



Physitrack Limited

REPORT AND FINANCIAL STATEMENTS

Year ended 30 November 2018



Registered Number: 08106661

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DIRECTORS

N Skwortsow
H P Molin

REGISTERED OFFICE

6th Floor
125 Wood Street
London
EC2V 7AN

SOLICITORS

Harper James Solicitors
10 Fitzroy Square
London
W1T 5HP

Coole Bevis LLP
Lanes End House
15 Prince Albert Street
Brighton
BN1 1HY

The Directors present their strategic report for the year 30 November 2018.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The traction that Physitrack (“the Company”) had in 2017 in terms of commercialisation and user growth continued to accelerate in 2018 and the Company closed out the year on a lifetime high in terms of monthly revenue. November’s 2018 revenue of £155,919 (representing a £1.87MM 12 month run rate) was close to the run rate target of £2MM that was set at the end of the previous fiscal year.

Total revenue for the year was £811,404, which was a 106% increase compared to 2017. The revenue growth pace set in 2017, 96%, was thereby maintained.

Physitrack’s recognition of revenue is in line with the ASC 606 directive for listed US SaaS companies, which stipulates that revenue for longer contracts should be allocated monthly across the life of the contract.

In terms of profitability, the £431,145 EBITDA Physitrack posted for the fiscal year represents an extraordinary EBITDA margin of 53%, which is a substantial improvement to the EBITDA margin of 2017 which was 30% and above the target of 50% set at the end of 2017.

The Company’s target run rate for 2019 stands at £2.5MM, with a projected EBITDA margin of 60% as a result of revenue generated from existing technology and expanding the business development team.

The pre-tax loss was £47,571, which is a significant improvement to the £211,516 loss that was posted at the end of the 2017 fiscal year.

As was reported by the media in 2017, Physitrack intends to file for a Nasdaq First North IPO, based on EBITDA momentum. While key performance indicators remain strong, and the situation for the company would have made a listing in 2018 possible, the Directors chose not to pursue a listing this year. The decision to postpone the listing is based on the intent of improving valuation levels by accelerating growth and margins, notably in the US and German markets, so that a favourable valuation as possible can be achieved. There is currently no fixed timeline for a listing, but it is not unlikely that it takes place as early as Q1 2020.

Business development

Physitrack’s rapid growth of the mostly automated small to mid-size sales effort continued thanks to endorsements by industry bodies and collaborations with EMR providers.

Access to board rooms following closing of significant reference deals in all our target markets helped our Enterprise sales effort win new ground. Notably, in the UK market, the market share among private insurance linked rehabilitation providers closed in on 70-80% following closing deals with notable market players such as Ascenti Health Limited. The latter also contributed to Physitrack’s continued success in the UK public healthcare system (NHS) which is expected to have close to 40% of its trusts use Physitrack once Ascenti is onboarded.

Elsewhere in Europe, we saw strong growth in our core markets the Netherlands and the UK, with run rates increasing over 100% in both areas respectively.

On the other side of the Atlantic Ocean, the Canadian and US markets grew strongly as well with their run rates growing 100% and 80% respectively.

Product development

As always, the Physitrack team remains committed to strong R&D to make sure we keep staying ahead of the innovation curve in our industry.

In 2018, there was a significant overhaul in our application development process with the split of our development efforts into two separate teams – features development and optimisations on the one hand, and Site Reliability Engineering on the other hand. With growing usage – healthcare providers using the Physitrack platform added close to 100,000 new patient programs per month at the end of the fiscal year - comes growing pressure to maintain speed and stability and investments in SRE have paid off nicely in terms of minimal down time and speed.

The exercise library was expanded significantly with specialised anatomical content and 3D animations in 2018 and work will continue in 2019 with a steady stream of clinical exercises and education to ensure that the Physitrack library remains the best in the market.

The Directors present their report together with the financial statements of the company for the year ended 30 November 2018.

PRINCIPAL ACTIVITIES

The Company's principal activity was to develop and market software applications for digital therapeutics.

DIRECTORS

The Directors shown below have held office during the whole of the year from 1 December 2017 to the date of this report:

N Skwortsow
H P Molin

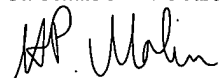
SMALL COMPANIES PROVISION

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party provision is in place for the benefit of all Directors of the Company.

On behalf of the Board



H P Molin
Director / CEO & co-founder

11 June 2019

Physitrack Limited
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 30 November 2018



The directors are responsible for preparing the Directors' Report 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Physitrack Limited
INCOME STATEMENT
For the year ended 30 November 2018



	<i>Notes</i>	2018 £	2017 £
TURNOVER	2	811,404	393,674
Administrative expenses		(859,000)	(605,197)
OPERATING LOSS		(47,596)	(211,523)
Interest receivable		25	7
LOSS BEFORE TAXATION	3	(47,571)	(211,516)
Taxation	4	-	142,769
LOSS FOR THE FINANCIAL YEAR		(47,571)	(68,747)

The Company has taken advantage of FRS102 Section 3 Paragraph 3.19 to present only an Income Statement as it has no items of other comprehensive income.

All results derive from continuing operations.

Physitrack Limited
STATEMENT OF FINANCIAL POSITION
For the year ended 30 November 2018



Company registration No.: 08106661

	<i>Notes</i>	2018 £	2017 £
FIXED ASSETS			
Investments	5	1	1
Intangible assets	6	1,561,700	1,394,439
		<u>1,561,701</u>	<u>1,394,440</u>
CURRENT ASSETS			
Cash and cash equivalents	7	83,745	63,492
Trade and other receivables	8	138,356	203,195
		<u>222,101</u>	<u>266,687</u>
CURRENT LIABILITIES			
Trade and other payables	9	(539,462)	(469,192)
		<u>(317,361)</u>	<u>(202,505)</u>
NET CURRENT LIABILITIES			
		<u>(317,361)</u>	<u>(202,505)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,244,340</u>	<u>1,191,935</u>
CAPITAL AND RESERVES			
Called up share capital	10	9,997	9,950
Share premium	11	2,085,672	1,985,743
Profit and loss account	12	(851,329)	(803,758)
		<u>1,244,340</u>	<u>1,191,935</u>
SHAREHOLDERS' FUNDS		<u>1,244,340</u>	<u>1,191,935</u>

The company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the year ended 30 November 2018.

The members have not required the company to obtain an audit file of its financial statements for the year ended 30 November 2018 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provision of Part 15 of the Companies Act 2006 relating to small entities.

The notes on pages 8 to 13 form part of these financial statements.

Approved by the board of directors and authorised for issue on 11 June 2019 and signed on their behalf by:

H P Molin
Director

1. ACCOUNTING POLICIES

A. GENERAL INFORMATION

Physitrack Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales, registration number 08106661. The registered address is:

6th Floor
125 Wood Street
London
EC2V 7AN

The principal activity of the company is to develop and market software applications for digital therapeutics.

B. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') Section 1A small entities and the Companies Act 2006.

The functional currency of the company is considered to be Pound Sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in Pound Sterling. Foreign operations are included in accordance with the policies set out below.

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

TURNOVER

Turnover represents invoiced sale of goods rendered during the year, stated net of Value Added Tax.

INTANGIBLE FIXED ASSETS

Patents and trademarks are included at cost. The application has a useful life of six years and therefore amortisation will commence over this useful life on a straight line basis which commenced from 1 December 2015.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Principal exchange rates used at the year end were:-

£1	=	1.27579 USD (2017: £1 = 1.35139 USD)
£1	=	1.74482 AUD (2017: £1 = 1.78927 AUD)
£1	=	1.12705 EUR (2017: £1 = 1.13670 EUR)
£1	=	1.69514 CAD (2017: £1 = 1.74328 CAD)
£1	=	1.27340 CHF (2017: £1 = 1.33064 CHF)

GOING CONCERN

The Directors are satisfied the Company will continue to be a going concern with future investment from Directors and third parties for the foreseeable future and therefore have prepared the accounts on this basis.

FINANCIAL INSTRUMENTS

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

1. ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments are measured at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

INVESTMENTS

Investments are stated at historical cost less any provision for impairment.

TAXATION

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the reporting date to pay more tax, or a right to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

In the opinion of the Directors all revenue is derived from a single class of business. The following table provides an analysis of the company's turnover by geographical market.

	2018	2017
	£	£
Australia	61,066	130,234
Europe	631,916	202,117
North America	73,017	34,593
Other	45,405	26,730
Total licence sales from patented technology	811,404	393,674

3. LOSS BEFORE TAXATION

	2018	2017
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Foreign exchange (gain) / loss	(2,237)	4,113
Operating lease expenses	9,868	5,421
Amortisation	478,741	334,581

There was no directors' remuneration during the year (2017: nil). The average number of employees during the year was 2 (2017: 2) and both held the position as Directors.

4. TAXATION

	2018	2017
	£	£
Current tax:		
UK corporation tax on loss for the year	-	-
Adjustments in respect of prior years	-	(142,769)
Total current tax	-	(142,769)
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on loss on ordinary activities	-	(142,769)
	2018	2017
	£	£
Loss before tax	(48,487)	(211,517)
Loss before tax multiplied by the UK rate of taxation 19% (2017: 19.33%)	(9,213)	(40,886)
Effects of:		
Change in unrecognised deferred tax asset	9,213	40,886
Prior year adjustments in respect of R&D	-	(142,769)
Total tax credit for the year	-	(142,769)

5. INVESTMENTS

	Investment in subsidiary £
Cost	
1 December 2017 and 30 November 2018	1
Amortisation	
1 December 2017 and 30 November 2018	-
Net book value	
30 November 2018	1
30 November 2017	1

Details of the investment, including the name, proportion of ownership interest is given below:

Subsidiary undertaking	Registered office	Principal activity	%
Physia Limited	100 Church Street, Brighton, East Sussex, England, BN1 1UJ	Dormant	100%

6. INTANGIBLE ASSETS

	Patented mobile application £
Cost	
1 December 2017	1,989,239
Additions	646,002
30 November 2018	2,635,241
Amortisation	
1 December 2017	594,800
Charged in the year	478,741
30 November 2018	1,073,541
Net book value	
30 November 2018	1,561,700
30 November 2017	1,394,439

7. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash and cash equivalents	83,745	63,492

8. TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Trade receivables	126,484	50,088
Prepayments	3,008	1,474
Corporation tax receivable	-	142,769
Other	8,864	8,864
	<u>138,356</u>	<u>203,195</u>

9. TRADE AND OTHER PAYABLES

	2018 £	2017 £
Trade payables	134,524	81,411
Directors' loan and other accounts	364,464	367,030
Accruals	10,627	2,927
Deferred revenue	22,009	16,072
VAT payable	4,988	1,752
Other	2,850	-
	<u>539,462</u>	<u>469,192</u>

10. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid 9,997 (2017: 9,950) Ordinary shares of £1 each	9,997	9,950

On 5 February 2018 a total of 42 ordinary shares were issued at a total consideration of £89,350 and have been fully paid up. On 7 March 2018 a total of 5 ordinary shares were issued at a total consideration of £ 10,626 and have been fully paid up.

11. SHARE PREMIUM ACCOUNT

	2018 £	2017 £
At 1 December	1,985,743	1,985,743
Shares issued	99,929	-
At 30 November	<u>2,085,672</u>	<u>1,985,743</u>

12. PROFIT AND LOSS ACCOUNT

	2018 £	2017 £
At 1 December	(803,758)	(735,011)
Loss for the financial year	(47,571)	(68,747)
At 30 November	<u>(851,329)</u>	<u>(803,758)</u>

13. ULTIMATE CONTROLLING PARTY

Mr H P Molin and Mr N Skwortsow, Directors of the company have ultimate control of the company as a result owing the majority of the issued capital of the company.

14. RELATED PARTY TRANSACTIONS

A loan repayment totalling £3,321 (2017 loan advancement: £12,497) was paid to H Molin, in respect of financing. At 30 November 2018, £102,821 (2017: £106,142) was due to the Director.

A loan advanced totalling £755 (2017: £35,186) was received from N Skwortsow, in respect of financing. At 30 November 2018, £174,305 (2017: £173,550) was due to the Director.

A loan advanced totalling £nil (2017: £Nil) was received from M McConville, part of the key management personnel, in respect of financing. At 30 November 2018, £87,338 (2017: £87,338) was due to M McConville.

There is no stated repayment date or interest charges as part of these loans advanced from the key management personnel.