

18 September 2013

**Cambridge Cognition Holdings Plc
("Cambridge Cognition" or the "Company")**

Interim Results for the six months ended 30 June 2013

Cambridge Cognition Holdings plc, (AIM: COG), which specialises in computerised neuropsychological tests including those enabling the early detection of dementia, announces its Interim Results for the six months ended 30 June 2013; its first reported financial results since admission to AIM.

Cambridge Cognition's product portfolio consists of:

<i>CANTABmobile™</i>	Recently launched medical software for use in healthcare delivery settings
<i>CANTABeclipse™</i>	Cognitive test products for researchers working in a non-regulated environment, typically in academia
<i>CANTABelect™</i>	Products and services for use in pharmaceutical clinical trials

Operational Highlights

- Successful admission to AIM in April 2013
- £5.0m (before expenses) raised at 70p – particularly to accelerate the rollout of *CANTABmobile*
- Over 100 *CANTABmobile* trial licences in use across the UK – with excellent trial conversion rates so far
- Establishment of UK sales and marketing team for *CANTABmobile*
- Appointment of Nick Kerton as CEO and Nick Walters as CFO

Financial Highlights

- Total revenue of £2.0m (H1 2012: £2.6m)
- Adjusted* EBITDA of £1.0m loss (H1 2012: £0.5m loss)
- Loss before tax of £1.5m (H1 2012: £0.7m loss)
- Loss per share 14.4p (H1 2012: 12.2p)
- Cash balances of £3.3m (31 Dec 2012: £0.6m)

** Adjusted for share-based payments and one-off IPO expenses*

Commenting on the results Nick Kerton, Chief Executive Officer, said:

"The most exciting opportunity that faces the Company is the accelerated adoption of *CANTABmobile* across the UK, as well as the prospect of introducing the product into key additional geographies. Our sales and marketing team is now in place to exploit this opportunity and we have carefully aligned our cost base with our commercialisation strategy to ensure that the business continues to perform in line with expectations at the EBITDA level. I look towards the rest of the year and to 2014 with optimism."

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CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to provide a report on our results for the first half of the year, the first set of financial results since our admission to AIM in April this year and my first since taking on the role of Chief Executive. The first six months of the year was very much about building a platform for future growth.

In April, we completed our admission to the AIM market of the London Stock Exchange and raised £5.0m (before expenses) from institutional investors. These funds will be used to accelerate the roll-out of our *CANTABmobile* product and aid the expansion of the e-Health business in the UK and internationally.

Financial Results

Revenue in the period was £2.0m (H1 2012: £2.6m), the reduction being within our clinical trials business. Revenues from this *CANTABelect* business reduced in the period to £1.3m (H1 2012: £2.1m), as a result of fewer new studies incorporating cognitive assessments in 2013, and a shift in the timing of expected orders from pharmaceutical clients into the second half of the year. Revenues from our academic business performed well with sales from *CANTABeclipse* up 18% to £0.6m (H1 2012: £0.5m). Our third and newest revenue stream, from *CANTABmobile*, the Company's newly launched iPad based product for the primary healthcare market, is progressing well from a low starting base and achieved revenues of £149,000 (H1 2012: £6,000).

Overall gross profit came in at £1.7m (H1 2012: £2.1m), showing an improvement in gross profit margin to 86.0% (H1 2012: 82.8%). Adjusted EBITDA (adjusted for share-based payments and one-off expenses associated with the Admission to AIM) showed a loss of £1.0m (H1 2012: £0.5m loss) and we recorded a loss before tax of £1.5m (H1 2012: £0.7m loss). This translated into a loss per share of 14.4p (H1 2012: 12.2p).

There was a net cash outflow from operations during the period of £1.4m (H1 2012: outflow of £0.4m). During the period the Company received £4.4m in net proceeds from the placing of new ordinary shares with institutional investors and, after the payment of a further £0.3m of deferred consideration, cash balances at 30 June 2013 amounted to £3.3m (as at 31 December 2012: £0.6m).

Operating Review

CANTABmobile™ (Mobile e-Health)

CANTABmobile is our approved CE-marked Class II medical device, which addresses the need to rapidly detect early memory loss or signs of cognitive impairment. The product runs on an iPad and is targeted at mainstream primary healthcare markets and is based on tests previously only available, through the Company's other product offerings, to pharmaceutical companies and academia for specialist trials and research.

Over 100 *CANTABmobile* licences are being used in trials throughout the UK. We currently have 17 *CANTABmobile* customers, including 6 Clinical Commissioning Groups (CCGs), a number of private healthcare groups, a pharmacy chain and a clinical centre in Germany. Whilst it is early stages, we are very pleased that no trial has ended without converting into a customer sale.

The full roll out of this product has seen some delays due to the time taken to establish a dedicated sales and marketing function. These issues have since been resolved: the UK sales and marketing team for *CANTABmobile* is now in place and whilst their efforts are expected to have some benefit in the second half of 2013, their main contribution is expected to be in the conversion of current trials, and the generation of *CANTABmobile* sales in 2014 and beyond.

We remain confident of our strategy to move into the mobile e-Health market and believe that there are strong political and economic drivers for the increased timely diagnosis of people with dementia. The recent direct enhanced services (DES) that are offered to GPs to reward practices for undertaking additional

services specifically address the timely assessment of patients who may be at risk of dementia. We believe that *CANTABmobile* is an attractive product for GPs looking to qualify for funds under the Quality and Outcomes Framework for the provision of these services. According to the DES, an average-sized GP practice could receive an upfront payment of £2,587 to set up the service and will then be eligible to share in a national pool of £21m, depending on the number of assessments they complete.

We are actively developing a full product line extension programme for *CANTABmobile* to ensure that our product fulfills the needs of GPs and maintains a technological lead over other solutions, which are typically paper based tests requiring specialist training to perform and analyse. The development of a secondary care *CANTABmobile* product continues to progress and we expect to start assessing patients as part of the UK Brain Health Centre Pilot before the end of the year. The Company is also planning expansion into additional geographical markets, particularly within Europe where we have CE marking. We are in the process of recruiting a new Commercial Director who will define our launch strategy for geographies beyond the UK.

Whilst the establishment of the sales and marketing team has taken longer than expected, we are now well positioned to capitalise on the opportunity for wider dementia diagnosis in the UK and we are confident that this part of the business in particular will generate significant value for shareholders.

CANTABeclipse™ (Academic)

The academic business continues to provide a strong contribution to the Company, with continued growth, with revenues up 18%, from a highly profitable product line. The continued expansion of our presence in global research institutions provides the added benefit of generating loyalty with current researchers and, importantly the next generation of new graduates, who will continue to rely on *CANTABeclipse* for a comprehensive suite of computerised cognitive tests. This business provides steady, good quality earnings for the Company and provides strong future revenue visibility.

CANTABelect™ (Pharma)

The pharmaceutical side of our business has been more challenging where we have little control of the timing of orders relating to pharmaceutical clinical trials. Revenues were down on the comparative period to £1.3m (H1 2012: £2.1m). This reflects an overall reduction in the pharmaceutical market of new cognition studies starting in 2013 and also the fact that a number of clinical trials that were expected to contribute to the first half have been delayed and are now expected to commence in the second half of the financial year.

There are major global political and therapeutic drivers to develop drugs that prevent disorders of the Central Nervous System (CNS), with Alzheimer's being the most actively researched disorder within the CNS group. However, the cost of development of CNS drugs is among the highest of any therapeutic area and we have seen a reduction in 'big pharma' conducting CNS trials, with an increase from smaller biotech companies. As a result, the average contract values for new cognitive studies have also reduced during the period.

Despite pharmaceutical companies being more cautious in implementing CNS trials, there is a good pipeline of new business, with a c. 38% increase in new opportunities and a c. 45% increase in pipeline value. In addition, the Company has developed a new Cloud based software system to provide a new product for use in Phase I trials, called Cantab ONE. This product allows greater customisation in the early stages of CNS trials and allows Phase I clinics to run our tests without the need for a one-to-one administration, improving ease of use as well as reducing the burden on the clinic. This product can also be used by the client to configure their own studies, giving them more control and flexibility.

Cantab ONE will be complementary to the existing *CANTABelect™* products which are mainly used in Phase II and Phase III. We would expect that Cantab ONE will not only enlarge our addressable market, but also ensure that Cambridge Cognition products are established within a study from the outset of the clinical trial process, providing a better base for building the pipeline of later phase studies in the second half of 2013.

We plan to have the Cloud platform fully replace the current Elect platform, following a development plan driven by customer and market needs.

Corporate update

In August, we announced my appointment as Chief Executive Officer of the Company and the appointment of Nick Walters as Chief Financial Officer, succeeding Ruth Keir and David Blair respectively. I would like to thank Ruth and David for their contribution to the business and their work in leading the business through a successful admission to AIM. I am very excited about the opportunities that exist for the Company and look forward to working with the team at Cambridge Cognition to take the business to the next stage of its development.

The restructuring of the management team also provides the opportunity for the Company to review its overall cost structure and to ensure that it is aligned with our commercialisation strategy. This process is ongoing and will be geared towards transforming the Company into a product focused business with effective routes to market in the UK as well as other international territories. The goal will be to optimise efficiency within the business, maximise the market adoption of *CANTABmobile* and deliver significant returns for shareholders.

Outlook

Having taken on my new role I remain confident about the overall outlook of the business. There is no doubt that the pharmaceutical business will continue to be challenging, which adds to the unpredictability of timing for new trial starts. That said we do have a number of trials that are expected to commence in the second half of 2013, as well as a healthy pipeline of new business. In addition, our Phase I product will expand our reach into this market and help establish our relationship much earlier in the clinical trial process. The academic business will continue to provide reliable revenue growth and good visibility of earnings.

The most exciting opportunity that faces the Company is the accelerated adoption of *CANTABmobile* across the UK, as well as the prospect of introducing the product into key additional geographies. Our UK sales and marketing team is now in place to exploit this opportunity and we have carefully aligned our cost base with our commercialisation strategy to ensure that the business continues to perform in line with expectations at the EBITDA level. I look towards the rest of the year and to 2014 with optimism.

Nick Kerton
Chief Executive Officer
17 September 2013

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
For the six months ended 30 June 2013

		6 months to 30 June 2013	6 months to 30 June 2012	12 months to 31 December 2012
	Note	unaudited £'000	unaudited £'000	audited £'000
Revenue	5	2,018	2,594	5,684
Cost of sales		(283)	(447)	(1,217)
Gross Profit		1,735	2,147	4,467
Administrative expenses		(3,193)	(2,842)	(5,921)
Operating (loss)		(1,458)	(695)	(1,454)
Analysed as:				
Adjusted EBITDA		(1,044)	(532)	(1,276)
Depreciation		(19)	(16)	(37)
Share-based payments charge		(48)	(85)	(141)
AIM listing expenses		(347)	-	-
Operating (loss)		(1,458)	(633)	(1,454)
Finance costs		(35)	(62)	(122)
(Loss) before tax		(1,493)	(695)	(1,576)
Income tax		-	-	-
(Loss) for the period attributable to the equity shareholders of the Company		(1,493)	(695)	(1,576)
Earnings per share (pence)	6			
Basic		14.4	12.2	26.4
Diluted		14.4	12.2	26.4

Total comprehensive income equates to the loss for the period reported above.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 June 2013

	Share capital £'000	Share premium £'000	Own shares £'000	Other reserve £'000	Equity reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2012	61	-	(204)	5,860	196	(6,289)	(376)
Total comprehensive income for the period	-	-	-	-	-	(695)	(695)
Reserve transfer	-	-	-	-	(28)	28	-
Issue of new share capital	4	-	-	121	-	-	125
Credit to equity for equity settled share based payments	-	-	-	-	-	85	85
Transactions with owners	4	-	-	121	(28)	113	210
Balance at 30 June 2012	65	-	(204)	5,981	168	(6,871)	(861)
Balance at 1 January 2012	61	-	(204)	5,860	196	(6,289)	(376)
Total comprehensive income for the year	-	-	-	-	-	(1,576)	(1,576)
Reserve transfer	-	-	-	-	(28)	28	-
Issue of new share capital	7	-	-	121	-	-	128
Credit to equity for equity settled share based payments	-	-	-	-	-	141	141
Transactions with owners	7	-	-	121	-	141	269
Balance at 31 December 2012	68	-	(204)	5,981	168	(7,696)	(1,683)
Balance at 1 January 2013	68	-	(204)	5,981	168	(7,696)	(1,683)
Total comprehensive income for the period	-	-	-	-	-	(1,493)	(1,493)
Reserve transfer	-	-	-	-	(168)	168	-
Issue of new share capital	101	6,922	-	-	-	-	7,023
Share issue costs	-	(587)	-	-	-	-	(587)
Credit to equity for equity settled share based payments	-	-	-	-	-	48	48
Transactions with owners	101	6,335	-	-	(168)	216	6,484
Balance at 30 June 2013	169	6,335	(204)	5,981	-	(8,973)	3,308

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	At 30 June 2013 unaudited £'000	At 30 June 2012 unaudited £'000	At 31 December 2012 audited £'000
Note			
Assets			
Non-current assets			
Goodwill	352	352	352
Property, plant and equipment	56	77	72
Total non-current assets	408	429	424
Current assets			
Inventories	103	112	113
Trade and other receivables	1,115	1,641	1,219
Cash and cash equivalents	3,320	979	641
Total current assets	4,538	2,732	1,973
Total assets	4,946	3,161	2,397
Liabilities			
Current liabilities			
Trade and other payables	1,638	4,022	3,780
Provisions	-	-	300
Total liabilities	1,638	4,022	4,080
Equity			
Share capital	169	65	68
Share premium account	6,335	-	-
Other reserve	5,981	5,981	5,981
Own shares	(204)	(204)	(204)
Equity reserve	-	168	168
Retained earnings	(8,973)	(6,871)	(7,696)
Total equity	3,308	(861)	(1,683)
Total liabilities and equity	4,946	3,161	2,397

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 June 2013

		6 months 30 June 2013	6 months 30 June 2012	12 months to 31 December 2012
	Note	unaudited £'000	unaudited £'000	audited £'000
Net cash flows from operating activities	9	(1,431)	(373)	(701)
Investing activities				
Payment of deferred consideration		(300)	-	-
Purchase of property, plant and equipment		(3)	(39)	(55)
Net cash flow used in investing activities		(303)	(39)	(55)
Financing activities				
Proceeds from the issue of share capital net		4,413	-	6
Net cash flows from financing activities		4,413	-	6
Net increase in cash and cash equivalents		2,679	(412)	(750)
Cash and cash equivalents at start of period		641	1,391	1,391
Cash and cash equivalents at end of period		3,320	979	641

NOTES TO THE INTERIM FINANCIAL STATEMENT

1. General information

Cambridge Cognition Holdings plc ('the Company') and its subsidiaries (together, 'the Group') develops and commercialises computerised neuropsychological tests for sale worldwide, principally in the UK, the US and Europe. The group trades through its UK subsidiary Cambridge Cognition Limited.

The Company is a public limited company which listed on the Alternative Investment Market ('AIM') of the London Stock Exchange (COG) in April 2013 and is incorporated and domiciled in the UK. The address of its registered office is Tunbridge Court, Tunbridge Lane, Bottisham, Cambridge, CB25 9TU.

As part of the IPO process, Cambridge Cognition Holdings plc, a newly incorporated entity, became the new group holding company with effect from 12 April 2013. The consolidated financial statements are presented as a continuation of the financial statements of the legal subsidiary except the equity structure reflects the equity of the new parent, as restated using the exchange ratio established in the share exchange agreement dated April 2013.

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 17 September 2013.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts for Cambridge Cognition Limited for the year ended 31 December 2012 were approved by the Board of Directors on 12 April 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements have been reviewed, not audited. The comparative information for the six months ended 30 June 2012 has been extracted from the unaudited management accounts and is correspondingly shown as unaudited.

2. Basis of preparation

Going concern basis

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

3. Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012, incorporated in the AIM admission document.

The share exchange by Cambridge Cognition Holdings plc is outside the scope of IFRS 3 and hence is not treated as a business combination. Share capital represents the equity structure of the legal parent with comparatives restated using the exchange ratio of 1.138 established on acquisition. The difference between the equity of the legal parent and the issued equity instruments of Cambridge Cognition Limited pre combination is recognised as a separate component of equity. The amount recognised as retained earnings are those of Cambridge Cognition Limited pre combination.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Consolidated Financial Information.

Revenue recognition

Trading operations recognise revenue with regard to amounts chargeable to customers under service contracts. The policy is to recognise testing services upon achievement of milestones set out in the related agreements. This is expected to approximate to the timing of the physical performance of the service activity on such contracts.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of continuous services set out in IAS 18 Revenue. The Directors are satisfied that the significant risks and rewards are transferred and that recognition of the revenue over the duration of the contractual period is appropriate.

Goodwill

The Group reviews the carrying value of its goodwill balances which is allocated to CANTABeclipse by carrying out impairment tests at least on an annual basis. These tests require estimates to be made of the value in use which are dependent on estimates of future cash flows and long term growth rates.

Recovery of deferred tax assets

Deferred tax assets have not been recognised for deductible temporary differences and tax losses as management considers that there is not sufficient certainty that future taxable profits will be available to utilise those temporary differences and tax losses.

5. Revenue

Revenue is derived from the sales of goods, software licences and associated services from the following:

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

	6 months to 30 June 2013	6 months to 30 June 2012	12 months to 31 December 2012
	£'000	£'000	£'000
CANTABmobile	149	6	98
CANTABeclipse	592	500	1,379
CANTABelect	1,277	2,088	4,207
	<hr/>	<hr/>	<hr/>
	2,018	2,594	5,684

6. Earnings per share

Calculation of loss per share is based on the following loss and numbers of shares:

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Earnings			
(Loss) for the period	(1,493)	(695)	(1,576)
Number of shares			
Basic weighted average number of shares	<u>10,400,053</u>	5,664,186	5,979,163

The basic weighted average number of shares excludes 429,423 shares held by an Employee Benefit Trust. Fully diluted loss per share is calculated after showing the effect of outstanding options in issue. As the effect of the options would be to reduce the loss per share, the diluted loss per share is the same as the basic loss per share.

7. Share based payments

At 30 June 2013 the Company had outstanding options over ordinary shares as set out below. In connection with the acquisition of Cambridge Cognition Limited by the Company, employees exchanged their existing options over ordinary shares in the capital of Cambridge Cognition Limited for options over ordinary shares in the Company.

	No	Weighted average exercise price £
Outstanding at 1 January 2013	331,884	0.60
Exercise in period	(24,868)	0.01
Option modification	(255,000)	0.47
Option modification	255,000	0.01
Option exchange	42,364	-
Outstanding at 30 June 2013	<u>349,380</u>	0.26

The estimated fair value of each share option is calculated by applying the Black-Scholes option pricing model.

255,000 options in Cambridge Cognition Limited granted on 24 May 2012 were surrendered on 7 March 2013 in exchange for the grant of new options on the same terms, but at an exercise price of £0.01 per share (previously £0.47).

The expense arising from share options in the period was £48,000 (year to 31 Dec 2012 – £141,000).

8. Share capital

	No	£'000
On exchange of shares in Cambridge Cognition Limited	6,852,658	68
Conversion of loan	2,889,589	29
Placing	7,142,858	72
	<hr/>	<hr/>
	16,885,105	169

9. Reconciliation of operating loss to operating cashflows

	6 months to 30 June 2013	6 months to 30 June 2012	12 months to 31 December 2012
	£'000	£'000	£'000
(Loss) before tax	(1,493)	(695)	(1,576)
Adjustments for:			
Depreciation	19	16	37
Share-based payments charge	48	85	141
Finance costs	35	62	122
Increase in provisions	-	-	300
Operating cash flows before working capital	(1,391)	(532)	(976)
Change in inventories	10	59	59
Change in trade and other receivables	104	50	470
Change in trade and other payables	(154)	53	(247)
Cash generated by operations	(1,431)	(370)	(694)
Interest	-	(3)	(7)
Net cash flows from operations	(1,431)	(373)	(701)

10. Copies of Interim Financial Statements

Copies of the interim financial statements are available from the Company at its registered office at Tunbridge Court, Tunbridge Lane, Bottisham, Cambridge, CB25 9TU. The interim financial information document will also be available on the Company's website www.cantab.com.