25 February 2021

Actual Experience plc
(the "Group", the "Company" or "Actual Experience")

Preliminary Results

Actual Experience plc (AIM: ACT), the analytics-as-a-service company, is pleased to announce its preliminary results for the year ended 30 September 2020.

Financial highlights

- Group revenue of £1.96m (2019: £1.93m), primarily generated from sales to Channel Partners
- Gross profit increased 29% to £1.02m (2019: £0.79m)
- Reduction in operating loss before exceptional item to £4.58m (2019: £6.26m)
- Reduction in loss for the year to £4.68m (FY19: loss of £5.91m)
- Cash at year end of £2.75m (FY19: £7.88m)

Operational highlights

- Completed pivot from a managed services to a professional services offering
- Switch to a professional services model resulted in a reduction of the cost base as well as improving operational efficiencies and reduced customer conversion times
- All Channel Partners ready to use the Company's Human Experience Management ("HXM") Business Impact Assessment ("BIA") and Continuous Improvement ("CI") offerings
    - Amendments made to agreements with two existing Channel Partners to accommodate new offerings
    - No amendements required to Vodafone's agreement to sell the new offerings

Post period highlights

- First large-scale Professional Services ("PS") engagement and subsequent deployment of a BIA project with a Channel Partner's large energy customer
- Completion of £10m Placing in January 2021, to expand sales and support teams in response to the growing pipeline of sales prospects, and smoothly on-board new Channel Partners
- Solid operational platform and sales funnel established by Channel Partners
- Over four million addressable employees or seats identified by Channel Partners
- Secured initial order from Oracle Corporation for the Company's BIA offering
- Signed a three-year framework agreement with an American multinational computer technology company to resell the Company's BIA and CI offering
- Completed first BIA project with legal firm Osborne Clarke

Dave Page, CEO of Actual Experience plc, said: *"This has been a challenging year, but we have worked exceptionally hard to launch our new HXM offerings, BIA and CI for business leaders, enabling them to improve their digital business, look after employees, and improve operational efficiency. We believe that Actual Experience has the ability to become a significant global player in the market for Human Experience Management. We have a growing number of new business opportunities in the pipeline and, in addition our existing Channel Partners are expected to start delivering our PS-led, BIA and CI offerings to their customers, and our recent successful fundraise in January 2021 will allow us to capitalise on the current market opportunity.*

"Whilst we will continue to monitor the wider market environment in regard to COVID-19, we are confident in delivering against our strategic objectives, and look forward to reporting on further progress with both new and existing Partners in due course."

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About Actual Experience

Actual Experience's goal is to significantly improve the performance of the digital world.

The Company enables its partners to optimise their customers' digital ecosystem to increase productivity and enhance brand experiences through Human Experience Management.

Developed from 10 years of patented academic research and three patents, the Company's Human Experience Management Services analyse the human experience of any digital service. The Company's service provides organisations with actionable information whereby changes to the digital ecosystem can be made to optimise and improve digital experience for customers and employees. For any organisation, this means that their most valuable asset - their employees - are liberated from digital slow time, their online brand reputation can be protected and they can make informed ecosystem investment decisions.

Actual Experience is listed on the London Stock Exchange (AIM: ACT). Our corporate headquarters is in Bath, UK. Actual Experience's unique and patented digital analytics-as-a-service is founded on cutting-edge research at Queen Mary University of London.

For further information please visit www.actual-experience.com

Chair's Statement

Introduction

I am pleased to report on the progress made during the financial year 2020 ("FY20"). In the first six months, we completed our pivot from a managed services to a professional services ("PS") offering. We have not only started to see quicker customer engagements and deployment cycles shorten as a result, but we expect this new approach to provide us with a wider range of opportunities.

The second half of the year was dominated by the impact of COVID-19 which accelerated digital transformation and the increased adoption of hybrid home and office working. The urgent need for businesses to enable efficient and effective remote working underscores the relevance of our offering, resulting in increased engagement from our Channel Partners, both existing and new. Wellbeing and productivity play a vital role in the effectiveness of remote working. The effects of COVID-19 have caused businesses to focus more on digital collaboration tools to analyse human experience. A white paper published by Verizon and Boston Consulting Group last June shows that Actual Experience's software has delivered tangible results in determining the cause of lost productivity within businesses which in turn may identify wellbeing concerns.

Financials and cash

Revenue for the 12 months increased marginally to £1.96m (FY19: £1.93m), whilst gross profit increased 29% to £1.02m (FY19: £0.79m). In line with expectations, cash as at 30 September 2020 was £2.8m (FY19: £7.9m).

Shareholders and Placing

We are thankful for the strong support shown by new and existing investors in our recent fundraise announced in January 2021. The placing will allow us to expand our sales and support teams in response to the growing pipeline of sales prospects and smoothly onboard new Partners. Additionally, it will enable us to expand the Company's technology development team to facilitate the development of enhanced cloud efficiency, scalability, and increased automation of report regulation for the PS engagements.

People

In what has been an unprecedented time for businesses, our colleagues have adjusted seamlessly to remote working and I want to thank them all for their hard work throughout the year. As previously announced, the Group has restructured the business to align itself with the evolved sales model which has resulted in a reduction of the cost base as well as improving operational efficiencies. We welcomed Jamie Dunkley to the senior leadership team in March 2020 as Chief Operating Officer following the resignation of his predecessor, Robin Young in February 2020. Jamie has been instrumental in ensuring smooth business continuity during the pandemic.

Outlook

The market opportunity for Actual Experience is significant, and the Board believes that the Group is well positioned for considerable revenue growth, supported by an excellent, expanding portfolio of Channel Partners and customers. The initial success of our recently launched Human Experience Management offering has demonstrated the need for businesses to analyse operational efficiencies and employee wellbeing. We expect further market engagement over the course of the current financial year as our Partners and their customers continue to adapt to the permanent change in work practices and realise the benefits of our technology service.

Stephen Davidson
Chair

Chief Executive's Statement

Introduction

As noted in the Chair's Statement, in the first half of the year we completed a pivot from a managed services-led offering to a professional services ("PS") led offering. The COVID-19 pandemic initially delayed the introduction of the PS offering as it diverted attention of the Company's Channel Partners towards implementing business continuity processes, not just for their customers but for their own organisations.

According to the McKinsey Global Survey of Executives[1], *"COVID-19 has pushed companies over the technology tipping point — and transformed business forever".* The increased adoption of hybrid home and office working has accelerated digital transformation, significantly increasing the relevance and addressable market of our offering.

Commercial Milestones - year in focus

As our Channel Partners and their customers adapted to new ways of conducting business in light of the pandemic, Verizon, together with Boston Consulting Group, published a White Paper that discussed the workplace of the future and more specifically what businesses need to do to enable hybrid working (a mix of office and remote working). It is a testament to our strong relationship with Verizon and the relevance of these new ways of working that we were the only third-party vendor cited in the report. During the initial lockdown, we created the new Human Experience Management ("HXM") Business Impact Assessment ("BIA") offering. BIA helps businesses quantify the impact of digital business performance on their employees whether they are at home, in the office or elsewhere, and on their overall business. BIA assesses top level business metrics and objectives such as operational efficiency, operational inequality, carbon footprint and employee wellbeing. Depending on the extent of the business impact identified by the BIA, the customer may then choose to proceed to the HXM Continuous Improvement ("CI") service, which runs for a minimum of 12 months. BIA and CI use a seat-based pricing model with a 'seat' being an employee.

As previously announced, Verizon signed an extension to its Master Service Agreement to sell and use HXM. An amendment was made to our agreement with Accenture to facilitate the sale of the new HXM offerings. Vodafone did not require an amendment to its agreement to sell the new offerings.

Post-period end, we were delighted to secure an initial order from Oracle Corporation and sign a three-year framework agreement with an American multinational computer technology company, both for our HXM offering.

Sales and Marketing

Our new offerings have been well received. We completed our first BIA project with legal firm Osborne Clarke, who reported that the analysis was extremely useful in helping them to understand employees' work practices and parts of the business that required support to improve their digital experience. In November 2020, we agreed the first large scale BIA engagement with one of our Channel Partners and one of their customers, a large complex global energy supplier. Initial introductions and testing began in August through to full scale deployment and an order for 10,000 employees in November 2020.

These initial deployments indicate emerging evidence of a shorter sales cycle of just four months compared to the processing of our previous managed service offerings, which could take up to 24 months. Since August 2020, the Company's Channel Partners have rapidly established a list of target customers amounting to over four million addressable employees or seats. This number continues to grow.

Product Development

Our focus for the year was the continued automation of our AaaS, concluding the development work to simplify managed services deployments and instigate work to streamline PS engagements. In particular, PS automation focuses on the ability to generate BIA and CI reports more quickly in order to increase the depth and breadth of the analysis.

Response to COVID-19

Throughout the year, the Group's top priority remained the health and safety of our employees, Channel Partners and their customers. The business continuity systems and procedures that we put in place enabled the quick transition of all employees to remote working, allowing us to continue providing full support to our Channel Partners with no compromise to service levels or delivery. Homeworking has proved successful for the business. Productivity levels have increased and as a result we are keeping future working practices, and their effects on the wellbeing of our employees, under review. As we look ahead, our vision is: 'not to commute to compute'.

The Board remains vigilant, assessing the impact of COVID-19 on the general economy and managing our cash resources carefully. Prior to the onset of the pandemic, we carried out a restructure of the business to support our pivot to PS. As a result, we were able to avoid furloughing any employees during the pandemic.

I would like to take this opportunity to thank the entire team for their unwavering support and dedication throughout this period.

Current trading and outlook

This has been a challenging year, but we have worked exceptionally hard to successfully launch our PS-led offering and deliver our HXM service to business leaders, enabling them to manage the impact COVID-19 has had on their "business as usual" processes. The progress we have seen since launching the PS products confirms that our Channel Partners and their customers understand the value of our offering.

We have a number of opportunities in the pipeline as our Channel Partners start delivering our PS-led offering to their customers. We believe that Actual Experience now has a solid operational platform and sales funnel with its Channel Partners to enable it to implement customer deployments more quickly, efficiently and on a larger scale, and our recent successful fundraise in January 2021 will allow us to capitalise on the current market opportunity.

We have an excellent, growing portfolio of Channel Partners and customers, and continue to believe that Actual Experience has the ability to become a significant global player in the market for Human Experience Management. Whilst we will continue to monitor the wider market environment in regard to COVID-19, we are confident in delivering against our strategic objectives, and look forward to reporting on further progress with both new and existing Partners in due course.

[1] McKinsey report

Dave Page
Chief Executive Officer

Financial Review

Revenue recognised in the year ended 30 September 2020 was £1,960,933 (2019: £1,934,082) and relates to the supply of analytical services and associated consultancy activities to customers.

99% of revenue was derived from sales to Channel customers (2019: 99%) with the balance arising from direct sales. This high percentage reflects the Group's strategic focus on generating revenue growth from its Channel Partners.

Gross profit

The gross profit for the year was £1,020,400, a significant improvement from the prior year (2019: £790,966). This improvement reflects further operational efficiency gains as the Group continues to provide full support to its Channel Partners.

Expenses

Administrative expenses comprising R&D, operational support, sales and marketing, finance and administration costs, and foreign exchange gains and losses, totalled £5,600,609, a decrease of £1,449,808 compared to the prior year. This decrease reflects the focus on effective management of the Group's cost base, in particular the restructuring of operations which resulted in a reduction in headcount of 19. Personnel costs, however, continue to be the largest expense and represent approximately 83% of the Group's cost base (2019: 81%). The functional cost breakdown is as follows:

Administrative expenses	**2020**	**2019**
	£	**£**
Research and development	1,960,213	2,546,368
Operational support	1,055,113	1,112,153
Sales and marketing	1,512,709	2,403,106
Finance and administration	1,045,116	1,066,049
Foreign exchange losses/(gains)	27,458	(77,259)
Total	**5,600,609**	**7,050,417**

Exceptional item

As noted in the Chair's Statement, the Company completed a restructuring of its operations in February 2020. The cost of the restructuring was £411,525 and is not included in the above table. The restructuring reduced headcount from 93 to 74 and, together with related costs such as employee travel expenses, has reduced operating expenses by approximately £200,000 per month, commencing in March 2020.

Tax

The tax credits recognised in the current and previous financial year arose from the accrual of R&D tax credits.

Loss for the year

Losses after tax totalled £4,681,488 (2019: loss of £5,911,950). This reduction in losses is the result of a significant decrease in administrative expenses, which reflects a continuing focus on rigorous expense management as well as operational efficiencies arising from the reorganisation.

Loss per share

The loss per share for the year was 9.87p (2019: loss per share of 13.04p). The reduction in loss per share reflects the decrease in total comprehensive loss for the year as well as an increase in the weighted average number of ordinary shares in issue.

Dividend

No dividend has been proposed for the year ended 30 September 2020 (2019: £nil).

Cash flow

We are investing in the growth of our operations to address what we believe to be a significant commercial opportunity and our cash flow from operations was therefore negative during the year ended 30 September 2020, and in line with expectations.

The Group's costs are mostly operating related, with very little investment required for capital infrastructure. Cash used by operating activities was £3,856,067 for the year, compared to cash used of £4,418,091 for the year ended 30 September 2019, with the improvement resulting from the reduction in losses. This operating cash requirement was funded by cash reserves. The Group ended the year with cash totalling £2,754,274 (2019: £7,876,634).

Free cash flow for the year was £(5,004,343) (2019: £(5,629,771)). Free cash flow is defined as net cash flows used in operating activities, plus development of intangible assets, plus purchase of property, plant and equipment. In January 2021, the Group successfully raised from existing and new shareholders gross proceeds of £10,000,000 through a share placing at 105p per share.

Software development capitalisation

The Directors believe that the software development capitalisation criteria in IAS38 have been met and accordingly development costs, net of amortisation charges, of £1,972,781 have been capitalised as at 30 September 2020 (2019: £1,792,465).

Accounting policies

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards. The Group's significant accounting policies have been applied consistently throughout the year and are further described in the Annual Report and Financial Statements.

Key performance indicators

As the Group is in the process of development and commercialisation of its services, the Directors consider the key quantitative performance indicators to be sales revenues of £1,960,933 (2019: £1,934,082) and the level of cash held in the business of £2,754,274 (2019:£7,876,634). The Board performs regular reviews of actual results against budget, and management monitors cash balances on a monthly basis to ensure that the business has sufficient resources to enact its current strategy. Certain non-financial measures, such as the number of active customers and deployed Digital Users, are monitored on a monthly basis. The Board will continue to review the KPIs used to assess the business as it grows.

Steve Bennetts
Chief Financial Officer

Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	**2020** **£**	2019 £
REVENUE	2	**1,960,933**	1,934,082
Cost of sales		**(940,533)**	(1,143,116)
GROSS PROFIT		**1,020,400**	790,966
Administrative expenses		**(5,600,609)**	(7,050,417)
OPERATING LOSS BEFORE EXCEPTIONAL ITEM		**(4,580,209)**	(6,259,451)
Exceptional item: redundancy expense		**(411,525)**	—
OPERATING LOSS	4	**(4,991,734)**	(6,259,451)
Finance income		**13,933**	54,235
Finance expense		**(31,140)**	(34,687)
Finance (expense)/income – net		**(17,207)**	19,548
LOSS BEFORE TAX		**(5,008,941)**	(6,239,903)
Tax	5	**327,453**	327,953
LOSS FOR THE YEAR		**(4,681,488)**	(5,911,950)
Other comprehensive expense:			
Items that may be reclassified to profit or loss:			
Foreign currency difference on translation of overseas operations		**(15,350)**	(7,241)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(4,696,838)**	(5,919,191)
LOSS PER ORDINARY SHARE			
Basic and diluted	6	**(9.87)p**	(13.04)p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share capital £	Share premium £	Accumulated losses £	Total equity £
At 1 October 2018	89,805	31,928,013	(18,959,190)	13,058,628
Loss for the year	—	—	(5,911,950)	(5,911,950)
Other comprehensive expense for the year	—	—	(7,241)	(7,241)
Total comprehensive expense for the year	—	—	(5,919,191)	(5,919,191)
Issue of shares	4,444	2,995,557	—	3,000,001
Expenses of share issue	—	(217,168)	—	(217,168)
Share-based payment expense	—	—	83,199	83,199
At 30 September 2019	94,249	34,706,402	(24,795,182)	10,005,469
Loss for the year	—	—	(4,681,488)	(4,681,488)
Other comprehensive expense for the year	—	—	(15,350)	(15,350)
Total comprehensive expense for the year	—	—	(4,696,838)	(4,696,838)
Transasction with owners in their capacity as owners:				
Issue of shares	1,035	61,947	—	62,982
Share-based payment credit	—	—	(174,842)	(174,842)
At 30 September 2020	**95,284**	**34,768,349**	**(29,666,862)**	**5,196,771**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	**2020** £	2019 £
ASSETS			
Non-current assets			
Property, plant and equipment		**58,997**	140,806
Right-of-use assets		**782,606**	894,398
Intangible assets	8	**1,972,781**	1,792,465
TOTAL NON-CURRENT ASSETS		**2,814,384**	2,827,669
Current assets			
Trade and other receivables		**690,514**	681,670
Income tax receivable	5	**295,550**	296,866
Cash and cash equivalents	7	**2,754,274**	7,876,634
TOTAL CURRENT ASSETS		**3,740,338**	8,855,170
TOTAL ASSETS		**6,554,722**	11,682,839
LIABILITIES			
Non-current liabilities			
Deferred tax	5	**(7,079)**	(14,317)
Lease liabilities		**(719,177)**	(866,134)
TOTAL NON-CURRENT LIABILITIES		**(726,256)**	(880,451)
Current liabilities			
Trade and other payables		**(519,393)**	(689,426)
Lease liabilities		**(112,302)**	(107,493)
TOTAL CURRENT LIABILITIES		**(631,695)**	(796,919)
TOTAL LIABILITIES		**(1,357,951)**	(1,677,370)
NET ASSETS		**5,196,771**	10,005,469
EQUITY			
Share capital		**95,284**	94,249
Share premium		**34,768,349**	34,706,402
Accumulated losses		**(29,666,862)**	(24,795,182)
TOTAL EQUITY		**5,196,771**	10,005,469

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	**2020** £	2019 £
Cash flows from operating activities			
Loss before income tax		**(5,008,941)**	(6,239,903)
Adjustments for:			
Depreciation of property, plant and equipment		**97,458**	125,136
Depreciation of right-of-use assets		**111,788**	111,788
Amortisation of intangible assets		**952,124**	982,808
Loss on disposal of property, plant and equipment		**181**	—
Non-cash employee benefits (credit)/expense – share-based payments (credit)/expense		**(174,842)**	83,199
Finance expense/(income) – net		**17,207**	(19,548)
Operating cash outflow before changes in working capital		**(4,005,025)**	(4,956,520)
Increase in trade and other receivables		**(4,968)**	(2,446)
Decrease in trade and other payables		**(167,605)**	(213,300)
Cash used in operations		**(4,177,598)**	(5,172,266)
Income taxes received		**321,531**	754,175
Net cash outflows from operating activities		**(3,856,067)**	(4,418,091)
Cash flows from investing activities			
Development of intangible assets	8	**(1,132,440)**	(1,196,046)
Purchases of property, plant and equipment		**(15,836)**	(15,634)
Finance income		**13,933**	54,235
Net cash outflow from investing activities		**(1,134,343)**	(1,157,445)
Cash flows from financing activities			
Proceeds from issue of share capital, net of costs		**62,982**	2,782,833
Principal element of lease payments		**(173,288)**	(138,630)
Employee Benefit Trust – loan (repayment)/advance		**(18,299)**	27,101
Net cash (outflow)/inflow from financing activities		**(128,605)**	2,671,304
Decrease in cash and cash equivalents		**(5,119,015)**	(2,904,232)
Effect of exchange rate fluctuations on cash held		**(3,345)**	4,350
Cash and cash equivalents at start of year		**7,876,634**	10,776,516
Cash and cash equivalents at end of year	7	**2,754,274**	7,876,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Basis of preparation

Actual Experience plc is a public limited company domiciled in the United Kingdom and incorporated in England. The Company's registered office is Quay House, The Ambury, Bath, BA1 1UA.

The financial information on pages 8 to 11 is extracted from the Group's consolidated financial statements for the year ended 30 September 2020, which were approved by the Board of Directors on 24 February 2021.

The financial information does not constitute statutory accounts within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union.

The Group's auditors, PricewaterhouseCoopers LLP, have given an unqualified audit opinion on the consolidated financial statements for the year ended 30 September 2020. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders on 29 March 2021 at the Company's Annual General Meeting.

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not contain sufficient information to comply with IFRS. The accounting policies used in the preparation of these audited financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 30 September 2019, as described in those financial statements, except where newly applicable accounting standards apply.

Going concern

At 30 September 2020, the Group had a cash and cash equivalents position of £2,754,274 with no bank debt. Subsequent to the year-end the Company raised £10.0m, before expenses, from a Placing with shareholders. The Directors have prepared detailed projections of future cash flows to September 2024 which reflect the different revenue growth assumptions.

After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future due to the current strong cash balances from the recent successful fundraise in January 2021. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2 Revenue

The information that is presented to the Chief Executive Officer, who is considered to be the Chief Operating Decision-Maker (CODM), for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group. Due to the current size and activities of the Group, there is a high degree of centralisation of activities. The Directors therefore consider that there is one operating, and hence one reportable, segment for the purposes of presenting information under IFRS 8; that of Human Experience Management Services. There are no differences between the segment results and the Consolidated Statement of Comprehensive Income. The assets and liabilities information presented to the CODM is consistent with the Consolidated Statement of Financial Position.

During the year ended 30 September 2020 the Group had two customers who generated more than 10% of total revenue. These customers generated 82% and 14% of revenue respectively.

During the year ended 30 September 2019 the Group had two customers who generated more than 10% of total revenue. These customers generated 79% and 17% of revenue respectively.

An analysis of revenues by geographic location of customers is set out below:

	2020	2019
	£	£
United Kingdom	**353,100**	396,300
United States of America	**1,607,833**	1,537,782
	1,960,933	1,934,082

3 Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects are capitalised when all the following criteria are satisfied:

a. completion of the intangible asset is technically feasible so that it will be available for use or sale;

b. the Group intends to complete the intangible asset and use or sell it;

c. the Group has the ability to use or sell the intangible asset and the intangible asset will generate probable future economic benefits over and above cost;

d. there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

e. the expenditure attributable to the intangible asset during its development can be measured reliably.

The Directors believe that the criteria for capitalising development costs have been met in respect of certain projects. Consequently, the identifiable costs relating to these projects have been capitalised as intangible assets. The capitalised costs are being amortised over the estimated useful lives of those assets and the amortisation charge for the period is included within ‘Administrative expenses’ in the Consolidated Statement of Comprehensive Income. Expenses for research and development include associated wages and salaries, material costs and directly attributable overheads.

The estimated useful life of the development costs capitalised is two years. Amortisation commences when the project is available for use within the business.

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

4 Operating Loss

	2020	2019
	£	£
Loss from operations is stated after charging/(crediting):		
Depreciation on property, plant and equipment	**97,458**	125,136
Depreciation of right-of-use assets	**111,788**	111,788
Amortisation of intangible assets	**952,124**	982,808
Employee costs (including exceptional item)	**4,332,180**	5,133,281
Foreign exchange losses/(gains)	**27,458**	(77,259)

Auditors' remuneration:		
– Audit of these financial statements	**50,750**	43,000
Total auditors' remuneration	**50,750**	43,000

An exceptional item of £411,525 has been separately disclosed on the Consolidated Statement of Comprehensive Income. This relates to redundancy costs following a corporate reorganisation.

5 Tax

Tax on loss

	2020	2019
	£	£
Current tax:		
UK corporation tax on losses of the year	**(295,550)**	(296,866)
Prior year adjustment	**—**	(30,911)
Overseas taxes	**(24,665)**	12,370
Deferred tax:		
Origination and reversal of timing differences	**(7,238)**	(12,546)
Total tax credit	**(327,453)**	(327,953)

Factors affecting the current tax credits

The tax assessed for the year varies from the standard UK company rate of corporation tax as explained below:

	2020	2019
	£	£
Loss before tax	**(5,008,941)**	(6,239,903)
Tax at the UK corporate tax rate of 19% (2019: 19%)	**(951,699)**	(1,185,582)
Effects of:		
Expenses not deductible for tax purposes	**174,739**	231,498
Unrecognised deferred tax asset on losses	**851,347**	1,010,552
Research and development enhancement in respect of the current year	**(342,334)**	(354,985)
Prior year adjustment	**—**	(30,911)
Employee Share acquisition adjustment	**(61,156)**	—
Change in rate of tax used to calculate deferred tax liability	**1,650**	1,475
Tax credit for the year	**(327,453)**	(327,953)

The Group has tax losses carried forward of approximately £34,800,000 (2019: £30,355,000).

The Group has incurred qualifying expenditure on research and development projects which has given rise to tax credits due from HM Revenue and Customs. At 30 September 2020, the amount due from HMRC was £295,550 (2019: £296,866).

Deferred tax

Deferred tax relates to the following:

	2020	2019
	£	£
Accelerated depreciation for tax purposes	**7,079**	14,317
Deferred tax liability	**7,079**	14,317

Reconciliation of deferred tax liabilities

	2020	2019

	£	£
Balance at the beginning of the year	**14,317**	26,863
Credit to the Consolidated Statement of Comprehensive Income	**(7,238)**	(12,546)
Balance at the end of the year	**7,079**	14,317

The Group has not recognised the net deferred tax asset in respect of tax losses in the Consolidated Statement of Financial Position due to the uncertainty in the timing of when it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Group has not recognised the net deferred tax asset of £9,286 (2019: £13,469) arising on the recognition of right-of-use assets and the associated lease liability following the adoption of IFRS 16 on the basis that it is not material.

6 Loss per ordinary share

Basic loss per share is calculated by dividing the loss attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the year. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year to assume conversion of all dilutive potential ordinary shares.

The Company has one class of potentially dilutive ordinary shares, being those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. However, due to losses incurred in both the current and previous financial year there is no dilutive effect from the potential exercise of these dilutive shares.

	2020	2019
	£	£
Total loss attributable to the equity holders of the parent	**(4,681,488)**	(5,911,950)

	No.	No.
Weighted average number of ordinary shares in issue during the year	**47,452,334**	45,334,606
Loss per share		
Basic and diluted on loss for the year	**(9.87)p**	(13.04)p

The weighted average number of shares in issue throughout the year is as follows:

	2020	2019
Issued ordinary shares at the beginning of the year	**47,124,561**	44,902,338
Effect of shares issued in July 2019	—	432,268
Effect of shares issued in October 2019	**20,970**	—
Effect of shares issued in November 2019	**199,995**	—
Effect of shares issued in March 2020	**81,036**	—
Effect of shares issued in April 2020	**19,830**	—
Effect of shares issued in August 2020	**5,622**	—
Effect of shares issued in September 2020	**320**	—
Weighted average number of shares at the end of the year	**47,452,334**	45,334,606

7 Cash and cash equivalents

	2020	2019
Bank credit rating:	**£**	£
A+	**2,660,809**	3,754,036
BBB+	**93,465**	—
BBB-	**—**	4,122,598

Cash and cash equivalents	**2,754,274**	7,876,634

The above gives an analysis of the credit rating of the financial institutions where cash balances are held.

All of the Group’s cash and cash equivalents at 30 September 2020 are held in instant access current accounts or short-term deposit accounts. Balances are denominated in UK sterling (£) and US dollars ($) as follows:

	2020	2019
	£	£
Denominated in UK sterling	**2,482,598**	7,015,209
Denominated in US dollars	**271,676**	861,425
Cash and cash equivalents	**2,754,274**	7,876,634

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

8 Intangible assets

	Development costs £
Cost	
At 1 October 2018	3,112,397
Additions	1,196,046
At 30 September 2019	4,308,443
Additions	1,132,440
At 30 September 2020	**5,440,883**
Accumulated amortisation and impairment losses	
At 1 October 2018	1,533,170
Charge for the year	982,808
At 30 September 2019	2,515,978
Charge for the year	952,124
At 30 September 2020	**3,468,102**
Net book value	
At 30 September 2020	**1,972,781**
At 30 September 2019	1,792,465
At 30 September 2018	1,579,227

Amortisation and impairment charge

The amortisation of development costs is recognised within administrative expenses in the Consolidated Statement of Comprehensive Income.

9 Annual Report and Financial Statements

The Company's Annual Report and Financial Statements for the year ended 30 September 2020, together with a notice convening the Company's Annual General Meeting, will be posted to shareholders in due course.