

Registered number: 04063351

IESO DIGITAL HEALTH LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020



**Ieso Digital Health Limited**

	<b>Page</b>
<b>Company information</b>	<b>3</b>
<b>Group strategic report</b>	<b>4</b>
<b>Directors' report</b>	<b>8</b>
<b>Independent auditors' report</b>	<b>11</b>
<b>Consolidated income statement</b>	<b>16</b>
<b>Consolidated statement of total comprehensive income</b>	<b>16</b>
<b>Consolidated statement of financial position</b>	<b>17</b>
<b>Consolidated statement of changes in equity</b>	<b>18</b>
<b>Consolidated statement of cash flows</b>	<b>19</b>
<b>Notes to the consolidated financial statements</b>	<b>20</b>
<b>Company statement of financial position</b>	<b>60</b>
<b>Company statement of changes in equity</b>	<b>61</b>
<b>Notes to the company financial statements</b>	<b>62</b>

Ieso Digital Health Limited

**COMPANY INFORMATION**

<b>Directors</b>	M Black V Gulati J Parfrey N Pitchford A Richards IP2IPO Services Limited S Bruso
<b>Registered Number</b>	04063351
<b>Registered Office</b>	The Jeffreys Building Cowley Road Cambridge Cambridgeshire CB4 0DS
<b>Independent Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

## GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are pleased to present their strategic report for the year ended 31 December 2020

### Strategy, objectives and business model

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 emphasis of the Group during 2020 was on growing the UK service business, whilst investing in proprietary AI-led digital therapy products that improve clinical outcomes, productivity and ultimately scalability.

#### Key performance indicators

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Turnover £000	9,514	7,399	4,891
Number of patients [1] treated	17,000	13,000	8,000
Number of hours of therapy delivered	126,000	92,000	52,000
Average Recovery Rate [2]	65%	62%	58%
Average number of employees	102	102	92

[1] defined as someone receiving at least two treatment sessions from Ieso following assessment in the UK

[2] recovery rates are calculated based on an evaluation of standardised patient questionnaire results for patients from a specific region who are believed to be demographically similar over time such that a valid year-on-year comparison can be made.

Ieso is 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 Group delivered £9.5 million of revenues in 2020 (2019: £7.4 million, 2018: £4.9 million). The Covid-19 crisis resulted in the NHS referring significant numbers of additional patients to Ieso during the second quarter of 2020 since Ieso was well established to provide remote care.

Ongoing initiatives to develop technology to increase the efficiency of processes, alongside evidence-led changes to clinical practice, are intended to improve productivity during 2021. This is becoming increasingly important as demand for therapy continues to exceed the supply of qualified therapists.

In 2019 the Group launched its Step 2 offering for patients with mild to moderate condition severity to complement its Step 3 offerings which covers moderate to severe conditions.

Like-for-like recovery rates in the benchmark population were 65% for 2020 (2019: 62%, 2018: 58%), highlighting the improvements to the service that the Group has been investing in.

**GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**Business Review (continued)**

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

**Research and Development**

Improving clinical outcomes are an example of the impact that the Ieso approach to therapy is having on the delivery of mental healthcare. The Group 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.

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

Digital Triage is an automated tool to rapidly triage patients into the right care pathway; this tool has evolved during the year into our new product "How Are Things" which is being launched during 2021. This will be the first product registered with Medicines and Healthcare Products Regulatory Agency as a medical device. Clinical Decision Support supports 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. Therapist Insights is an automated scoring of therapist transcripts against widely accepted effectiveness measures that enables quality-control of therapist performance and effective supervision.

Ieso has established a dataset that provides 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.

During the year, considerable development effort was undertaken to improve the underlying robustness of the core technology platform. This will enable the Group to implement new functionality in 2021 including the ability to offer video therapy, an improved patient experience and usability enhancements for therapists. The total Research and Development expenditure in the year was £4.5 million (2019: £4.7 million; 2018: £4.5 million).

**Corporate**

The Group has decided to transition from FRS 102 to IFRS in order to give it the ability to access funding from public markets should it choose to do so in future. The Group has no current plan to access such funding. The impact of the transition has been to increase the Group loss by £0.6 million in 2018 and to decrease its loss by £0.4 million in 2019. The most significant changes have been the recognition of leased properties as assets and changes to the accounting for borrowings. The Group has adopted a new revenue recognition policy but the impact of this has been modest. The Group has also revalued its share based payments and, from 2020, has capitalised certain development costs.

Ieso Digital Health Limited

**GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**Corporate (continued)**

During the year, Michael Black, an experienced technology company CFO, was appointed Chief Financial Officer. James Kellerman, a technology leader whose experience spans automotive, AI and healthtech joined as Chief Technology Officer towards the end of the year.

The Group will continue its commercial activities in the UK within the NHS and is also developing a range of digital products to be marketed within the UK and elsewhere.

**Principal Risk 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 costs and availability of labour in a sought-after market, managing its technological developments whilst maintaining compliance and quality to the highest standard.

As the group pursues its 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 taken to counteract the risk. These actions include cashflow management and cashflow forecasting funding along with planning to manage its the 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 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.

The Covid 19 pandemic has not had a material adverse impact on the Group.

***Sector risk –Industry***

The Group's main customers are, directly or indirectly, entities within the UK's National Health Service and, specifically, the Improving Access to Psychological Therapies programme. The Group's revenues are reliant upon continuing demand through this programme. Sector risks include continuing demand levels from the NHS, competition from internal NHS provision and private sector competitors and the availability of therapist and practitioners who are not employees of the Group. The Group maintains relationships with the relevant parts of the NHS to ensure that its services continue to meet its requirements.

**GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**Principal risks and uncertainties (continued)**

***Foreign Exchange Risk***

The Group has a US subsidiary which is funded by means of consultancy income in US dollars from the UK members of the Group during 2018 and 2019 this subsidiary operated a therapy business but this service was discontinued in 2019 and operations in 2020 are much reduced. This exposes the Group to limited foreign exchange risk due to small size of the US subsidiary. There is minimal other foreign currency exposure.

***Liquidity Risk***

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure that the group can meet liabilities as they fall due. The Group carefully manages liquidity risk, regularly monitoring its levels of working capital to ensure that it can meet its debt repayments as they fall due and, as described above, raising additional equity and debt in a timely fashion.

***Interest Rate Risk***

The Group addresses risks associated with fluctuating interest rate risk by taking out borrowings under whose terms the likelihood of material changes in interest rates is believed to be low. Since these have been initiated at periods when interest rates are low, it has been assessed that the potential loss of benefit by not using a fully variable rate is minimal.

This report was approved by the board on 22 December 2021.

  
A Richards (Dec 22, 2021 15:33 GMT)

**A Richards**  
**Chairman**  
**Dec 22, 2021**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

This is the first time that the Group has presented consolidated financial statements under IFRS. The previously published financial statements were prepared under FRS102 (UK GAAP). The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies. In addition, the Group has reviewed the presentation of the previously reported statements and the underlying accounting judgments. Errors that have been identified and corrected and restatements have been made. Details of IFRS transition adjustments, corrections and restatements are disclosed in Note 25.

### **Results and dividends**

The Group loss for the year ended 31 December 2020 was £5.6 million (2019: loss of £9.1 million, 2018: loss of £10.1 million). The Directors do not recommend the payment of a dividend.

### **Directors**

The directors who served during the year were:

S Cartmell	(Resigned 31 December 2020)
V Gulati	
N Pitchford	
A Richards	
IP2IPO Services Limited	

Appointed after the year end:

J Parfrey	(Appointed 3 February 2021)
M Black	(Appointed 7 June 2021)
S Bruso	(Appointed 19 October 2021)

### **Principal activities**

The Group is primarily engaged in the provision of online psychological therapy in the UK, specialising in delivering evidence based Cognitive Behavioural Therapy for people dealing with common mental health conditions such as depression or anxiety via its technology platform, and is also developing a range of digital products to be marketed within the UK and elsewhere.

### **Business review and future developments**

The business review and future developments are set out in the strategic report on page 4.

### **Financial instruments and risk management**

The Group carefully manages liquidity risk, regularly monitoring its levels of working capital to ensure that it can meet its debt repayments as they fall due and raising additional equity and debt in a timely fashion. The Group has determined that its exposure to interest rate risk is immaterial. The Group has never suffered a bad debt loss and believes that its credit risk is low. Further information is given in Note 16 to the financial statements.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**Subsequent events**

The Group raised £8.4 million of convertible debt in January 2021. During October 2021, all of the Group's convertible debt was converted to equity. During October and November 2021, £27 million of additional equity was raised. Further details of these and other events since the balance sheet date are disclosed in Note 23.

**Going Concern**

During October and November 2021, the Company raised £27 million of equity to fund its operations. The directors believe that this will be sufficient to fund the Group's operations for at least a further 12 months. Accordingly, the directors have adopted a going concern basis in preparing these accounts.

**Indemnification**

The Group has procured insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring in relation to the execution of their duties.

**Political Donations**

The Group has not made any political donations.

**Auditors**

A resolution proposing BDO LLP be reappointed as auditors of the Company in accordance with section 489 of the Companies Act 2006 was approved by the board on 13 December 2021.

**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 that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that 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.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**Directors' responsibilities statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom.

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 of 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 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 Company and the Group will continue in business;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and 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.

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

This report was approved by the board on 22 December 2021 and signed on its behalf.

  
A Richards (Dec 22, 2021 15:33 GMT)

**A Richards**  
**Chairman**

Dec 22, 2021

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

---

**Independent auditor's report to the members of Ieso Digital Health Limited**

**Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

---

**Independent auditor's report to the members of Ieso Digital Health Limited  
(continued)**

**Conclusions relating to going concern**

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

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

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

**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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Other Companies Act 2006 reporting**

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

---

**Independent auditor's report to the members of Ieso Digital Health Limited  
(continued)**

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

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

**Responsibilities of Directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our testing included but was not limited to:

- Our audit planning identified fraud risks in relation to management override and revenue recognition. We considered the processes that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how management monitors such processes.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

---

**Independent auditor's report to the members of Ieso Digital Health Limited  
(continued)**

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those relating to the reporting framework, the Companies Act 2006 and relevant tax compliance regulations.
- We assessed how the Company is complying with legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the board.
- We communicated relevant legal and regulatory frameworks and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was a susceptibility to fraud.
- We challenged management's assessments, assumptions and evaluated data used as the basis for making estimates to assess whether judgements made in making accounting estimates are indicative of potential bias by management.
- With regards to the fraud risk within management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business. We performed an assessment on the appropriateness of key judgements and estimates which are subject to management's judgement and estimation, and could be subject to potential bias. We also performed a detailed review surrounding the payroll system which focused on testing the accuracy of statutory deductions in addition to a review of any anomalies within the underlying data and verification of a sample of starters and leavers to the Group in the year under audit.
- With regards to the fraud risk within revenue recognition, our procedures included verifying to support that the services had been provided, testing the underlying IT database containing this information, as well as external invoice verification, a review of a sample of manual journals processed within this area and recalculation of related estimates.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IESO DIGITAL HEALTH LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

---

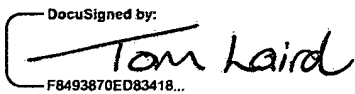
**Independent auditor's report to the members of Ieso Digital Health Limited  
(continued)**

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

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

DocuSigned by:  
  
F8493870ED83418...

Tom Laird (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

22 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ieso Digital Health Limited

**Consolidated Income Statement for the year ended 31 December 2020**

	Notes	Year to 31 December 2020 £000	Year to 31 December 2019 £000	Year to 31 December 2018 £000
Revenue	1	9,514	7,399	4,891
Cost of Sales		<u>(5,235)</u>	<u>(3,951)</u>	<u>(2,332)</u>
<b>Gross profit</b>		4,279	3,448	2,559
Other operating income	2	216	100	1
Administrative expenses		<u>(10,515)</u>	<u>(12,979)</u>	<u>(13,247)</u>
<b>Operating loss</b>	2	(6,020)	(9,431)	(10,687)
Finance income	4	-	13	19
Finance expense	4	<u>(450)</u>	<u>(456)</u>	<u>(135)</u>
<b>Loss before tax</b>		(6,470)	(9,874)	(10,803)
Tax	5	<u>854</u>	<u>779</u>	<u>722</u>
<b>Loss for the financial year</b>		<u>(5,616)</u>	<u>(9,095)</u>	<u>(10,081)</u>
Attributable to:				
<b>The Company's equity shareholders</b>		<u>(5,616)</u>	<u>(9,095)</u>	<u>(10,081)</u>

**Consolidated Statement of Comprehensive Income for the year ended 31 December**

	Year to 31 December 2020 £000	Year to 31 December 2019 £000	Year to 31 December 2018 £000
<b>Loss for the financial year</b>	(5,616)	(9,095)	(10,081)
Foreign exchange gains/ (losses)	8	(27)	109
<b>Total comprehensive loss for the financial year attributable to:</b>			
<b>The Company's equity shareholders</b>	<u>(5,608)</u>	<u>(9,122)</u>	<u>(9,972)</u>
	<u>(5,608)</u>	<u>(9,122)</u>	<u>(9,972)</u>

The notes on pages 20 to 59 form part of these financial statements.

Ieso Digital Health Limited

Consolidated Statement of Financial Position as at 31 December 2020

	Notes	At 31 December 2020 £000	At 31 December 2019 £000	At 31 December 2018 £000	At 1 January 2018 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	7	953	-	-	-
Property, plant and equipment	8	719	1,052	1,129	194
		1,672	1,052	1,129	194
<b>Current assets</b>					
Trade and other receivables	9	1,406	2,459	2,302	1,695
Current tax receivable		847	790	1,141	417
Cash and cash equivalents	10	1,075	2,316	6,549	13,631
		3,328	5,565	9,992	15,743
<b>Current liabilities</b>					
Trade and other payables	11	4,040	2,961	2,423	2,131
Lease liabilities	12	216	194	172	37
Borrowings	13	4,646	1,213	839	-
		8,902	4,368	3,434	2,168
<b>Non-current liabilities</b>					
Lease liabilities	12	280	498	414	51
Borrowings	13	1,288	1,902	3,115	-
Provisions	14	76	74	72	59
		1,644	2,474	3,601	110
<b>Net (Liabilities) / Assets</b>		<b>(5,546)</b>	<b>(225)</b>	<b>4,086</b>	<b>13,659</b>
<b>Equity</b>					
Share capital	19	7	6	6	5
Share premium		31,080	31,100	26,480	26,479
Share based payment reserve	20	1,224	918	727	330
Retained losses		(37,855)	(32,239)	(23,144)	(13,063)
Translation reserve		(2)	(10)	17	(92)
<b>Equity attributable to the owners of the Parent Company</b>		<b>(5,546)</b>	<b>(225)</b>	<b>4,086</b>	<b>13,659</b>
<b>Shareholders' funds</b>		<b>(5,546)</b>	<b>(225)</b>	<b>4,086</b>	<b>13,659</b>

The notes on pages 20 to 59 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 December 2021 and were signed on its behalf by:



M Black

Chief Financial Officer

22 December 2021

Registered Number: 04063351

Ieso Digital Health Limited

**Consolidated Statement of Changes in Equity for the year ended 31 December**

	Share Capital £000	Share Premium £000	Share Based Payment Reserve £000	Translation reserve £000	Retained Losses £000	Total £000
<b>At 1 January 2020</b>	6	31,100	918	(10)	(32,239)	(225)
<b>Comprehensive income for the year:</b>						
Profit / (loss) for the year	-	-	-	-	(5,616)	(5,616)
Foreign exchange gain on consolidation	-	-	-	8	-	8
<b>Transactions with owners:</b>						
Shares issued during the year	1	-	-	-	-	1
Share issue costs	-	(20)	-	-	-	(20)
Share based payments	-	-	306	-	-	306
<b>At 31 December 2020</b>	<b>7</b>	<b>31,080</b>	<b>1,224</b>	<b>(2)</b>	<b>(37,855)</b>	<b>(5,546)</b>
<b>Balance at 1 January 2019</b>	6	26,480	727	17	(23,144)	4,086
<b>Comprehensive Income for the year:</b>						
Profit / (loss) for the year	-	-	-	-	(9,095)	(9,095)
Foreign exchange gain on consolidation	-	-	-	(27)	-	(27)
<b>Transactions with owners:</b>						
Shares issued during the year	-	4,641	-	-	-	4,641
Share issue costs	-	(21)	-	-	-	(21)
Share based payments	-	-	191	-	-	191
<b>At 31 December 2019</b>	<b>6</b>	<b>31,100</b>	<b>918</b>	<b>(10)</b>	<b>(32,239)</b>	<b>(225)</b>
<b>Balance at 1 January 2018</b>	5	26,479	330	(92)	(13,063)	13,659
<b>Comprehensive income for the year:</b>						
Loss for the year	-	-	-	-	(10,081)	(10,081)
Foreign exchange loss on consolidation	-	-	-	109	-	109
<b>Transactions with owners:</b>						
Shares issued during the year	1	1	-	-	-	2
Warrants issued with loan	-	-	52	-	-	52
Share based payments	-	-	345	-	-	345
<b>At 31 December 2018</b>	<b>6</b>	<b>26,480</b>	<b>727</b>	<b>17</b>	<b>(23,144)</b>	<b>4,086</b>

Ieso Digital Health Limited

Consolidated Statement of Cash Flows for the year ended 31 December

	Notes	Year to 31 December 2020 £000	Year to 31 December 2019 £000	Year to 31 December 2018 £000
<b>Cash flow from operating activities</b>				
Loss for the financial year		(5,616)	(9,095)	(10,081)
Taxation	5	(854)	(779)	(722)
Finance income		-	(13)	(19)
Finance expense	13	450	456	135
Share-based payments	20	306	191	345
Depreciation	8	372	427	359
Modification of loan terms	13	16	-	-
Change in provisions	14	-	-	(59)
Loss on disposal of property, plant & equipment	8	-	37	1
		<u>(5,326)</u>	<u>(8,776)</u>	<u>(10,041)</u>
<b>Changes in working capital</b>				
Decrease/(Increase) in trade and other receivables	9	1,053	(157)	(607)
Increase in trade and other payables	11	1,001	543	292
Tax received / (paid)		<u>797</u>	<u>1,130</u>	<u>(2)</u>
<b>Net cash used in operating activities</b>		<b>(2,475)</b>	<b>(7,260)</b>	<b>(10,358)</b>
<b>Cash outflow from investing activities</b>				
Purchase of intangible assets	7	(875)	-	-
Purchase of property, plant & equipment	8	(37)	(22)	(553)
Interest received		-	13	19
		<u>-</u>	<u>13</u>	<u>19</u>
<b>Net cash (used in)/generated from investing activities</b>		<b>(912)</b>	<b>(9)</b>	<b>(534)</b>
<b>Cash flow from financing activities</b>				
Issue of ordinary shares	19	1	4,641	2
Costs of shares issued	19	(20)	(21)	-
New loans received	13	3,250	-	4,000
Transaction costs of new loans	13	-	-	(40)
Loans repaid	13	(827)	(1,228)	(23)
Lease payments	12	(262)	(314)	(238)
		<u>2,142</u>	<u>3,078</u>	<u>3,701</u>
<b>Net cash generated by financing activities</b>		<b>2,142</b>	<b>3,078</b>	<b>3,701</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,245)</b>	<b>(4,191)</b>	<b>(7,191)</b>
Cash and cash equivalents at beginning of financial year		2,316	6,549	13,631
Exchange gains/ (losses) on cash and cash equivalents		<u>4</u>	<u>(42)</u>	<u>109</u>
<b>Cash and cash equivalents at end of financial year</b>		<b><u>1,075</u></b>	<b><u>2,316</u></b>	<b><u>6,549</u></b>

Ieso Digital Health Limited

## Notes to the consolidated financial statements for the year ended 31 December 2020

### Principal Accounting Policies

#### Company information

Ieso Digital Health Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given in the company information of these financial statements. The nature of the company's operations and principal activities are the provision of online psychological therapy, specialising in delivering evidence based Cognitive Behavioural Therapy for people dealing with common mental health conditions such as depression or anxiety via its technology platform.

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2020.

The principal accounting policies set out below have been consistently applied to all periods presented. The financial statements are presented in Sterling which is the functional currency of the company and rounded to the nearest £'000.

#### Basis of consolidation

The financial statements for the year ended 31 December 2020 incorporate the results of Ieso Digital Health Limited ("the Company") and its subsidiaries (together "the Group"). Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use that power to affect the amount of returns to the Company.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, 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 income statement from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Going Concern

During October and November 2021, the Company raised £27 million of equity to fund its operations. The directors believe that this will be sufficient to fund the Group's operations for at least a further 12 months. This assessment was made following a review by the directors of a financial plan for 2022 and 2023. The directors have concluded that there is no material uncertainty which would prevent the Group adopting a going concern basis in preparing these accounts which have been prepared accordingly. The directors are planning for the Group to raise further equity capital in future years.

**Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)**

**Principal Accounting Policies (continued)**

**Revenue**

Revenue arises from contracts to provide cognitive behaviour therapy services to patients. The performance obligations within each contract with an NHS Trust or other body are identified in order to distinguish between services provided at a point in time (for instance the initial setup of a patient) and services provided over time, such as the main course of therapy treatments.

When the consideration for a contract has been allocated to performance obligations, those relating to services at a point in time are recognised at that point and those relating to performance over time are recognised based on the estimated percentage of completion which takes into account the length of a typical course of treatment.

Some elements of consideration are contingent upon outcomes at the end of treatment: these are treated as variable consideration. Where the potential revenue to be recognised can be estimated based historic data, an expected value of the variable consideration is calculated and recognised, and then adjusted to the actual consideration received at the end of treatment. In some cases, the outcomes either cannot be reliably estimated due to lack of historic data or because the contingency cannot be influenced by the Group – revenue is only recognised when and if it is definitively earned.

If performance obligations are not all met during a contract period, most arrangements include an obligation for the Group to continue providing services after the initial period until all obligations have been satisfied: this has the consequence that refunds and cancellations are rare.

Billing for contracts is based on agreed timings and where necessary income is accrued or deferred based on the recognition principles outlined above, with a corresponding contract asset or liability recognised. For some contracts, billing is for blocks of patients so contract liabilities arise relating to payment received for work not yet performed; other contracts use activity-based billing meaning that contract assets accrue as work is performed and before invoicing.

**Where a patient's treatment is in progress at the reporting date, the revenue recognised relating to that patient is based on an estimate of their progress through a course of therapy, using an expectation of a typical number of sessions for a patient at that stage. If the estimate of variable consideration is later reduced then there is a truing up of the cumulative amount of revenue recognised, however this will not give rise to a reversal of amounts previously recognised as the price per patient is generally fixed after initial assessment, so the variability is in the number of sessions needed to complete the course rather than in the consideration per patient.**

**Intangible Assets**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets will be amortised on a straight-line basis over their useful lives from the point when they are available for use. For the capitalised development costs reported in these financial statements, amortisation has not yet commenced as the project is still in the development phase.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

Principal Accounting Policies (continued)

**Impairment of non-financial assets**

At each reporting date, the Directors review the carrying amounts of the Group's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and 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. If the recoverable amount of a cash-generating unit is less than its carrying amount, 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 based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately, except for impairment losses on goodwill, which are not reversed.

**Property, plant and equipment**

Property, plant and equipment are stated at cost on acquisition less depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. The 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.

Depreciation for each class of depreciable asset is provided on the following bases:

S/Term Leasehold Property		5 years
Computer Equipment	-	3 years
Office Equipment		5 years
Right of use leased assets	-	Term of lease

The carrying value of property plant and equipment is assessed annually and any impairment is charged to the income statement.

Principal Accounting Policies (continued)

Financial instruments

**Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVOCI or FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

**Subsequent measurement of financial assets**

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

**Impairment of Financial Assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables.

**Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)**

**Principal Accounting Policies (continued)**

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Group has applied the practical expedient for trade receivables and contract assets in accrued income, using a provision matrix to assess the expected credit losses, which were assessed as nil. This reflects the nature of the customer base and the structure of many contracts with billing in advance. On transition to IFRS, expected credit losses were assessed at each reporting date including the transition date.

***Classification and measurement of financial liabilities***

The Group's financial liabilities include trade and other payables, borrowings (loans and convertible loan notes) and embedded derivatives.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and contingent consideration designated at FVTPL, which is carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

***Embedded derivative financial instruments***

A convertible loan note with a variable price conversion option has embedded in it a derivative related to the variable share price. This is considered to be a separable embedded derivative of a loan instrument.

At the date of issue, the fair value of the embedded derivative is estimated using option pricing techniques.

Where the value initially attributed is not zero, this amount is recognised separately as a financial liability or financial asset and measured at fair value through the income statement. The residual amount of the loan is then 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.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)**

**Principal Accounting Policies (continued)**

**Leases**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

No remeasurements of the lease liability have taken place in any of the periods covered by the current financial statements.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, prepayments made on the lease at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

**Taxation**

Current taxation for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

**Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)**

**Principal Accounting Policies (continued)**

**Deferred taxation**

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Current tax assets and liabilities and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Foreign currency**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end date. All differences are taken to the Income Statement.

On consolidation, assets and liabilities of subsidiaries that have a functional currency different from the presentation currency (pound sterling), if any, are translated at the closing rate at the date of each statement of financial position presented. Income and expenses are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income (loss) and in the currency translation reserve in equity.

**Share-based payments**

Where share-based payments (warrants and options) have been granted to employees, the fair value of the share-based payments is measured at the grant date and charged to the consolidated statement of comprehensive income over the vesting period. A valuation model is used to assess the fair value, taking into account the terms and conditions attached to the share-based payments. The fair value at grant date is determined including the effect of market-based vesting conditions, to the extent such vesting conditions have a material impact. It 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).

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

Principal Accounting Policies (continued)

Share-based payments (continued)

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Share based payment reserve" represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company.
- "Retained losses" represents the accumulated profits and losses attributable to equity shareholders.
- "Translation reserve" represents accumulated foreign exchange gains/losses arising on translation of the Group's non-Sterling functional operations.

New and amended International Financial Reporting Standards adopted by the Group

The Group has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year. The impact is shown below:

New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	EU adopted	Impact on the Group
IAS 1	Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	Yes	None
IFRS 3	Amendment to IFRS 3 Business Combinations	1 January 2020	Yes	None

**Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)**

**Principal Accounting Policies (continued)**

**International Financial Reporting Standards in issue but not yet effective**

At the date of authorisation of the consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group. For the next reporting period, applicable International Financial Reporting Standards will be those endorsed by the UK Endorsement Board (UKEB).

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following could have a material impact on the Group's financial statements going forward:

<b>New/Revised Standards</b>	<b>International Financial Reporting Standards</b>	<b>Effective Date: Annual periods beginning on or after:</b>	<b>UKEB adopted</b>
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current	1 January 2023	No
Various	Amendments to • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020	1 January 2022	No
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021	Yes
IFRS 16	Amendment to IFRS 16: Covid 19- Related Rent Concessions	1 June 2020	Yes

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

There are no other standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the Group.

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

Principal Accounting Policies (continued)

The following are the significant judgements used in applying the accounting policies of the Group that have the most significant effect on the financial statements:

*Estimated useful lives, impairment considerations and amortisation of capital and intangible assets*

Amortisation of capital and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Impairment of long-lived assets is influenced by judgment in determining the indicators of impairment, and estimates used to measure impairment losses

The recoverable value of long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

*Share-based compensation*

The fair values of share-based compensation expenses are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

*Revenue*

The Group's contracts with customers set out base transaction prices for the delivery of therapy to each patient. In determining the amount of revenue to be recognised, the entire transaction price is recognised in relation to a patient that has completed therapy and a portion of the transaction price is accrued for those who are part way through treatment. Since the number of treatment sessions is not fixed, determining the proportion of the transaction price to recognise for such patients requires a judgement on the stage of completion of each patient based on historical experience of completion times based on the number of sessions a patient has already received. Patients typically complete treatment within two to three months. Under some contracts, in addition to the base transaction price, a contingent fee may become payable at the end of treatment if the patient is deemed to have achieve certain recovery criteria. Based on historical experience, the Group estimates the percentage of patients that will achieve these recovery criteria and includes an estimate of such contingent fees in its revenue accruals with an appropriate probability weighting.

*Leases*

Calculating the initial amounts to be recognised for lease liabilities and the corresponding right of use assets requires determination of an appropriate incremental borrowing rate as there are no interest rates specified in the leases. This has been estimated at 11.5% based on the Group's current borrowings that are in use or available.

*Internally developed intangible assets*

As set out in the accounting policies note, development costs are capitalised when they meet the conditions in IAS 38, and begin to be amortised from when they are available for use. There is necessarily judgement involved in establishing the point at which a project can be deemed commercially viable as well as evaluating which costs are incremental to the project in question. The precise point of commencing amortisation will also be a matter of judgement.

Ieso Digital Health Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

Principal Accounting Policies (continued)

*Going concern*

Judgements about the use of the going concern basis affect the valuation of certain assets and liabilities and their presentation as current or non-current. This is discussed further in note 1.

*Expected Credit Losses*

The Group has never written off a bad debt and does not currently make a provision for expected credit losses.

*Government Grants*

The Group receives grant support from the UK government to reimburse a portion qualifying research and development costs in relation to certain projects. Grant income is recognised in other operating income at the time that expenses are incurred provided that such expenditures was incurred in line with the relevant grant rules and grant offer letter.

Notes to the Consolidated Financial Statements (continued)

1. Revenue

	2020 £000	2019 £000	2018 £000
Healthcare	9,514	7,399	4,885
Other services	-	-	6
	<u>9,514</u>	<u>7,399</u>	<u>4,891</u>

Geographic spread of revenue is as follows:

	2020 £000	2019 £000	2018 £000
UK	9,514	7,316	4,574
Rest of the world	-	83	317
	<u>9,514</u>	<u>7,399</u>	<u>4,891</u>

Under certain of the Group's customer contracts, the Group treats a fixed number of patients over a period of time for an agreed price per patient. The customer invoices a fixed amount each month and the Group treats patient until the agreed number has been treated. It is usual for the invoicing pattern not to exactly match the delivery of therapy and recognition of revenue. The Group defers or accrues revenue accordingly.

Under certain of the Group's contracts, the Group agrees a price to treat each patient but invoicing is triggered by patients entering and completing treatment. The Group defers or accrues revenue accordingly.

The Group accrues revenue at the end of each year in relation to therapy which has been delivered but not yet invoiced and defers revenue in relation to therapy which has been invoiced but not yet delivered.

	2020 £000	2019 £000	2018 £000
Invoiced during the year	9,902	7,365	4,969
Revenue deferred from prior year recognized	696	356	222
Revenue deferred to following year	(802)	(696)	(356)
Revenue accruals from prior year reversed	(847)	(473)	(417)
Revenue accrued at year-end	565	847	473
	<u>9,514</u>	<u>7,399</u>	<u>4,891</u>

The revenue accrued at 31<sup>st</sup> December 2020 includes £46,000 (31<sup>st</sup> December 2019: £70,000, 31<sup>st</sup> December 2018: £45,000) in relation to variable consideration which have been estimated based on a probability weighting.

Ieso Digital Health Limited

Notes to the Consolidated Financial Statements (continued)

2. Operating loss

	2020	2019	2018
	£000	£000	£000
Operating loss is stated after charging/(crediting):			
Depreciation:			
- Owned assets	154	179	155
- Right of use leased assets	218	248	204
Foreign exchange differences	109	(27)	8
Share-based payments	306	191	345
Other operating (income):			
- Government grants receivable in relation to R & D projects	(189)	(88)	-
- R&D tax credits	(27)	(12)	(1)
Fees payable to the Company's auditors for the audit of the annual financial statements	119	30	29
Fees payable to the Company's auditors and its associates for other services to the Group:			
- Audit of the Group subsidiaries	-	-	-
- Tax compliance services	-	2	2
- Transaction services	-	5	5

3. Directors and employees

The aggregate payroll costs of the employees, including both management and Executive Directors, were as follows:

Staff costs	2020	2019	2018
	£000	£000	£000
Wages and salaries	6,030	6,414	5,429
Share-based payments (note 20)	306	191	345
Social security	653	632	504
Pension costs	265	256	190
	<u>7,254</u>	<u>7,493</u>	<u>6,468</u>

Average monthly number of persons employed by the Group during the year was as follows:

	2020	2019	2018
Board	2	3	2
R&D	35	35	29
Operations	43	43	43
Corporate	22	21	18
	<u>102</u>	<u>102</u>	<u>92</u>

Notes to the Consolidated Financial Statements (continued)

Key management personnel are identified as the Executive Directors.

	2020 £000	2019 £000	2018 £000
<b>Remuneration of Directors</b>			
Emoluments and fees for qualifying services	406	476	540
Social security	39	28	12
Pension costs	-	-	11
	<u>445</u>	<u>504</u>	<u>563</u>
	2020 £000	2019 £000	2018 £000
<b>Remuneration of highest paid Director</b>			
Emoluments and fees for qualifying services	316	135	299
Social security	-	-	-
Pension costs	-	-	-
	<u>316</u>	<u>135</u>	<u>299</u>

No share options or warrants have been exercised by any of the directors, nor have any payments of pension contributions been made on behalf of directors in any of the periods presented.

4. Finance income and expense

Finance income	2020 £000	2019 £000	2018 £000
Interest income on cash balances	-	13	19
	<u>-</u>	<u>13</u>	<u>19</u>
Finance expense	2020 £000	2019 £000	2018 £000
Interest on convertible loan notes (note 13)	113	-	-
Interest on other loan (note 13)	4	-	-
Interest on bank loans (note 13)	263	389	69
Interest expense on lease liabilities (note 12)	70	67	66
	<u>450</u>	<u>456</u>	<u>135</u>

Notes to the Consolidated Financial Statements (continued)

5. Taxation

Tax charge for the year	2020 £000	2019 £000	2018 £000
Current Tax (R & D tax credit)	(854)	(779)	(722)
Deferred tax	-	-	-
	<u>(854)</u>	<u>(779)</u>	<u>(722)</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax applied to profits for the year are as follows:

	2020 £000	2019 £000	2018 £000
Loss before tax	(6,470)	(9,874)	(10,803)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 & 2018: 19%)	(1,229)	(1,876)	(2,053)
Tax effects of:			
Expenses not deductible for tax purposes	33	(124)	(473)
Other permanent differences	(70)	31	40
Additional deduction for research and development expenditure	(627)	(577)	(534)
Surrender of tax losses for research and development tax credit refund	263	242	224
Remeasurement of deferred tax for changes in tax rates	(353)	109	97
Deferred tax not recognised	1,129	1,416	1,977
	<u>(854)</u>	<u>(779)</u>	<u>(722)</u>

The Group has accumulated tax losses in the United Kingdom of approximately £22.2 million (2019: £17.1 million; 2018: 11.9 million). No deferred tax asset was recognised in respect of these accumulated tax losses as there is insufficient evidence that the amount will be recovered in future years.

In addition, the Group's US subsidiary has accumulated federal tax losses in the United States of approximately £8.8 million (2019: £9.0 million; 2018: £7.5 million).

Ieso Digital Health Limited

Notes to the Consolidated Financial Statements (continued)

6. Subsidiaries

Details of the Group's subsidiaries in 2020 are as follows:

Name	Registered office	Principal activities	Class of shares	% ownership held by the Group			
				2020	2019	2018	1 Jan 2018
Ieso Digital Health (UK) Limited	The Jeffreys Building Cowley Road Cambridge Cambridgeshire CB4 0DS	Online therapy	Ordinary	100	100	100	100
Ieso Digital Health Inc.	101 Federal Street Suite 1900 Boston, MA 02110	Product and Market Development	Ordinary	100	100	100	100

7. Intangible assets

	Software £000
<b>Cost</b>	
At 1 January 2018	-
At 31 December 2018	-
At 31 December 2019	-
Additions	953
At 31 December 2020	953
<b>Amortisation</b>	
At 1 January 2018	-
At 31 December 2018	-
At 31 December 2019	-
Charge for the year	-
At 31 December 2020	-
<b>Net book value</b>	
At 31 December 2020	953
At 31 December 2019	-
At 31 December 2018	-
At 1 January 2018	-

Capitalised development costs relate to the development of a new online platform for the provision of therapy services. This replaces the previous system and is critical to enabling the group's activities as it grows.

Amortisation is recognised within administrative expenses and charged from the point when intangible assets are ready for their intended use, which will be at the end of the development phase when the project is completed.

## Notes to the Consolidated Financial Statements (continued)

## 8. Property, plant and equipment

	Short leasehold £000	Right of use assets £000	Office equipment £000	Computer Equipment £000	Total £000
<b>Cost</b>					
At 1 January 2018	-	88	17	153	258
Additions	168	742	207	178	1,295
Disposals	-	-	(15)	(26)	(41)
Foreign exchange movement	-	2	-	2	4
At 31 December 2018	168	832	209	307	1,516
Additions	-	376	1	21	398
Disposals	(36)	(83)	(4)	(28)	(151)
At 31 December 2019	132	1,125	206	300	1,763
Additions	-	-	-	37	37
Disposals	-	(104)	-	-	(104)
At 31 December 2020	132	1,021	206	337	1,696
<b>Depreciation</b>					
At 1 January 2018	-	-	11	53	64
Charge for the year	31	204	40	84	359
Disposals	-	-	(14)	(26)	(40)
Foreign exchange movement	-	3	-	1	4
At 31 December 2018	31	207	37	112	387
Charge for the year	39	248	46	93	426
Disposals	(19)	(55)	(2)	(9)	(85)
Foreign exchange movement	(3)	(2)	(4)	(8)	(17)
At 31 December 2019	48	398	77	188	711
Charge for the year	26	218	40	88	372
Disposals	-	(104)	-	-	(104)
Foreign exchange movement	-	(2)	-	-	(2)
At 31 December 2020	74	510	117	276	977
<b>Net book value</b>					
At 31 December 2020	58	511	89	61	719
At 31 December 2019	84	727	129	112	1,052
At 31 December 2018	137	625	172	195	1,129
At 1 January 2018	-	88	6	100	194

Depreciation is recognised within administrative expenses and commences when the asset is available for use and in the location and condition as intended by management.

## Notes to the Consolidated Financial Statements (continued)

## 9. Trade and other receivables

	2020	2019	2018	1 Jan 2018
Current:	£000	£000	£000	£000
Trade receivables	299	1,157	1,164	846
Other receivables	392	275	331	253
Accrued income	565	847	473	417
Prepayments	150	180	334	179
	<u>1,406</u>	<u>2,459</u>	<u>2,302</u>	<u>1,695</u>

No receivables are past due or impaired at any of the reporting dates presented. Trade receivables and contract assets in accrued income are assessed for impairment each reporting date, and a provision would be recognised if there were expected credit losses, applying the practical expedient of using a provision matrix based on past experience. The nature of the customer base, being mainly large NHS trusts, and the ongoing nature of the work, mean that experienced losses are of sufficiently low value to mean there are no expected credit losses relating to these assets.

## 10. Cash and cash equivalents

	2020	2019	2018	1 Jan 2018
	£000	£000	£000	£000
Cash at bank (GBP)	1,073	2,279	5,145	9,454
Cash at bank (USD)	2	37	1,404	4,177
	<u>1,075</u>	<u>2,316</u>	<u>6,549</u>	<u>13,631</u>

At 31 December 2020, 2019 and 2018 all significant cash and cash equivalents were deposited in the UK and Ireland with large international banks.

## 11. Trade and other payables

	2020	2019	2018	1 Jan 2018
	£000	£000	£000	£000
Trade payables	322	394	1,005	633
Other tax and social security	879	569	373	282
Other creditors	51	2	11	16
Deferred income	802	696	356	222
Accruals	1,986	1,300	678	978
	<u>4,040</u>	<u>2,961</u>	<u>2,423</u>	<u>2,131</u>

Liquidity analysis is provided in note 17.

## Notes to the Consolidated Financial Statements (continued)

## 12. Leases

## Right of use assets

The Group used leasing arrangements relating to property, plant and equipment. As the Group has the right of use of the asset for the duration of the lease arrangement, a "right of use" asset is recognised within property, plant and equipment.

When a lease begins, a liability and right of use asset are recognised based on the present value of future lease payments.

	2020 £000	2019 £000	2018 £000
Additions to right-of-use assets	-	376	742
Disposals from right-of-use assets	-	(28)	-
Depreciation charge – right of use assets	(218)	(248)	(204)
Foreign exchange movement on right of use assets	2	2	(1)
Right of use assets - carrying amount at the beginning of the year:	727	625	88
Carrying amount at the end of the year:	511	727	625

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Current	216	194	172	37
Non-current	280	498	414	51
	496	692	586	88

Notes to the Consolidated Financial Statements (continued)

13. Borrowings

Amounts payable on borrowings held by the Group falling due within one year and in more than one year are:

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
<b>Amounts falling due within one year</b>				
Loan notes	754	-	-	-
Convertible notes	2,629	-	-	-
Bank loans	1,263	1,213	839	-
	<u>4,646</u>	<u>1,213</u>	<u>839</u>	<u>-</u>
<b>Amounts falling due after 1 year</b>				
Bank loans	1,288	1,902	3,115	-
	<u>1,288</u>	<u>1,902</u>	<u>3,115</u>	<u>-</u>
<b>Total</b>	<u>5,934</u>	<u>3,115</u>	<u>3,954</u>	<u>-</u>

Summary of borrowing arrangements:

The group has borrowing arrangements from a number of sources.

Bank loan

In 2018 a loan of £4m was drawn down from Silicon Valley Bank. The initial terms of the loan were that it was repayable in 36 equal monthly repayments from 1 April 2019 and bore interest at the higher of 6% and the Bank of England base rate, plus a margin of 5%.

In 2020, an agreement was reached whereby some loan repayments were deferred and so the repayments will now finish in September 2022.

The effective embedded interest rate floor is a derivative and based on the expectations of interest rate changes it was assessed as having zero fair value at inception and at subsequent reporting dates.

A warrant instruments was issued in conjunction with the loan. This has been valued at £52,000 using the Black-Scholes valuation method with a volatility of 30% and discount rate of 0.89%.

## Notes to the Consolidated Financial Statements (continued)

Convertible loan notes

Convertible loan notes were issued in 2020 with a fixed interest rate of 8% and eventual conversion price depending on the trigger for conversion. The original end date of the notes was set to be in 2020 and two extensions were negotiated so as at 31 December 2020 they had a maturity of December 2021.

The conversion feature in the loan notes is not classified as an equity feature because of the variable number of shares to be issued to satisfy the debt. Instead, it is treated as an embedded derivative and has been assessed as having a fair value of zero both at inception and at 31 December 2020.

Short-term loan notes

Short term loan notes of £750,000 were issued in December 2020 with a repayment date of December 2021 and a 10% redemption premium if the loan is redeemed within one year. If the loan remains outstanding after one year then interest becomes payable at 10% per annum.

*Reconciliation of liabilities arising from financing activities:*

## 2020

	At 1 January 2020 £000	Cash received £000	Modification of Loan £000	Interest accrued £000	Disposal of lease £000	Repaid in cash £000	At 31 December 2020 £000
Leases	687	-	-	70	-	(262)	495
Bank loan	3,115	-	-	263	-	(827)	2,551
Other loan	-	750	-	4	-	-	754
Convertible loan note	-	2,500	16	113	-	-	2,629
	<b>3,802</b>	<b>3,250</b>	<b>16</b>	<b>450</b>	<b>-</b>	<b>(1,089)</b>	<b>6,429</b>

## 2019

	At 1 January 2019 £000	New leases £000	Interest accrued £000	Disposal of lease £000	Repaid in cash £000	At 31 December 2019 £000
Leases	586	376	67	(28)	(314)	687
Bank loan	3,954	-	389	-	(1,228)	3,115
	<b>4,540</b>	<b>376</b>	<b>456</b>	<b>(28)</b>	<b>(1,542)</b>	<b>3,802</b>

Notes to the Consolidated Financial Statements (continued)

Reconciliation of liabilities from financing activities (continued)

2018

	At 1 January 2018 £000	Cash received £000	Transaction costs paid £000	Warrant issued £000	New leases £000	Interest accrued £000	Repaid in cash £000	At 31 December 2018 £000
Leases	88	-	-	-	670	66	(238)	586
Bank loan	-	4,000	(40)	(52)	-	69	(23)	3,954
	88	4,000	(40)	(52)	670	135	(261)	4,540

14. Provisions

Provisions at the reporting date related to the potential costs to rectify dilapidations of leased properties. The probable future cash outflow, appropriately discounted, was estimated at £76,000 (2019: £74,000, 2018 £72,000) which is expected to crystallise in January 2023 upon lease expiration.

15. Financial instruments

Categories of financial instruments

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

Financial assets	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Other receivables (note 9)	392	275	331	253
Accrued income	565	847	473	417
Trade receivables (note 9)	299	1,157	1,164	846
Cash and cash equivalents (note 10)	1,075	2,316	6,549	13,631
	2,331	4,595	8,517	15,147

All of the above financial assets' carrying values are approximate to their fair values, as at 31 December 2020, 2019 and 2018.

Notes to the Consolidated Financial Statements (continued)

Financial liabilities	Measured at amortised cost			
	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Trade payables (note 11)	322	394	1,005	633
Other payables (note 11)	51	2	11	16
Lease liabilities (note 12)	496	692	586	88
Borrowings (note 13)	5,934	3,115	3,954	-
Accruals (note 11)	1,986	1,300	678	978
	<u>8,789</u>	<u>5,503</u>	<u>6,234</u>	<u>1,715</u>

In the view of management, all of the above financial liabilities' carrying values approximate to their fair values as at 31 December 2020, 2019, and 2018.

**Fair value measurements**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

***Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis***

Certain financial assets are measured at fair value on a recurring basis, being the derivatives associated with the 2020 convertible loan notes. The fair value is assessed as being at level 3 in the IFRS 13 hierarchy because inputs are a mix of observable level 2 and unobservable level 3, and the level 3 inputs such as volatility are key to the overall valuation. The derivatives have been valued using the Monte Carlo method and the following key assumptions:

- The volatility of the company's share price cannot be based on observable inputs so instead has been estimated at approximately 30% the behaviour of comparable companies has been considered
- The risk free rate has been estimated at less than 1% based on UK government bond rates

No reconciliation has been presented of movements in financial instruments in level 3 because none were included in the previous reporting period.

It is not believed that a reasonably likely change in the estimates of unobservable inputs would have a significant effect on the valuation of level 3 instruments.

***Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis***

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values (due to their nature and short times to maturity).

**Notes to the Consolidated Financial Statements (continued)**

**16. Financial instrument risk exposure and management**

The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk.

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 9, 10, 11, 12, 13, 15, 17 and 18.

**Liquidity risk**

Liquidity risk is dealt with in note 17 of these financial statements.

**Credit risk**

The Group's credit risk is primarily attributable to its cash balances and trade and other receivables. The credit risk on liquid funds is limited because the third parties are large international banks.

The Group's total credit risk amounts to the total of trade and other receivables and cash and cash equivalents.

**Interest rate risk**

The Group's exposure to interest rate risk relates to the interest received on the cash held on deposit, which is immaterial and the Group's borrowings (see note 13), the majority of which are at fixed interest rates and therefore the interest rate risk on borrowings is also considered to be immaterial.

**Foreign exchange risk**

The Group's transactions are primarily carried out in GBP and USD. Fund raising transactions and parent company operating transactions are carried out in GBP. Operational transactions are carried out predominantly in GBP, but also in USD.

Exposure to foreign currency exchange rates arises for the Group's overseas purchases, which are predominantly denominated in USD. Sufficient cash balances are maintained in USD and transactional risk is considered manageable. The group does not consider it necessary to take any further action to mitigate foreign exchange risk due to the immateriality of that risk.

## Notes to the Consolidated Financial Statements (continued)

## 17. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due.

In managing liquidity risk, the main objective of the Group is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 December 2020, 2019, and 2018 on the basis of their earliest possible contractual maturity.

	Total	Within 2	Within 2-6	Within 6-12	Within 1-2	Within 2-5
	£000	months	months	months	years	years
	£000	£000	£000	£000	£000	£000
<b>At 31 December 2020</b>						
Trade payables	322	322	-	-	-	-
Other payables	51	-	51	-	-	-
Lease liabilities	567	4	129	129	228	77
Borrowings	6,427	245	1,308	3,529	1,345	-
Accruals	1,986	1,867	119	-	-	-
	<b>9,353</b>	<b>2,438</b>	<b>1,607</b>	<b>3,658</b>	<b>1,573</b>	<b>77</b>
<b>At 31 December 2019</b>						
Trade payables	394	394	-	-	-	-
Other payables	2	-	2	-	-	-
Lease liabilities	832	7	129	129	262	305
Borrowings	3,539	254	498	731	1,399	657
Accruals	1,300	1,270	30	-	-	-
	<b>6,067</b>	<b>1,925</b>	<b>659</b>	<b>860</b>	<b>1,661</b>	<b>962</b>
<b>At 31 December 2018</b>						
Trade payables	1,005	1,005	-	-	-	-
Other payables	11	-	11	-	-	-
Lease liabilities	708	14	110	120	186	278
Borrowings	4,767	41	415	772	1,483	2,056
Accruals	678	649	29	-	-	-
	<b>7,169</b>	<b>1,709</b>	<b>565</b>	<b>892</b>	<b>1,669</b>	<b>2,334</b>

## Notes to the Consolidated Financial Statements (continued)

## Liquidity risk (continued)

	Total £000	Within 2 months £000	Within 2-6 months £000	Within 6-12 months £000	Within 1-2 years £000	Within 2-5 years £000	After >5 years £000
<b>At 1 January 2018</b>							
Trade payables	633	633	-	-	-	-	-
Other payables	16	-	16	-	-	-	-
Lease liabilities	88	9	18	27	29	5	-
Accruals	978	-	978	-	-	-	-
	<b>1,715</b>	<b>642</b>	<b>1,012</b>	<b>27</b>	<b>29</b>	<b>5</b>	<b>-</b>

## 18. Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The Group defines and monitors capital on the basis of the carrying amount of equity plus borrowings less cash and cash equivalents as presented on the face of the statement of financial position and as follows:

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Equity	5,546	225	(4,086)	(13,659)
Cash and cash equivalents	1,075	2,316	6,549	13,631
Borrowings	(5,934)	(3,115)	(3,954)	-
	<b>687</b>	<b>(574)</b>	<b>(1,491)</b>	<b>(28)</b>

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or raising new debt. The Group is not subject to any externally imposed capital requirements.

These policies have not changed in the year. The Directors believe that they have been able to meet their objectives in managing the capital of the Group.

Notes to the Consolidated Financial Statements (continued)

19. Share capital

	2020	2019	2018	1 Jan 2018
Number	Number	Number	Number	Number
<b>Allotted, called up and fully paid – par values £0.01</b>				
Ordinary shares	151,381	138,943	167,775	114,930
A Ordinary shares	136,008	136,008	136,008	136,008
B Ordinary shares	8,658	8,658	8,658	8,658
A1 Preferred shares [1]	408,682	408,682	341,119	341,119
A2 Preferred shares	19,461	19,461	-	-
Deferred shares	34,590	34,590	-	-
	<b>758,780</b>	<b>746,342</b>	<b>653,560</b>	<b>600,715</b>
<b>Amount</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Allotted, called up and fully paid – par values £0.01</b>				
Ordinary shares	2	1	2	1
A Ordinary shares	1	1	1	1
B Ordinary shares	-	-	-	-
A1 Preferred shares [1]	4	4	3	3
A2 Preferred shares	-	-	-	-
Deferred shares	-	-	-	-
	<b>7</b>	<b>6</b>	<b>6</b>	<b>5</b>

[1] During 2019, All A Preferred shares were renamed as A1 Preferred shares.

During 2018, 52,845 ordinary shares were issued at par.

During 2019, 67,563 A1 Preferred shares were issued raising £3.6 million from external investors, 19,461 A2 Preferred shares were issued raising £1.0 million from external investors, 50,433 Ordinary shares were issued at par, 44,675 Ordinary shares were re-purchased by the Group at par and 34,590 Ordinary shares were transferred to Deferred shares.

During 2020, 12,438 Ordinary shares were issued at par.

Each share is entitled to one vote in any circumstances and has full dividend rights.

**Notes to the Consolidated Financial Statements (continued)**

**19. Share capital (continued)**

On a return of assets on liquidation or capital reduction the assets of the company available for distribution after payment of its liabilities shall be applied in the following way:

- first in paying to the holders of Deferred shares a total of £1.00 for the entire class;
- second in paying the holders of the equity shares (in aggregate) X plus £100, where X is equal to the aggregate original price paid for all of the A Preferred shares in issue together with accrued dividends, to be distributed 0.001% pro rata to the holders of equity shares and the balance to the holders of the A Preferred shares (pro rata to the amounts paid up)
- third in paying the holders of the equity shares (in aggregate) Y plus £100, where Y is equal to the aggregate subscription price paid for all of the A Ordinary shares together with accrued dividends, to be distributed 0.001% pro rata to the holders of equity shares and the balance to the holders of the A Ordinary shares (pro rata to the amounts paid);
- finally in paying the balance (if any) to the holders of equity shares, to be distributed 0.001% pro rata to the holders of A Ordinary shares and the balance pro rata to the holders of the A Preferred shares, B Ordinary shares and Ordinary shares.

Unless a majority of the larger shareholders decide otherwise, upon a sale (or other disposal) of the entire issued share capital of the Company, the members who sell their shares will be entitled to share in the proceeds of the Sale in the manner and order of priority as follows:

- first, in paying to the holders of the Deferred Shares, if any, a total of £1.00 for the entire class;
- second, in paying to the holders of the A Preferred Shares the original subscription price per A Preferred Share plus any accrued dividends;
- third, in paying to the holders of the A Ordinary Shares and B Ordinary shares:
  - to the holders of the A Ordinary Shares their original subscription price plus any accrued; and
  - to the holders of the B Ordinary Shares the greater of the original subscription price plus any accrued dividends or an amount per share equal to the amount that would have been payable had those B Ordinary Share been converted to Ordinary shares immediately prior to the sale
- finally, in paying the balance (if any) to the holders of the A Preferred shares and the Ordinary shares in proportion to the number shares held.

In the event of a listing on a stock exchange at an Ordinary share price in excess of £160.02, then a capital restructuring will take place such that all shares will convert to Ordinary shares with additional shares issued to give effect such that the relative value of the shares in each class of share is that same as would have been achieved upon a sale of the entire issued share capital of the Group at the listing price.

Notes to the Consolidated Financial Statements (continued)

20. Share based payments

As at 31 December 2020, the Group maintained an Enterprise Management Incentive (“EMI”) scheme approved share option plan for employee remuneration, an unapproved share option scheme and a restricted share purchase scheme. The programmes will be settled in equity. The programmes are part of the remuneration package of the Group’s employees. Participants in these programmes have to be employed or engaged by the company until the end of the agreed vesting period.

	2020 £000	2019 £000	2018 £000
Share option expense recognised	190	133	215
Restricted share expense recognised	115	58	130
	<u>305</u>	<u>191</u>	<u>305</u>

Share Options Outstanding at 31<sup>st</sup> December 2020

<u>Year</u>	<u>Type</u>	<u># Grants</u>	<u># Options</u>	<u>Exercise Price</u>	<u>Vesting Period</u>
2013	Unapproved	1	400	£4.95	On Issue
2014	Unapproved	1	200	£6.19	3 Years
2015	Unapproved	4	450	£6.19	3 Years
2016	EMI	32	3,227	£0.01	3 Years
2017	EMI	7	6,932	£0.01	3 Years
2018	EMI	4	5,900	£0.01	3 Years
2019	EMI	38	13,047	£0.01	4 Years
2020	EMI	45	21,825	£0.01	4 Years
<b>Outstanding at 31st December 2020</b>			<b>51,981</b>	<b>£0.13</b>	

Employees may exercise options upon an exit event such as a trade sale of the Group or an Initial Public Offering (“IPO”). In the event of a trade sale, or similar, all unvested options will vest and all options may be exercised immediately prior to the sale. Vested option may be exercised immediately prior to an IPO but unvested options would be forfeit unless their validity is continued at the discretion of the board. Upon cessation of employment, vested options may be exercised provided that the employee is a “good leaver”. However, for options issued prior to 2019, the ability to exercise vested options is subject to board discretion.

Share options and weighted average exercise prices are as follows for the reporting periods presented:

Ieso Digital Health Limited

Weighted average exercise price	<u>Price</u>	<u>Number</u>	<u>Price</u>	<u>Number</u>	<u>Price</u>	<u>Number</u>
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
At 1 January	£0.17	38,192	£0.23	27,587	£0.22	27,910
Granted during the year	£0.01	21,825	£0.01	15,608	£0.01	5,900
Forfeited during the year	£0.01	(3,459)	£0.01	(3,837)	£0.01	(3,952)
Exercised during the year	£0.01	(4,577)	£0.01	(1,166)	£0.01	(2,271)
<b>Outstanding at the end of the year</b>	<b>£0.13</b>	<b>51,981</b>	<b>£0.17</b>	<b>38,192</b>	<b>£0.23</b>	<b>27,587</b>

Share options are only exercisable when an employee leaves employment or upon an exit event, therefore, the number of options exercisable at each year-end was zero.

Notes to the Consolidated Financial Statements (continued)

20. Share-based payments (continued)

Share options are valued using a Black-Scholes option pricing model with the following assumptions:

	<u>Options issued 2020</u>	<u>Options issued 2019</u>	<u>Options issued 2018</u>	<u>Options at 1 Jan 2018</u>
Weighted average share price	£34.13	£21.34	£21.34	£25.66
Exercise price	£0.01	£0.01	£0.01	£0.11
Weighted average life (days)	3655	1159	983	1480
Expected volatility	32%	32%	32%	26%
Risk-free interest rate	0.26%	0.43%	0.89%	0.69%

The underlying expected volatility was determined by reference to companies that are considered similar in nature over a period of time, and the risk-free factor was calculated using UK Government bonds for the given option period.

Restricted Shares held by employees at 31<sup>st</sup> December 2020

<u>Year</u>	<u>Type</u>	<u># Grants</u>	<u># Shares</u>	<u>Hurdle Price</u>	<u>Reverse Vesting Period</u>
2019	Restricted	1	2,000	£53.34	3 Years
2019	Restricted	1	5,000	£53.34	6 Months
2019	Restricted	2	1,075	£53.34	4 Years
2020	Restricted	2	7,874	£53.34	6 Months
<b>Outstanding at 31st December 2020</b>			<b>15,949</b>		

## Notes to the Consolidated Financial Statements (continued)

## Share-based payments (continued)

Restricted shares are subject to reverse vesting. Upon cessation of employment, shares that have not achieved the reverse vesting milestones are subject to either forfeiture or conversion to deferred shares which have negligible economic value. During the reverse vesting period, restricted shares cannot be sold other than upon an exit event. All restricted share outstanding at 31 December 2020 are subject to a hurdle price of £53.34 per share. If there is an IPO at a price of less than £53.34 per share all restricted shares are forfeit, otherwise once shares have passed the reverse vesting milestones, they may be sold. If there is a trade sale or similar at a price in excess of the hurdle price, then all restricted share may be sold regardless of reverse vesting status, otherwise all restricted shares will be forfeit.

Restricted Shares	<u>Number</u> <u>2020</u>	<u>Number</u> <u>2019</u>	<u>Number</u> <u>2018</u>
At 1 January	15,041	55,727	59,210
Issued during the year	7,874	8,075	-
Forfeited during the year	-	-	-
Retained upon cessation of employment	(6,966)	(48,761)	(3,483)
<b>Outstanding at the end of the year</b>	<b>15,949</b>	<b>15,041</b>	<b>55,727</b>

Restricted shares are economically similar to share options and, therefore, were valued using a Black-Scholes option pricing model for equivalent share options, assuming any price hurdle would be met and with the following additional assumptions:

	<u>Issued</u> <u>2020</u>	<u>Issued</u> <u>2019</u>	<u>Issued at</u> <u>1 Jan</u> <u>2018</u>
Weighted average share price	£28.03	£21.34	£22.82
Subscription price	£0.01	£0.01	£0.01
Weighted average life (days)	3655	159	1041
Expected volatility	31%	35%	28%
Risk-free interest rate	0.52%	0.70%	0.44%

## 21. Related party transactions

Remuneration of Directors is set out in note 3.

During the year the Group incurred shareholder monitoring fees £34,000 (2019: £34,000; 2018: £34,000).

During the year, the Group paid consultancy fees to companies associated with directors of £22,200 (2019: £31,600; 2018: £55,800).

**Notes to the Consolidated Financial Statements (continued)**

**22. Financial commitments**

The Group had open purchase orders and non-cancellable service contract and licensing obligations of £225,000 in the aggregate at 31<sup>st</sup> December 2020. Under an Investment Agreement entered into in 2017, for so long as two shareholders appoint directors to the board the company incurs shareholder monitoring fees of £34,000 per year.

**23. Events after the reporting date**

- (i) In January 2021, the convertible loan notes were renegotiated to extend their maturity date to December 2023 and to modify their redemption and conversion terms to match those of the Future Fund convertible loan. This is a non-adjusting event.
- (ii) In January 2021, the parent company issued a Future Fund convertible loan. Amounts received from lenders were matched by the government, resulting in capital of £8.2m in total with a further £0.2 million borrowing under the same instrument in April 2021. The notes bear interest at 8% which accrues into the loan balance and is settled only on conversion or a default event. Conversion is triggered by various fundraising events at a price linked to the price achieved in the fundraising; if there has been no qualifying fundraising then the notes will mature in January 2024 in which case no interest is payable but a 100% redemption premium falls due.
- (iii) In February 2021, the parent company repaid its £750,000 short-term loan.
- (iv) During the period January to November 2021:
  - a. Options holders exercised 693 options over ordinary shares
  - b. Employees were issued with 2,359 restricted ordinary shares
  - c. Employees were issued with 50,337 options over ordinary shares
- (v) In October and November 2021, the parent company entered into a subscription agreement with new and existing investors pursuant to which:
  - a. New classes of B1 preferred and B2 preferred shares were created which are broadly similar in rights to the existing A1 preferred and A2 preferred shares respectively save that the B preferred rank ahead of the A preferred upon liquidation or sale of the Group.
  - b. New articles of association were adopted
  - c. The convertible loan notes, Future Fund convertible loan notes and accumulated interest with an aggregate value of £12.7 million were converted to 278,269 B1 preferred shares
  - d. Under anti-dilution provisions in the articles an additional 922 A Ordinary shares and 11,789 A1 preferred shares were issued at par and the warrant over 3,501 A1 preferred shares was increased to 3,641 A1 preferred shares with the same aggregate exercise price.

**Notes to the Consolidated Financial Statements (continued)**

- e. New and existing shareholders subscribed for £22.4 million for 326,794 B1 preferred shares and £5.0 million for 73,304 B2 preferred shares

**24. Controlling Party**

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

**25. Reconciliation to previously reported statements of comprehensive income and financial position**

This is the first time that the Group has presented consolidated financial statements under IFRS, and the accounting policies set out herein have been applied in preparing the consolidated financial statements for the year ended 31 December 2020, the comparative information presented and in the preparation of an opening IFRS statement of financial position at 1 January 2018 (the Group's date of transition). The previously published financial statements were prepared under FRS102 (UK GAAP). The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies. In addition, the Group has reviewed the presentation of the previously reported statements and the underlying accounting judgments. Errors that have been identified during the conversion and restatement process have been corrected.

These notes set out the adjustments that have been made to the previously prepared statements under FRS 102, identifying those adjustments that result from adoption of IFRS and those that are changes in presentation. All other adjustments are corrections.

***IFRS 1 First-Time Adoption of IFRS's***

The Group has applied the following optional elections under IFRS 1 First-Time Adoption of IFRSs

- Deemed cost of plant, property and equipment – the Group has taken the exemption allowing it to treat the fair value of property, plant and equipment at the transition date as its deemed cost at that date.
- Measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRSs.
- The option to implement IFRS 15 from the date of transition and to not restate contracts that were completed before the earliest period presented.

***Transition adjustments related to the adoption of IFRS***

IFRS adjustments have been applied to the historical financial information at the date of transition (1 January 2018), and the current and comparative statement of financial positions (31 December 2019, 31 December 2018) and income statements for each period. The reconciliation tables identify the nature of these adjustments in the categories described below.

**Notes to the Consolidated Financial Statements (continued)**

**25. Reconciliation to previously reported statements of comprehensive income and financial position (continued)**

*“Recognition of leases as assets”* adjustments relate to the recognition of the right-of-use lease assets under IFRS 16, whereby the asset and corresponding liability are recognised in the balance sheet, along with an adjustment to rent prepayments, and the derecognition of rent expense charge which is replaced by depreciation and interest expenses.

*“Revenue recognition”* adjustments relate to the adoption of a new revenue recognition policy under IFRS 15 resulting in changes to revenues, deferred revenue and accrued income. The large majority of the Group’s revenue is generated with contracts for the provision of therapy services which set out a fixed cost for a completion episode of therapy for a patient together with, in some cases, additional fees which are contingent upon patient recovery or other factors. Revenue recognition in relation to patients who had completed therapy at the reporting date is the same under both FRS 102 and IFRS. However, the calculation of estimated revenue for patients who had started but not yet completed therapy at the balance sheet date is different. Under FRS 102, an estimate was made of the hourly revenue for each hour of therapy delivered and this hourly rate was applied in relation to such patients. Under IFRS, estimates are made based on the proportion of therapy which has been completed at the reporting date together with estimates of the contingent therapy that has been earned. This is set out in more detail under Principal Accounting Policies above.

*“Financial instruments”* adjustments relate to the adoption of IFRS 9 and the remeasurement of the Group’s borrowings to including the value of a warrant issued in conjunction with a borrowing arrangement and legal costs associated with the arrangement. Previously, such borrowings were accounting for as a liability based on the amount borrowed with interest and other charges accounted for as they paid or included as accruals with Trade and other payables. Under IFRS, the amount of borrowings has been reduced by any costs associated with such borrowing such as legal costs and warrants issued in conjunction with the loan. All repayable amounts, included interest and other fees have been recognised as interest which accrues evenly over time.

***Restatements***

*“Reclassification”* relates to a reclassification of fixed costs from cost of goods sold to administrative expenses.

Notes to the Consolidated Financial Statements (continued)

25. Reconciliation to previously reported statements of comprehensive income and financial position (continued)

**Corrections**

*“Correction of valuation of share-based payments”* adjustments relate to the valuation of share and options issued as incentives which impacts administrative expenses. The market value and other parameters used to calculate the fair value of options has been corrected and, in addition, restricted shares which have been issued at nominal value have had their market values measured and recognised. The period during which share based payment expense has been recognised has been adjusted from the expected time to an exit event to the contractual vesting period. Previously, share based payment expense was recognised as an administrative expense but the impact on retained earnings was reversed through other comprehensive income – in order to more clearly set out the related adjustment, this reversals through other comprehensive income is shown as a share based payment reserve in the FRS 102 column of the reconciliation tables below.

Other *“Corrections”* includes adjustments to accruals and prepayments for goods and services, accruals in relation to untaken holiday, a correction to the useful life of certain tangible assets, the use of spot exchange rates rather than average rates for all non-sterling transactions and the classification of indirect costs of raising equity which had been incorrectly included in share premium to administrative expenses.

*“Correction of Reserve”* is correcting the Translation reserve to exclude amounts which arose on the conversion of intra-Group balances.

*“Provision Correction”* is the recognition of a potential future dilapidations liability which had not previously been recognised.

Ieso Digital Health Limited

Notes to the Consolidated Financial Statements (continued)

Consolidated Balance Sheet – Reconciliation at transition – 1 January 2018

	Notes	FRS102 £000	Restatements and Corrections £000	IFRS Transition £000	IFRS £000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	106	-	88	194
		106	-	88	194
<b>Current assets</b>					
Trade and other receivables	9	1,562	3	130	1,695
Current tax receivable	9	417	-	-	417
Cash and cash equivalents	10	13,631	-	-	13,631
		15,610	3	130	15,743
<b>Current liabilities</b>					
Trade and other payables	11	2,148	23	(40)	2,131
Lease liabilities	12	-	-	37	37
		2,148	23	(3)	2,168
<b>Non-current liabilities</b>					
Lease liabilities	12	-	-	51	51
Provisions		59	-	-	59
		59	-	51	110
<b>Net (Liabilities) / Assets</b>		<b>13,509</b>	<b>(20)</b>	<b>170</b>	<b>13,659</b>
<b>Equity</b>					
Share capital	19	5	-	-	5
Share premium		26,479	-	-	26,479
Share based payment reserve	20	115	215	-	330
Retained losses		(13,207)	(26)	170	(13,063)
Translation reserve		117	(209)	-	(92)
<b>Equity attributable to the owners of the Parent Company</b>		<b>13,509</b>	<b>(20)</b>	<b>170</b>	<b>13,659</b>

Adjustment Notes	Reason for adjustment	Adjustments £000
Property, plant and equipment	Recognition of leases as assets (IFRS 16)	88
Trade and other receivables	Revenue recognition (IFRS 15)	130
	Correction of prepayments	3
Trade and other payables	Revenue recognition (IFRS 15)	(40)
	Corrections of accruals	23
Lease Liabilities - current	Recognition of leases as assets (IFRS 16)	37
Lease Liabilities – non-current	Recognition of leases as assets (IFRS 16)	51
Share based payment reserve	Correction of valuation of share-based payments	215
Translation reserve	Correction of reserve by eliminating inter-company balances	(209)

Ieso Digital Health Limited

Consolidated Balance Sheet – Reconciliation at 31 December 2018

	Notes	FRS102 £000	Restatements and Corrections £000	IFRS Transition £000	IFRS £000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	437	67	625	1,129
		437	67	625	1,129
<b>Current assets</b>					
Trade and other receivables	9	2,202	73	27	2,302
Current tax receivable	9	1,141	-	-	1,141
Cash and cash equivalents	10	6,549	-	-	6,549
		9,892	73	27	9,992
<b>Current liabilities</b>					
Trade and other payables	11	2,450	105	(132)	2,423
Lease liabilities	12	-	-	172	172
Borrowings	13	1,000	-	(161)	839
		3,450	105	(121)	3,434
<b>Non-current liabilities</b>					
Lease liabilities	12	-	-	414	414
Borrowings	13	3,000	-	115	3,115
Provisions	14	-	72	-	72
		3,000	72	529	3,601
<b>Net (Liabilities) / Assets</b>		<b>3,879</b>	<b>(37)</b>	<b>244</b>	<b>4,086</b>
<b>Equity</b>					
Share capital	19	6	-	-	6
Share premium		26,392	88	-	26,480
Share based payment reserve	20	357	317	53	727
Retained losses		(22,653)	(682)	191	(23,144)
Translation reserve		(223)	240	-	17
<b>Equity attributable to the owners of the Parent Company</b>		<b>3,879</b>	<b>(37)</b>	<b>244</b>	<b>4,086</b>

Adjustment Notes	Reason for adjustment	Adjustments £000
Property, plant and equipment	Recognition of leases as assets (IFRS 16)	625
	Correction of useful life of certain tangible assets	67
Trade and other receivables	Recognition of leases as assets (IFRS 16)	(36)
	Revenue recognition (IFRS 15)	59
		27
	Correction of exchange rates and prepayment corrections	73
Trade and other payables	Revenue recognition (IFRS 15)	(98)
	Financial instrument accounting (IFRS 9)	(34)
		(132)
	Correction of exchange rates and accrual corrections	105
Lease Liabilities - current	Recognition of leases as assets (IFRS 16)	172
Borrowings - current	Financial instrument accounting (IFRS 9)	(161)
Lease Liabilities – non-current	Recognition of leases as assets (IFRS 16)	414
Borrowings – non-current	Financial instrument accounting (IFRS 9)	115
Provisions	Provision correction for dilapidations at end of lease	72
Share premium	Correction of indirect equity raising costs to expense	88
Share based payment reserve	Correction of valuation of share-based payments	317
	Recognition of warrant in loan arrangement (IFRS 9)	53
Translation reserve	Correction of reserve by eliminating inter-company balances	240

Ieso Digital Health Limited

Consolidated Balance Sheet – Reconciliation at 31 December 2019

	Notes	FRS102 £000	Restatements and Corrections £000	IFRS Transition £000	IFRS £000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	179	146	727	1,052
		179	146	727	1,052
<b>Current assets</b>					
Trade and other receivables	9	2,516	14	(71)	2,459
Current tax receivable	9	790	-	-	790
Cash and cash equivalents	10	2,316	-	-	2,316
		5,622	14	(71)	5,565
<b>Current liabilities</b>					
Trade and other payables	11	3,174	16	(229)	2,961
Lease liabilities	12	-	-	194	194
Borrowings	13	1,333	-	(120)	1,213
		4,507	16	(155)	4,368
<b>Non-current liabilities</b>					
Lease liabilities	12	-	-	498	498
Borrowings	13	1,667	-	235	1,902
Provisions	14	-	74	-	74
		1,667	74	733	2,474
<b>Net (Liabilities) / Assets</b>		<b>(373)</b>	<b>70</b>	<b>78</b>	<b>(225)</b>
<b>Equity</b>					
Share capital	19	6	-	-	6
Share premium		30,992	108	-	31,100
Share based payment reserve	20	583	335	-	918
Retained losses		(32,100)	(217)	78	(32,239)
Translation reserve		146	(156)	-	(10)
<b>Equity attributable to the owners of the Parent Company</b>		<b>(373)</b>	<b>70</b>	<b>78</b>	<b>(225)</b>

Adjustment Notes	Reason for adjustments	Adjustments - £000
Property, plant and equipment	Recognition of Leases as Assets (IFRS 16)	727
	Correction of useful life of certain tangible assets	146
Trade and other receivables	Recognition of leases as assets (IFRS 16)	(64)
	Revenue recognition (IFRS 15)	(7)
		(71)
	Correction of prepayments	14
Trade and other payables	Recognition of leases as assets (IFRS 16)	(39)
	Revenue recognition (IFRS 15)	(103)
	Financial instrument accounting (IFRS 9)	(87)
		(229)
	Correction of accruals	16
Lease Liabilities - current	Recognition of leases as assets (IFRS 16)	194
Borrowings - current	Financial instrument accounting (IFRS 9)	(120)
Lease Liabilities – non-current	Recognition of leases as assets (IFRS 16)	498
Borrowings – non-current	Financial instrument accounting (IFRS 9)	235
Provisions	Provision correction for dilapidations at end of lease	74
Share premium	Correction of indirect equity raising costs to expense	108
Share based payment reserve	Correction of valuation of share-based payments	335
Translation reserve	Correction of reserve by eliminating inter-company balances	(156)

Ieso Digital Health Limited

Consolidated Income Statement – Reconciliation at 31 December 2018

	Notes	FRS102 £000	Restatements and Corrections £000	IFRS Transition £000	IFRS £000
Revenue	1	4,904	-	(13)	4,891
Cost of Sales		(2,660)	328	-	(2,332)
<b>Gross profit</b>		<b>2,244</b>	<b>328</b>	<b>(13)</b>	<b>2,559</b>
Other operating income	2	1		-	1
Administrative expenses		(12,376)	(911)	40	(13,247)
<b>Operating loss</b>	2	<b>(10,131)</b>	<b>(583)</b>	<b>27</b>	<b>(10,687)</b>
Finance income	4	19	-	-	19
Finance expense	4	(57)	-	(78)	(135)
<b>Loss before tax</b>		<b>(10,169)</b>	<b>(583)</b>	<b>(51)</b>	<b>(10,803)</b>
Tax	5	722	-	-	722
<b>Loss for the financial year</b>		<b>(9,447)</b>	<b>(583)</b>	<b>(51)</b>	<b>(10,081)</b>

Adjustment Notes	Reason for adjustments	£000	£000
Revenue	Adoption of new revenue recognition policy (IFRS 15)		(13)
Cost of Sales	Reclassification of indirect expenses to administration		328
Administrative Expenses	Correction of share-based payment expense	(102)	
	Correction of costs related to the raising of equity	(88)	
	Reclassification from Cost of Sales	(328)	
	Correction of foreign exchanges gains and losses by eliminating intra-Group transactions	(441)	
	Correction of useful life of certain assets and accruals	48	
			(911)
	Reclassification of costs related to borrowings (IFRS 9)		40
Finance Expense	Interest on borrowings (IFRS 9)	(12)	
	Interest charge in relation to leased assets (IFRS 16)	(66)	
			(78)

Ieso Digital Health Limited

Consolidated Income Statement – Reconciliation at 31 December 2019

	Notes	FRS102 £000	Restatements and Corrections £000	IFRS Transition £000	IFRS £000
Revenue	1	7,460	-	(61)	7,399
Cost of Sales		(4,370)	419	-	(3,951)
<b>Gross profit</b>		<b>3,090</b>	<b>419</b>	<b>(61)</b>	<b>3,448</b>
Other operating income	2	107	(7)	-	100
Administrative expenses		(13,120)	104	37	(12,979)
<b>Operating loss</b>	2	<b>(9,923)</b>	<b>516</b>	<b>(24)</b>	<b>(9,431)</b>
Finance income	4	13	-	-	13
Finance expense	4	(315)	-	(141)	(456)
<b>Loss before tax</b>		<b>(10,225)</b>	<b>516</b>	<b>(165)</b>	<b>(9,874)</b>
Tax	5	779	-	-	779
<b>Loss for the financial year</b>		<b>(9,446)</b>	<b>516</b>	<b>(165)</b>	<b>(9,095)</b>

Adjustment Notes	Reason for adjustments	£000	£000
Revenue	Adoption of new revenue recognition policy (IFRS 15)		(61)
Cost of Sales	Reclassification of indirect expenses to administration		419
Other operating income	Correction of unpaid grant accrual		(7)
Administrative Expenses	Correction of share-based payment expense	35	
	Correction of costs related to the raising of equity	(21)	
	Reclassification from Cost of Sales	(419)	
	Correction of foreign exchanges gains and losses by eliminating intra-Group transactions	396	
	Correction of useful life of certain tangible assets and accruals	113	
			104
	Reclassification of costs related the classification of leases as assets (IFRS 16)		37
Finance Expense	Interest charge in relation to leased assets (IFRS 16)		(141)

Ieso Digital Health Limited

Company Statement of Financial Position as at 31 December 2020

	Notes	At 31 December 2020 £000	At 31 December 2019 £000	At 31 December 2018 £000	At 1 January 2018 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	1	953	-	-	-
Property, plant and equipment	2	715	1,041	999	83
		<u>1,668</u>	<u>1,041</u>	<u>999</u>	<u>83</u>
<b>Current assets</b>					
Trade and other receivables	3	468	404	433	386
Current tax receivable		847	790	1,141	417
Cash and cash equivalents	4	771	1,058	4,840	9,011
		<u>2,086</u>	<u>2,252</u>	<u>6,414</u>	<u>9,814</u>
<b>Current liabilities</b>					
Trade and other payables	5	2,110	1,022	835	946
Lease liabilities	6	216	194	135	-
Borrowings	7	4,646	1,213	839	-
		<u>6,972</u>	<u>2,429</u>	<u>1,809</u>	<u>946</u>
<b>Non-current liabilities</b>					
Lease liabilities		280	496	393	-
Borrowings	7	1,288	1,902	3,115	-
Provisions		76	74	72	59
		<u>1,644</u>	<u>2,472</u>	<u>3,580</u>	<u>59</u>
<b>Net (Liabilities)/Assets</b>		<u>(4,862)</u>	<u>(1,608)</u>	<u>2,024</u>	<u>8,892</u>
<b>Equity</b>					
Share capital	8	7	6	6	5
Share premium		31,080	31,100	26,479	26,479
Share based payment reserve	9	1,224	918	727	330
Retained losses		(37,173)	(33,632)	(25,188)	(17,922)
<b>Shareholders' deficit</b>		<u>(4,862)</u>	<u>(1,608)</u>	<u>2,024</u>	<u>8,892</u>

The notes on pages 62 to 73 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 December 2021 and were signed on its behalf by:



**M Black**  
Chief Financial Officer

22 December 2021

Registered Number: 04063351

Ieso Digital Health Limited

Company Statement of Changes in Equity

	Share Capital	Share Premium	Share Based Payment Reserve	Retained Losses	Total
	£000	£000	£000	£000	£000
<b>At 1 January 2020</b>	6	31,100	918	(33,632)	(1,608)
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(3,541)	(3,541)
Shares issued during the year	1	-	-	-	1
Share issue costs	-	(20)	-	-	(20)
Share based payments	-	-	306	-	306
Total transactions with owners	-	(20)	306	-	286
<b>At December 2020</b>	<b>7</b>	<b>31,080</b>	<b>1,224</b>	<b>(37,173)</b>	<b>(4,862)</b>
<b>At 1 January 2019</b>	6	26,479	727	(25,188)	2,024
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(8,444)	(8,444)
Shares issued during the year	-	4,643	-	-	4,643
Share issue costs	-	(22)	-	-	(22)
Share based payments	-	-	191	-	191
Total transactions with owners	-	4,621	191	-	4,812
<b>At December 2019</b>	<b>6</b>	<b>31,100</b>	<b>918</b>	<b>(33,632)</b>	<b>(1,608)</b>
<b>At 1 January 2018</b>	5	26,479	330	(17,922)	8,892
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(7,266)	(7,266)
Shares issued during the year	1	-	-	-	1
Warrant issued with loan	-	-	52	-	52
Share based payments	-	-	345	-	345
Total transactions with owners	-	-	397	-	397
<b>At December 2018</b>	<b>6</b>	<b>26,479</b>	<b>727</b>	<b>(25,188)</b>	<b>2,024</b>

Ieso Digital Health Limited

## Notes to the Company financial statements

### Principal Accounting Policies

#### Company information

Ieso Digital Health Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given in the company information of these financial statements. The nature of the company's operations and principal activities are in the provision of online psychological therapy, specialising in delivering evidence based Cognitive Behavioural Therapy for people dealing with common mental health conditions such as depression or anxiety via its technology platform.

#### Basis of preparation

The annual financial statements of Ieso Digital Health Limited (the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

#### Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- Share-based payments

As permitted by section 408 of Companies Act 2006, a separate Income Statement for the Company has not been included in these financial statements. The Company's loss for the year ended 31 December 2020 was £3.5 million (2019: £8.4 million, 2018: £7.3 million).

The company applies the Group's principal accounting policies, as described in the Group accounts above, consistently to all periods presented. The financial statements are presented in Sterling which is the functional currency of the company and rounded to the nearest £000.

Notes to the Company financial statements (continued)

1. Intangible assets

	Software £000
<b>Cost</b>	
At 1 January 2018	-
At 31 December 2018	-
At 31 December 2019	-
At 1 January 2020	-
Additions	953
At 31 December 2020	953
<b>Amortisation</b>	
At 1 January 2018	-
At 31 December 2018	-
At 31 December 2019	-
Charge for the year	-
At 31 December 2020	-
<b>Net book value</b>	
At 31 December 2020	953
At 31 December 2019	-
At 31 December 2018	-
At 1 January 2018	-

Amortisation is recognised within administrative expenses and charged from the point when intangible assets are ready for their intended use.

## Notes to the Company financial statements (continued)

## 2. Property, plant and equipment

	S/Term Leasehold Property £000	Right of use assets £000	Office Equipment £000	Computer Equipment £000	Total £000
<b>Cost</b>					
At 1 January 2018	-	-	17	114	131
Additions	132	728	204	132	1,196
Disposals	-	-	(15)	(17)	(32)
<b>At 31 December 2018</b>	<b>132</b>	<b>728</b>	<b>206</b>	<b>229</b>	<b>1,295</b>
Additions	-	293	-	5	298
Intra group transfers	-	-	-	27	27
<b>At 31 December 2019</b>	<b>132</b>	<b>1,021</b>	<b>206</b>	<b>261</b>	<b>1,620</b>
Additions	-	-	-	37	37
<b>At 31 December 2020</b>	<b>132</b>	<b>1,021</b>	<b>206</b>	<b>298</b>	<b>1,657</b>
<b>Depreciation</b>					
At 1 January 2018	-	-	11	37	48
Charge for the year	21	156	39	62	278
Disposals	-	-	(14)	(16)	(30)
<b>At 31 December 2018</b>	<b>21</b>	<b>156</b>	<b>36</b>	<b>83</b>	<b>296</b>
Charge for the year	27	138	41	77	283
<b>At 31 December 2019</b>	<b>48</b>	<b>294</b>	<b>77</b>	<b>160</b>	<b>579</b>
Charge for the year	26	216	40	81	363
<b>At 31 December 2020</b>	<b>74</b>	<b>510</b>	<b>117</b>	<b>241</b>	<b>942</b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b>58</b>	<b>511</b>	<b>89</b>	<b>57</b>	<b>715</b>
<b>At 31 December 2019</b>	<b>84</b>	<b>727</b>	<b>129</b>	<b>101</b>	<b>1,041</b>
<b>At 31 December 2018</b>	<b>111</b>	<b>572</b>	<b>170</b>	<b>146</b>	<b>999</b>
<b>At 1 January 2018</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>77</b>	<b>83</b>

Ieso Digital Health Limited

Notes to the Company financial statements (continued)

3. Trade and other receivables

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Other receivables	358	253	245	100
Prepayments and accrued income	110	150	188	144
	<u>468</u>	<u>403</u>	<u>433</u>	<u>244</u>

4. Cash and cash equivalents

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Cash and bank balances	<u>771</u>	<u>1,058</u>	<u>4,840</u>	<u>9,011</u>

5. Trade and other payables

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
<b>Current</b>				
Trade payables	299	256	503	511
Other tax and social security	453	95	84	60
Other payables	36	2	11	11
Accruals	1,322	669	237	364
	<u>2,110</u>	<u>1,022</u>	<u>835</u>	<u>946</u>

Notes to the Company financial statements (continued)

6. Leases

Right of use assets

The Company used leasing arrangements relating to property, plant and equipment.

When a lease begins, a liability and right of use asset are recognised based on the present value of future lease payments.

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Additions to right-of-use assets	-	293	728	-
Disposals from right-of-use assets	-	53		-
Depreciation charge – right of use assets	(216)	(191)	(156)	-
Carrying amount at the beginning of the year:	727	572	-	-
Carrying amount at the end of the year:	511	727	572	-
<b>Lease liabilities</b>				
	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
Current	216	194	135	-
Non-current	280	496	393	-
	496	690	528	-

## Notes to the Company financial statements (continued)

## 7. Borrowings

	2020 £000	2019 £000	2018 £000	1 Jan 2018 £000
<b>Amounts falling due within one year</b>				
Loan notes	754	-	-	-
Convertible loan	2,629	-	-	-
Bank loans	1,263	1,213	839	-
	<b>4,646</b>	<b>1,213</b>	<b>839</b>	<b>-</b>
<b>Amounts falling due after one year</b>				
Bank loans	1,288	1,902	3,115	-
	<b>1,288</b>	<b>1,902</b>	<b>3,115</b>	<b>-</b>
Total	<b>5,934</b>	<b>3,115</b>	<b>3,954</b>	<b>-</b>

**Summary of borrowing arrangements:**Bank loans

In 2018 a loan of £4m was drawn down from Silicon Valley Bank. The initial terms of the loan were that it was repayable in 36 equal monthly repayments from 1 April 2019 and bore interest at the higher of 6% and the Bank of England base rate, plus a margin of 5%.

In 2020, an agreement was reached whereby some loan repayments were deferred and so the repayments will now finish late in 2022.

The effective embedded interest rate floor is a derivative and based on the expectations of interest rate changes it was assessed as having zero fair value at inception and at subsequent reporting dates.

Warrant instruments were also issued with the loan and are a separate equity instrument.

Convertible loan notes

Convertible loan notes were issued in 2020 with a fixed interest rate of 8% and eventual conversion price depending on the trigger for conversion. The original end date of the notes was set to be in 2020 and two extensions were negotiated so they now have a maturity of December 2021.

The conversion feature in the loan notes is not classified as an equity feature because of the variable number of shares to be issued to satisfy the debt. Instead, it is treated as an embedded derivative and has been assessed as having a fair value of zero both at inception and at 31 December 2020.

Short-term loan notes

Short term loan notes of £750,000 were issued in December 2020 with a repayment date of December 2021 and a 10% redemption premium if the loan is redeemed within one year.

Notes to the Company financial statements (continued)

8. Share capital

	2020	2019	2018	1 Jan 2018
Number	Number	Number	Number	Number
<b>Allotted, called up and fully paid – par values £0.01</b>				
Ordinary shares	151,381	138,943	167,775	114,930
A Ordinary shares	136,008	136,008	136,008	136,008
B Ordinary shares	8,658	8,658	8,658	8,658
A1 Preferred shares [1]	408,682	408,682	341,119	341,119
A2 Preferred shares	19,461	19,461	-	-
Deferred shares	34,590	34,590	-	-
	<b>758,780</b>	<b>746,342</b>	<b>653,560</b>	<b>600,715</b>

	2020	2019	2018	1 Jan 2018
Amount	£000	£000	£000	£000
<b>Allotted, called up and fully paid – par values £0.01</b>				
Ordinary shares	2	1	1	1
A Ordinary shares	1	1	1	1
B Ordinary shares	-	-	-	-
A1 Preferred shares [1]	4	4	4	3
A2 Preferred shares	-	-	-	-
Deferred shares	-	-	-	-
	<b>7</b>	<b>6</b>	<b>6</b>	<b>5</b>

[1] During 2019, All A Preferred shares were renamed as A1 Preferred shares.

During 2018, 52,845 ordinary shares were issued at par.

During 2019, 67,563 A1 Preferred shares were issued raising £3.6 million from external investors, 19,461 A2 Preferred shares were issued raising £1.0 million from external investors, 50,433 Ordinary shares were issued at par, 44,675 Ordinary shares were re-purchased by the Group at par and 34,590 Ordinary shares were transferred to Deferred shares.

During 2020, 12,438 Ordinary shares were issued at par.

**Notes to the Company financial statements (continued)**

**9. Share based payments**

Share based payments issued by the Company are detailed in note 20 to the Group financial statements.

**10. Reconciliation to previously reported statements of comprehensive income and financial position**

This is the first time that the Group has presented consolidated financial statements under FRS 101, and the accounting policies set out herein have been applied in preparing the financial statements for the year ended 31 December 2020, the comparative information presented and in the preparation of an opening IFRS statement of financial position at 1 January 2018 (the Company's date of transition). The previously published financial statements were prepared under FRS102 (UK GAAP).

The conversion to FRS 101 has led to a number of changes in respect of the descriptions used and wording of accounting policies. In addition, the Company has reviewed the presentation of the previously reported statements and the underlying accounting judgments. Errors that have been identified during the conversion and restatement process have been corrected.

This note sets out the adjustments that have been made to the previously prepared statements under FRS 102, identifying those adjustments that result from adoption of FRS 101 and those that are changes in presentation. All other adjustments are corrections.

***IFRS 1 First-Time Adoption of IFRS's***

The Group has applied the following optional elections under IFRS 1 First-Time Adoption of IFRSs

- Deemed cost of plant, property and equipment – the Group has taken the exemption allowing it to treat the fair value of property, plant and equipment at the transition date as its deemed cost at that date.
- Measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs, and further measuring the right-of-use-asset at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRSs.
- The option to implement IFRS 15 from the date of transition and to not restate contracts that were completed before the earliest period presented.

***Transition adjustments in relation to the adoption of IFRS***

IFRS adjustments have been applied to the historical financial information at the date of transition (1 January 2018), and the current and comparative statement of financial positions (31 December 2020, 31 December 2019, 31 December 2018) and income statements for each period. The reconciliation tables identify the nature of these adjustments in the categories described below.

***"Revenue recognition"*** adjustments relate to the adoption of a new revenue recognition policy under IFRS 15 resulting in changes to revenues, deferred revenue and accrued income. The large majority of the Group's revenue is generated with contracts for the provision of therapy services which set out

## Ieso Digital Health Limited

a fixed cost for a completion episode of therapy for a patient together with, in some cases, additional fees which are contingent upon patient recovery or other factors. Revenue recognition in relation to patients who had completed therapy at the reporting date is the same under both FRS 102 and IFRS. However, the calculation of estimated revenue for patients who had started but not yet completed therapy at the balance sheet date is different. Under FRS 102, an estimate was made of the hourly revenue for each hour of therapy delivered and this hourly rate was applied in relation to such patients. Under IFRS, estimates are made based on the proportion of therapy which has been completed at the reporting date together with estimates of the contingent therapy that has been earned. This is set out in more detail under Principal Accounting Policies above.

*"Intra-Group Loans"* includes adjustments pursuant to the adoption of IFRS 9. Previously, the Company had estimated expected credit losses using the "incurred loss" method but under IFRS 9 is required to make forward looking judgments. The Company has determined that due to the history of losses by its subsidiaries, intra-group loans should be fully provided for.

### **Corrections**

*"Correction of valuation of share-based payments"* adjustments relate to the revaluation of share and options issued as incentives which impacts administrative expenses. The market value and other parameters used to calculate the fair value of options has been corrected and, in addition, restricted shares which have been issued at nominal value have had their market values measured and recognised. The period during which share based payment expense has been recognised has been adjusted from the expected time to an exit event to the contractual vesting period. Previously, share based payment expense was recognised as an administrative expense but the impact on retained earnings was reversed through other comprehensive income – in order to more clearly set out the related adjustment, this reversal through other comprehensive income is shown as a share based payment reserve in the FRS 102 column of the reconciliation tables below.

Other *"Corrections"* includes adjustments to accruals and prepayments for goods and services, accruals in relation to untaken holiday, a correction to the useful life of certain tangible assets and the classification of indirect costs of raising equity which had been incorrectly included in share premium to administrative expenses.

*"Provision Correction"* is the recognition of a potential future dilapidations liability which had not previously been recognised.

Ieso Digital Health Limited

Balance Sheet – Reconciliation to FRS 101 at transition – 1 January 2018

	Notes	FRS102	Corrections	IFRS Transition	FRS 101
		£000	£000	£000	£000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment		83	-	-	83
		83	-	-	83
<b>Current assets</b>					
Trade and other receivables		4,964	(3)	(4,575)	386
Current tax receivable		417	-	-	417
Cash and cash equivalents		9,011	-	-	9,011
		14,392	(3)	(4,575)	9,814
<b>Current liabilities</b>					
Trade and other payables		907	1	(40)	946
		907	1	(40)	946
<b>Non-current liabilities</b>					
Provisions		59	-	-	59
		59	-	-	59
<b>Net (Liabilities) / Assets</b>		<b>13,509</b>	<b>(2)</b>	<b>(4,615)</b>	<b>8,892</b>
<b>Equity</b>					
Share capital		5	-	-	5
Share premium		26,479	-	-	26,479
Share based payment reserve		115	215	-	330
Retained losses		(13,090)	(217)	(4,615)	(17,922)
<b>Equity attributable to the owners of the Parent</b>		<b>13,509</b>	<b>(2)</b>	<b>(4,615)</b>	<b>8,892</b>
<b>Shareholders' funds</b>		<b>13,509</b>	<b>(2)</b>	<b>(4,615)</b>	<b>8,892</b>

Adjustment Notes	Reason for adjustments	Adjustment £000
Trade and other receivables	Intra-group loan provision (IFRS 9)	(4,575)
	Correction of prepayments	(3)
Trade and other payables	Intra-group loan provision (IFRS 9)	(40)
	Correction of accruals	1
		39
Share based payment reserve	Correction of valuation of share-based payments	215

Ieso Digital Health Limited

Balance Sheet – Reconciliation to FRS 101 at 31 December 2018

	Notes	FRS102	Corrections	IFRS Transition	FRS 101
		£000	£000	£000	£000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment		360	67	572	999
		360	67	572	999
<b>Current assets</b>					
Trade and other receivables		2,443	(8)	(2,002)	433
Current tax receivable		1,141	-	-	1,141
Cash and cash equivalents		4,840	-	-	4,840
		8,424	(8)	(2,002)	6,414
<b>Current liabilities</b>					
Trade and other payables		861	8	(34)	835
Lease liabilities		-	-	135	135
Borrowings		1,000	-	(161)	839
		1,861	8	(60)	1,809
<b>Non-current liabilities</b>					
Lease liabilities		-	-	393	393
Borrowings		3,000	-	115	3,115
Provisions		-	72	-	72
		3,000	72	508	3,580
<b>Net (Liabilities) / Assets</b>		<b>3,923</b>	<b>(21)</b>	<b>(1,878)</b>	<b>2,024</b>
<b>Equity</b>					
Share capital		6	-	-	6
Share premium		26,391	88	-	26,479
Share based payment reserve		357	317	53	727
Retained losses		(22,831)	(426)	(1,931)	(25,188)
<b>Equity attributable to the owners of the Company</b>		<b>3,923</b>	<b>(21)</b>	<b>(1,878)</b>	<b>2,024</b>

Adjustment Notes	Reason for adjustments	Adjustment £000
Property, plant and equipment	Recognition of Leases as Assets (IFRS 16)	572
	Correction of useful life of certain tangible assets	67
Trade and other receivables	Recognition of Leases as Assets (IFRS 16)	(36)
	Intra-Group Loan Provision (IFRS 9)	(1,966)
		(2,002)
	Correction of prepayments	(8)
Trade and other payables	Financial instrument accounting (IFRS 9)	(34)
	Correction of accruals	8
Lease Liabilities - current	Recognition of leases as assets (IFRS 16)	135
Borrowings - current	Financial instrument accounting (IFRS 9)	(161)
Lease Liabilities – non-current	Recognition of leases as assets (IFRS 16)	393
Borrowings – non-current	Financial instrument accounting (IFRS 9)	115
Provisions	Provision corrections for dilapidations	72
Share premium	Correction of indirect equity raising costs to expense	88
Share based payment reserve	Correction of valuation of share-based payments	317
	Recognition of warrant in loan arrangement (IFRS 9)	53

Ieso Digital Health Limited

Balance Sheet – Reconciliation to FRS 101 at 31 December 2019

	Notes	FRS102	Corrections	IFRS Transition	FRS 101
		£000	£000	£000	£000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment		168	146	727	1,041
		168	146	727	1,041
<b>Current assets</b>					
Trade and other receivables		1,705	(6)	(1,295)	404
Current tax receivable		790	-	-	790
Cash and cash equivalents		1,058	-	-	1,058
		3,553	(6)	(1,295)	2,252
<b>Current liabilities</b>					
Trade and other payables		1,136	(27)	(87)	1022
Lease liabilities		-	-	194	194
Borrowings		1,333	-	(120)	1,213
		2,469	(27)	(13)	2,429
<b>Non-current liabilities</b>					
Lease liabilities		-	-	496	496
Borrowings		1,667	-	235	1,902
Provisions		-	-	74	74
		1,667	-	805	2,472
<b>Net Liabilities</b>		<b>(415)</b>	<b>167</b>	<b>(1,360)</b>	<b>(1,608)</b>
<b>Equity</b>					
Share capital		6	-	-	6
Share premium		30,991	-	109	31,100
Share based payment reserve		583	-	335	918
Retained losses		(31,995)	167	(1,804)	(33,632)
<b>Equity attributable to the owners of the Company</b>		<b>(415)</b>	<b>167</b>	<b>(1,360)</b>	<b>(1,608)</b>

Adjustment Notes	Reason for adjustments	Adjustment - £000
Property, plant and equipment	Recognition of Leases as Assets (IFRS 16)	727
	Correction of useful life of certain tangible assets	146
Trade and other receivables	Recognition of Leases as Assets (IFRS 16)	(64)
	Intra-Group Loan Provision (IFRS 9)	(1,231)
		(1,295)
	Correction of prepayments	(6)
Trade and other payables	Financial instruments accounting (IFRS 9)	(87)
	Correction of accruals	(27)
Lease Liabilities - current	Recognition of leases as assets (IFRS 16)	194
Borrowings - current	Financial instrument accounting (IFRS 9)	(120)
Lease Liabilities – non-current	Recognition of leases as assets (IFRS 16)	496
Borrowings – non-current	Financial instrument accounting (IFRS 9)	235
Provisions	Provision correction for dilapidations	74
Share premium	Correction of indirect equity raising costs to expense	109
Share based payment reserve	Correction of valuation of share-based payments	335