it more flexible and scalable. The digital therapy products commercialisation strategy also requires the platform to support multiple tenants. The new platform will come online in 2021.

4. Personnel

During 2019 the following personnel changes occurred to align leadership of the Company with the areas of strategic focus:

- a. Dr Nigel Pitchford replaced Dan Clark as CEO in March 2019. Nigel was formerly the Chief Investment Officer at Touchstone Innovations and at the time of his appointment was an independent Non-Executive Director on the board of Ieso;
- b. Dr Charlotte Housden was appointed as Head of Product in January 2019 from Cambridge Cognition, and then subsequently promoted to Chief Operating Officer in September;

IESO DIGITAL HEALTH LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

c. Kate Woolland joined Ieso as SVP Corporate Development in October. Kate was previously a Partner at PA Consulting;

d. Dr Valentin Tablan was promoted to Chief AI Officer in November;

e. Maddy Kennedy left her role as interim CFO in November;

f. The repositioning of the US business saw a number of valued colleagues and business leaders leave the Group in addition to Dan Clark, including Gidget Madix (Chief Growth Officer), Craig Gravina (Chief Technology Officer), Chris Cavazos (US General Manager) and Jane Cooke (EVP Human Resources).

Ieso intends to recruit to key positions supporting the future direction of the Company during 2020.

5. Future plans

Ieso will continue to expand its commercial activities in the UK by growing its Step 3 and Step 2 services within the NHS. It will also seek to expand its customer base for these services beyond the NHS and into the corporate environment.

Differentiated digital therapy products currently under development will start being commercialised from 2021. These products will benefit from SaaS-like margins and massive scalability allowing Ieso to reach out into worldwide markets alongside established local delivery partners. These products will ultimately become fully autonomous opening the door to high quality affordable mental healthcare for all.

The Company intends to turn profitable in the near term whilst continuing to invest in R&D, new product development and activities that will deliver long-term differentiation and growth.

6. Fundraising

Ieso intends to raise further equity finance to allow it to grow its existing business and develop the digital therapy products that will enable it to provide high quality mental healthcare on a global basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations expose it to a variety of risks that include the effects of changes in price, credit, liquidity, interest rate and foreign exchange-risk. Operationally, the risks include the impact of Brexit, the costs of labour in a sought-after market and managing its technological developments whilst maintaining compliance and quality to the highest standards. Ieso complies with all regulations and guidelines ensuring security and privacy for sensitive health data.

The Group's operations have not been affected by the Covid-19 crisis. All employees were enabled to work online from home, and the Company was able to deal with significantly increased demand for its services from within the NHS.

As the Group pursues its ambitious growth plans it manages the risk that the requirement to raise funds brings, being that it may not be available at the level or at the time required and mitigating action is required to counteract the risk. These actions include cashflow management and cashflow forecasting to manage its expansion within its funding limits.

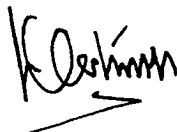
The Group has in place a risk management program that seeks to identify, assess and control all risks that might have an impact on the Group's objectives, its information security, its staff and the people with whom it interacts.

The Risk Management policy identifies the key aspects of risk, the duties to be discharged, and the way risk systems are coordinated and managed and its implementation is central to the effective running of the business.

IESO DIGITAL HEALTH LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

This report was approved by the board and signed on its behalf by:



S Cartmell
Director

Date: 6.10.20

IESO DIGITAL HEALTH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the group during the year was to deliver cognitive behaviour therapy care services.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £9,446,729 (2018 - loss £9,445,961).

DIRECTORS

The directors who served during the year were:

S Cartmell
W Clark (resigned 18 March 2019)
V Gulati
N Pitchford
A Richards
IP2IPO Services Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

IESO DIGITAL HEALTH LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

POST BALANCE SHEET EVENTS

In February 2020 the company raised £2 million pursuant to a Convertible Loan Note Instrument which will convert to equity in conjunction with a future equity funding event. A further £0.5 million was negotiated to be raised under the same facility in September 2020. This instrument is interest bearing at 8% per annum with interest payable only upon redemption or conversion. The instrument provides for a "long stop" date at which the principal plus interest could be repayable if no qualifying equity funding event has occurred. The long stop date is 31 December 2021.

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The impact of COVID-19 on the Group has been discussed in the Strategic Report.

AUDITORS

The auditors, Peters Elworthy & Moore, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



**S Cartmell
Director**

Date: 6.10.20

IESO DIGITAL HEALTH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED

OPINION

We have audited the financial statements of Ieso Digital Health Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.3 in the financial statements, which indicates that the Company will require additional funding in order to continue trading as a going concern and progress its research and development activities. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

IESO DIGITAL HEALTH LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED
(CONTINUED)**

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

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

IESO DIGITAL HEALTH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED (CONTINUED)

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

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

Warren Tilbury (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

12 October 2020

IESO DIGITAL HEALTH LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	7,459,718	4,904,830
Cost of sales		<u>(4,369,623)</u>	<u>(2,659,535)</u>
GROSS PROFIT		3,090,095	2,245,295
Administrative expenses		<u>(13,120,511)</u>	<u>(12,376,148)</u>
Other operating income	5	<u>107,231</u>	<u>1,315</u>
OPERATING LOSS	6	(9,923,185)	(10,129,538)
Interest receivable and similar income	10	12,925	18,855
Interest payable and expenses	11	<u>(315,373)</u>	<u>(56,952)</u>
LOSS BEFORE TAX		(10,225,633)	(10,167,635)
Tax on loss	12	<u>778,904</u>	<u>721,674</u>
LOSS FOR THE FINANCIAL YEAR		(9,446,729)	(9,445,961)
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Foreign exchange reserve movement		369,074	(340,536)
Share options movement		<u>226,055</u>	<u>242,596</u>
		595,129	(97,940)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(8,851,600)	(9,543,901)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent company		<u>(9,446,729)</u>	<u>(9,445,961)</u>
		(9,446,729)	(9,445,961)

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

The notes on pages 20 to 38 form part of these financial statements.

IESO DIGITAL HEALTH LIMITED
REGISTERED NUMBER: 04063351

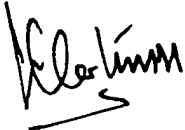
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Tangible assets	14	<u>179,431</u>	<u>437,415</u>
		179,431	437,415
CURRENT ASSETS			
Debtors: amounts falling due within one year	16	3,306,190	3,342,770
Cash at bank and in hand	17	<u>2,316,270</u>	<u>6,548,981</u>
		5,622,460	9,891,751
Creditors: amounts falling due within one year	18	<u>(4,507,470)</u>	<u>(3,450,040)</u>
NET CURRENT ASSETS		1,114,990	6,441,711
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,294,421</u>	<u>6,879,126</u>
Creditors: amounts falling due after more than one year	19	<u>(1,666,667)</u>	<u>(3,000,000)</u>
		(372,246)	3,879,126
NET (LIABILITIES)/ASSETS		<u><u>(372,246)</u></u>	<u><u>3,879,126</u></u>
CAPITAL AND RESERVES			
Called up share capital	22	7,463	6,536
Share premium account	23	30,991,187	26,391,886
Foreign exchange reserve	23	146,027	(223,047)
Profit and loss account	23	<u>(31,516,923)</u>	<u>(22,296,249)</u>
		<u>(372,246)</u>	<u>3,879,126</u>

IESO DIGITAL HEALTH LIMITED
REGISTERED NUMBER: 04063351

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S Cartmell
Director

Date: 6.10.20

The notes on pages 20 to 38 form part of these financial statements.

IESO DIGITAL HEALTH LIMITED
REGISTERED NUMBER: 04063351

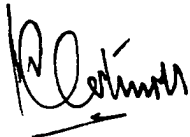
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Tangible assets	14	169,335	360,019
Investments	15	101	101
		<u>169,436</u>	<u>360,120</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	16	2,494,633	3,583,913
Cash at bank and in hand	17	1,057,965	4,839,583
		<u>3,552,598</u>	<u>8,423,496</u>
Creditors: amounts falling due within one year	18	(2,468,612)	(1,860,895)
NET CURRENT ASSETS		<u>1,083,986</u>	6,562,601
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,253,422</u>	<u>6,922,721</u>
Creditors: amounts falling due after more than one year	19	(1,666,667)	(3,000,000)
NET (LIABILITIES)/ASSETS		<u>(413,245)</u>	<u>3,922,721</u>
CAPITAL AND RESERVES			
Called up share capital	22	7,463	6,536
Share premium account	23	30,991,187	26,391,886
Profit and loss account	23	(31,411,895)	(22,475,701)
		<u>(413,245)</u>	<u>3,922,721</u>

IESO DIGITAL HEALTH LIMITED
REGISTERED NUMBER: 04063351

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S Cartmell
Director

Date: 6.10.20

The notes on pages 20 to 38 form part of these financial statements.

IESO DIGITAL HEALTH LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
AT 1 JANUARY 2017	6,007	26,478,228	117,489	(13,092,884)	13,508,840
Loss for the year	-	-	-	(9,445,961)	(9,445,961)
Foreign exchange reserve movement	-	-	(340,536)	-	(340,536)
Share options movement	-	-	-	242,596	242,596
Shares issued during the year	529	-	-	-	529
Costs of raising finance	-	(86,342)	-	-	(86,342)
AT 1 JANUARY 2018	6,536	26,391,886	(223,047)	(22,296,249)	3,879,126
Loss for the year	-	-	-	(9,446,729)	(9,446,729)
Foreign exchange reserve movement	-	-	369,074	-	369,074
Share options movement	-	-	-	226,055	226,055
Shares issued during the year	962	4,640,991	-	-	4,641,953
Costs of raising finance	-	(41,690)	-	-	(41,690)
Shares cancelled during the year	(35)	-	-	-	(35)
AT 31 DECEMBER 2019	7,463	30,991,187	146,027	(31,516,923)	(372,246)

The notes on pages 20 to 38 form part of these financial statements.

IESO DIGITAL HEALTH LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
AT 1 JANUARY 2017	6,007	26,478,228	(12,975,295)	13,508,940
Loss for the year	-	-	(9,743,002)	(9,743,002)
Share options movement	-	-	242,596	242,596
Shares issued during the year	529	-	-	529
Costs of raising finance	-	(86,342)	-	(86,342)
AT 1 JANUARY 2018	6,536	26,391,886	(22,475,701)	3,922,721
Loss for the year	-	-	(9,162,249)	(9,162,249)
Share options movement	-	-	226,055	226,055
Shares issued during the year	962	4,640,991	-	4,641,953
Costs of raising finance	-	(41,690)	-	(41,690)
Shares cancelled during the year	(35)	-	-	(35)
AT 31 DECEMBER 2019	7,463	30,991,187	(31,411,895)	(413,245)

The notes on pages 20 to 38 form part of these financial statements.

IESO DIGITAL HEALTH LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(9,446,729)	(9,445,961)
ADJUSTMENTS FOR:		
Depreciation of tangible assets	257,820	221,568
Loss on disposal of tangible assets	22,745	870
Interest expense	315,373	56,952
Interest received	(12,925)	(18,855)
Taxation charge	(778,904)	(721,674)
(Increase) in debtors	(314,473)	(640,142)
Increase in creditors	637,018	302,145
Increase/(decrease) in provisions	-	(58,678)
Corporation tax received/(paid)	1,129,957	(1,741)
Movement in foreign exchange reserve	369,074	(340,536)
Tangible fixed assets exchange adjustments	271	(2,947)
Share options movement	226,055	242,596
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>(7,594,718)</u>	<u>(10,406,403)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(22,852)	(551,107)
Interest received	12,925	18,855
NET CASH FROM INVESTING ACTIVITIES	<u>(9,927)</u>	<u>(532,252)</u>

IESO DIGITAL HEALTH LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	4,641,953	529
Costs of raising finance	(41,690)	(86,342)
New secured loans	-	4,000,000
Repayment of loans	(1,000,000)	-
Interest paid	(228,329)	(56,952)
NET CASH USED IN FINANCING ACTIVITIES	3,371,934	3,857,235
(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,232,711)	(7,081,420)
Cash and cash equivalents at beginning of year	6,548,981	13,630,401
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	2,316,270	6,548,981
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	2,316,270	6,548,981
	2,316,270	6,548,981

The notes on pages 20 to 38 form part of these financial statements.

IESO DIGITAL HEALTH LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019

	At 1 January 2019 £	Cash flows £	Other non- cash changes £	At 31 December 2019 £
Cash at bank and in hand	6,548,981	(4,232,711)	-	2,316,270
Debt due after 1 year	(3,000,000)	-	1,333,333	(1,666,667)
Debt due within 1 year	(1,000,000)	1,228,329	(1,561,662)	(1,333,333)
	<u>2,548,981</u>	<u>(3,004,382)</u>	<u>(228,329)</u>	<u>(683,730)</u>

The notes on pages 20 to 38 form part of these financial statements.

IESO DIGITAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

IESO Digital Health Limited is a private company limited by shares and is incorporated in England and Wales. Its registered office is The Jeffereys Building, Cowley Road, Cambridge, Cambridgeshire, CB4 0DS. The principal activity of the Group is disclosed in the Directors' Report.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

IESO DIGITAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

The Company incurred a loss for the year and had net liabilities of £413,245 as at 31 December 2019.

The Group incurred a loss for the year and had net liabilities of £372,246 as at 31 December 2019.

Notwithstanding the loss reported by the Group and Company, the financial statements have been prepared on a going concern basis which assumes that the Group and Company will be able to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements. The Group is involved in continuing research and development activities and scaling up its trading operations so that it is profitable and generates net cash inflows. The Group is expected to continue to be loss making and in a net cash outflow position in the near future as it progresses its activities.

The directors have prepared cash flow forecasts to 31 December 2021 for the Group, which demonstrate the need to obtain additional funding. The Group has limited other financing facilities available and as such equity investment is required to support the ongoing cash needs of the Group during this phase.

The Group is in the process of attracting further investment and the directors are in advanced discussions with a number of potential investors, one of whom has informed the Company that they are making an application to the UK Government's Future Fund for an investment of up to £10 million comprising up to £5 million from private investors plus an equal amount of matched funding. If fulfilled, such funding would provide sufficient cash to continue operations for a period of 18 months or more. If a Future Fund match funding is not secured on a timely basis, management is confident that it could secure a smaller investment of at least £3 million and would be able to scale back operations and continue as a going concern for a period of at least 12 months from the date of approval of the financial statements.

Having considered the past history of obtaining investor funding the directors are confident of being able to obtain the required investment and are therefore satisfied that it is appropriate to adopt the going concern basis. However, the directors acknowledge that, in the absence of the additional funding having been contractually committed, a material uncertainty exists which may cast doubt about the Group and Company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

2.4 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts and Value Added Tax.

Turnover arising from the provision of patients cognitive behaviour therapy care services is recognised based on the percentage stage of completion.

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

S/Term Leasehold Property	- Straight line over 3 years
Office equipment	- Straight line over 2 years
Computer equipment	- Straight line over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.6 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.9 FINANCIAL INSTRUMENTS

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL INSTRUMENTS (CONTINUED)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2.10 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.12 FINANCE COSTS

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

IESO DIGITAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.13 SHARE BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to administrative expenses within the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated Statement of Comprehensive Income is charged with fair value of goods and services received.

2.14 OPERATING LEASES: THE GROUP AS LESSEE

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.15 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.16 INTEREST INCOME

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.17 BORROWING COSTS

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

IESO DIGITAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.18 TAXATION

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2.19 RESEARCH AND DEVELOPMENT

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Debtors

An allowance for doubtful accounts is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. The allowance for doubtful accounts is reviewed periodically to assess the adequacy of the allowance. In making this assessment, management takes into consideration any circumstances of which they are aware regarding a customer's inability to meet its financial obligations.

Amounts recoverable on contracts

The Group regularly undertake long term contracts where profit is recognised on the estimated project completion percentage. Contract completion is based on management's assessment of effort to complete the project and other associated costs compared to actual effort and costs to date. In making this assessment, management take into consideration any circumstances of which they are aware regarding the stage of completion, known issues and future anticipated therapy hours at an average estimated hourly rate earned per contract to derive the stage of completion and subsequently the amount of income to accrue or defer.

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Healthcare	7,459,718	4,898,386
Other	-	6,444
	<u>7,459,718</u>	<u>4,904,830</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	7,367,227	4,597,015
Rest of the world	92,491	307,815
	<u>7,459,718</u>	<u>4,904,830</u>

5. OTHER OPERATING INCOME

	2019 £	2018 £
R&D tax credit	12,574	1,315
Grants receivable	94,657	-
	<u>107,231</u>	<u>1,315</u>

6. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2019 £	2018 £
Depreciation of tangible fixed assets	257,820	221,568
Exchange differences	386,521	(445,298)
Defined contribution pension cost	255,500	189,626
	<u>255,500</u>	<u>189,626</u>

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. AUDITORS' REMUNERATION

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>30,100</u>	<u>29,300</u>
FEEs PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:		
Taxation compliance services	2,400	2,300
All other services	5,450	5,350
	<u>7,850</u>	<u>7,650</u>

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2019 £	As restated 2018 £
Wages and salaries	6,414,478	5,428,915
Social security costs	632,454	503,838
Cost of defined contribution scheme	255,500	189,626
	<u>7,302,432</u>	<u>6,122,379</u>

The comparatives have been restated to correctly include amounts paid to third parties in respect of directors' services.

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Board	3	2	3	2
R&D	35	29	33	28
Operations	43	43	-	1
Corporate	21	18	17	13
	<u>102</u>	<u>92</u>	<u>53</u>	<u>44</u>

IESO DIGITAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. DIRECTORS' REMUNERATION

	2019 £	As restated 2018 £
Directors' emoluments	241,482	364,361
Company contributions to defined contribution pension schemes	-	11,351
Amounts paid to third parties in respect of directors' services	58,082	46,000
	<u>299,564</u>	<u>421,712</u>

During the year retirement benefits were accruing to no directors (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £135,362 (2018 - £299,424).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2018 - £NIL).

The comparatives have been restated to correctly include amounts paid to third parties in respect of directors' services.

10. INTEREST RECEIVABLE

	2019 £	2018 £
Bank interest receivable	12,925	18,855

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Bank loan interest payable	315,373	56,952

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. TAXATION

	2019 £	2018 £
CORPORATION TAX		
Current tax on loss for the year	(778,904)	(721,674)
TOTAL CURRENT TAX	<u>(778,904)</u>	<u>(721,674)</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(10,225,633)</u>	<u>(10,167,635)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	(1,942,870)	(1,931,851)

EFFECTS OF:

Expenses not deductible for tax purposes	14,945	7,104
Other timing differences leading to an increase (decrease) in taxation	36	607
Additional deduction for research and development expenditure	(576,879)	(537,012)
Surrender of tax losses for research and development tax credit refund	241,729	223,968
Adjust closing deferred tax rate	352,995	245,468
Adjust opening deferred tax rate	(243,833)	(147,889)
Deferred tax not recognised	<u>1,374,973</u>	<u>1,417,931</u>
TOTAL TAX CHARGE FOR THE YEAR	<u>(778,904)</u>	<u>(721,674)</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

As at 31 December 2019, the Group has tax losses of £17,074,423 and other timing differences of £58,500 that are available for offset against future taxable profits. A deferred tax asset of £2,912,597 has not been recognised in respect of these timing differences at 31 December 2019 as it is not expected that the Group will utilise these losses in the foreseeable future.

13. PARENT COMPANY LOSS FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £9,162,249 (2018 - loss £9,743,002).

IESO DIGITAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. TANGIBLE FIXED ASSETS

Group

	S/Term Leasehold Property £	Office equipment £	Computer equipment £	Total £
COST OR VALUATION				
At 1 January 2019	168,256	209,168	306,720	684,144
Additions	-	-	22,852	22,852
Disposals	(35,772)	(3,656)	(14,220)	(53,648)
Exchange adjustments	(92)	(10)	(338)	(440)
At 31 December 2019	<u>132,392</u>	<u>205,502</u>	<u>315,014</u>	<u>652,908</u>
DEPRECIATION				
At 1 January 2019	45,054	89,324	112,351	246,729
Charge for the year on owned assets	54,068	103,307	100,445	257,820
Disposals	(19,192)	(2,239)	(9,472)	(30,903)
Exchange adjustments	(25)	(3)	(141)	(169)
At 31 December 2019	<u>79,905</u>	<u>190,389</u>	<u>203,183</u>	<u>473,477</u>
NET BOOK VALUE				
At 31 December 2019	<u>52,487</u>	<u>15,113</u>	<u>111,831</u>	<u>179,431</u>
At 31 December 2018	<u>123,202</u>	<u>119,844</u>	<u>194,369</u>	<u>437,415</u>

IESO DIGITAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. TANGIBLE FIXED ASSETS (CONTINUED)

Company

	S/Term Leasehold Property £	Office equipment £	Computer equipment £	Total £
COST OR VALUATION				
At 1 January 2019	132,392	205,502	229,270	567,164
Additions	-	-	20,437	20,437
Transfers intra group	-	-	26,855	26,855
At 31 December 2019	<u>132,392</u>	<u>205,502</u>	<u>276,562</u>	<u>614,456</u>
DEPRECIATION				
At 1 January 2019	35,774	88,098	83,273	207,145
Charge for the year on owned assets	44,131	102,291	76,315	222,737
Transfers intra group	-	-	15,239	15,239
At 31 December 2019	<u>79,905</u>	<u>190,389</u>	<u>174,827</u>	<u>445,121</u>
NET BOOK VALUE				
At 31 December 2019	<u>52,487</u>	<u>15,113</u>	<u>101,735</u>	<u>169,335</u>
At 31 December 2018	<u>96,618</u>	<u>117,404</u>	<u>145,997</u>	<u>360,019</u>

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies £
COST OR VALUATION	
At 1 January 2019	101
At 31 December 2019	101

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
IESO Digital Health (UK) Limited	Ordinary	100%
IESO Digital Health Inc	Ordinary	100%

16. DEBTORS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	1,156,968	1,164,361	-	-
Amounts owed by group undertakings	-	-	1,231,247	1,965,879
Other debtors	252,713	245,649	252,712	245,648
Prepayments and accrued income	1,106,996	792,194	221,161	231,820
Tax recoverable	789,513	1,140,566	789,513	1,140,566
	3,306,190	3,342,770	2,494,633	3,583,913

17. CASH AND CASH EQUIVALENTS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	2,316,270	6,548,981	1,057,965	4,839,583

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	1,333,333	1,000,000	1,333,333	1,000,000
Trade creditors	375,195	977,471	247,845	495,800
Other taxation and social security	547,120	287,179	95,327	84,095
Other creditors	15,793	43,158	10,028	22,103
Accruals and deferred income	2,236,029	1,142,232	782,079	258,897
	<u>4,507,470</u>	<u>3,450,040</u>	<u>2,468,612</u>	<u>1,860,895</u>

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	1,666,667	3,000,000	1,666,667	3,000,000

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. LOANS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank loans	1,333,333	1,000,000	1,333,333	1,000,000
	<u>1,333,333</u>	<u>1,000,000</u>	<u>1,333,333</u>	<u>1,000,000</u>
AMOUNTS FALLING DUE 1-2 YEARS				
Bank loans	1,666,667	1,333,333	1,666,667	1,333,333
	<u>1,666,667</u>	<u>1,333,333</u>	<u>1,666,667</u>	<u>1,333,333</u>
AMOUNTS FALLING DUE 2-5 YEARS				
Bank loans	-	1,666,667	-	1,666,667
	<u>-</u>	<u>1,666,667</u>	<u>-</u>	<u>1,666,667</u>
	<u><u>3,000,000</u></u>	<u><u>4,000,000</u></u>	<u><u>3,000,000</u></u>	<u><u>4,000,000</u></u>

The Group has a bank loan of £3,000,000 (2018 - £4,000,000) which is due to be repaid by May 2022. The loan is secured by a fixed and floating charge over the Company's assets. The loan bears interest at a rate of 6% per annum.

21. FINANCIAL INSTRUMENTS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss	2,316,270	6,548,981	1,057,965	4,839,583
	<u><u>2,316,270</u></u>	<u><u>6,548,981</u></u>	<u><u>1,057,965</u></u>	<u><u>4,839,583</u></u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

IESO DIGITAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. SHARE CAPITAL

	2019 £	2018 £
ALLOTTED, CALLED UP AND FULLY PAID		
138,943 (2018 - 167,775) Ordinary shares of £0.01 each	1,389.43	1,677.75
136,008 (2018 - 136,008) A Ordinary shares of £0.01 each	1,360.08	1,360.08
8,658 (2018 - 8,658) B Ordinary shares of £0.01 each	86.58	86.58
408,682 (2018 - 341,119) A1 Preferred shares of £0.01 each	4,086.82	3,411.19
19,461 (2018 - NIL) A2 Preferred shares of £0.01 each	194.61	-
34,590 (2018 - NIL) Deferred shares of £0.01 each	345.90	-
	<hr/> 7,463.42 <hr/>	<hr/> 6,535.60 <hr/>

During the year ended 31 December 2019, 9,241 ordinary shares with aggregate nominal value of £92.41 were allotted for cash at £0.01 each.

On 27 February 2019 3,483 ordinary shares with aggregate nominal value of £34.83 were cancelled.

On 15 July 2019 27,893 ordinary shares were redesignated as deferred shares, on 30 September 2019 1,742 ordinary shares were redesignated as deferred shares and on 30 November 2019 4,955 ordinary shares were redesignated as deferred shares. Deferred shares carry no voting or dividend rights.

On 15 July 2019 341,119 A preferred shares were redesignated as A1 preferred shares.

During the year ended 31 December 2019, 67,563 A preferred shares with aggregate nominal value of £67.56 were allotted for cash at £53.34 each.

On 8 August 2019 19,461 A2 preferred shares with aggregate nominal value of £19.46 were allotted for cash at £53.34 each.

23. RESERVES

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs and costs of raising finance.

Foreign exchange reserve

This reserve includes gains and losses on translation of foreign consolidated subsidiaries.

Profit and loss account

Includes all current and prior period retained profits and losses.

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24. SHARE BASED PAYMENTS

The Company has share options granted under both an approved EMI share option scheme and an unapproved share option scheme. During the year 15,558 share options were granted, 1,166 share options were exercised and 3,837 share options forfeited under the EMI scheme. As at 31 December 2019 the company had 37,092 share options outstanding under the EMI share option scheme and 450 share options outstanding under the unapproved share option scheme.

The share options have no performance conditions and have an average exercise price of £0.011 per share. The period of vesting of these shares is one quarter on the first anniversary and then three quarters equally over 24 months. The expected exercise date of all share options is between 28 April 2021 and 1 January 2023.

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	1.10	26,987	1.10	27,310
Granted during the year	1.00	15,558	1.00	5,900
Forfeited during the year	1.00	(3,837)	1.00	(3,952)
Exercised during the year	1.00	(1,166)	1.00	(2,271)
OUTSTANDING AT THE END OF THE YEAR	1.07	37,542	1.10	26,987

	2019 Black Scholes	2018 Black Scholes
Option pricing model used		
Weighted average share price (pence)	3,608	3,511
Weighted average exercise price (pence)	1.07	1.10
Weighted average contractual life (days)	760	886
Expected volatility	50%	50%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	1.12%	1.18%
	2019 £	2018 £
Equity-settled schemes	226,055	242,596
	226,055	242,596

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25. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £255,500 (2018 - £189,626). Contributions totalling £1,802 (2018 - £11,243) were payable to the fund at the balance sheet date.

26. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
LAND AND BUILDINGS				
Not later than 1 year	257,935	176,148	257,935	176,148
Later than 1 year and not later than 5 years	65,959	153,392	151,188	153,392
	323,894	329,540	409,123	329,540
	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
OTHER				
Not later than 1 year	8,575	8,575	8,575	8,575
Later than 1 year and not later than 5 years	7,340	16,475	7,340	16,475
	15,915	25,050	15,915	25,050

27. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions contained within FRS 102 paragraph 33.1A not to disclose transactions with wholly owned group undertakings.

During the year the Company incurred consultancy fees of £7,200 (2018 - £NIL) and expenses of £644 (2018 - £NIL) to an entity of which a director has significant influence over. As at 31 December 2019 £NIL (2018 - £NIL) was owed to this entity.

During the year the Company incurred consultancy fees of £NIL (2018 - £49,000) and expenses of £NIL (2018 - £864) to a director. As at 31 December 2019 £NIL (2018 - £49,455) was owed to this director and is included within trade creditors and accruals.

During the year the Company incurred director fees of £12,000 (2018 - £12,000) and expenses of £4,869 (2018 - £1,481) to an entity of which a director has joint control. As at 31 December 2019 £NIL (2018 - £NIL) was owed to this entity.

The aggregate remuneration payable to key management personnel is £321,115 (2018 - £427,501).

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28. POST BALANCE SHEET EVENTS

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

COVID-19 has not had a significant impact on the operations of the Group. All employees have been able to work from home and the Group has been able to continue to provide cognitive behaviour therapy care services without any major disruptions.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

29. CONTROLLING PARTY

IESO Digital Health Limited is under the control of its shareholders, however, no single shareholder exercises individual control.