

C4X Discovery Holdings PLC

Interim results for the six months ended 31 January 2015

C4X Discovery Holdings plc (AIM: C4XD), a leader in the rational discovery design and optimisation of novel small molecule therapeutics, today announces its interim unaudited results for the six months ended 31 January 2015.

Corporate highlights

- Successful IPO on AIM completed in October 2014 raising £11.0 million before expenses
- Exciting progress on our lead Orexin programme, Orexin-1, validating C4XD's technology and the benefits of a conformational approach to drug design and optimisation
- Initiation of a research agreement with Evotec AG ("Evotec") to develop C4XD's follow-up Orexin compounds, further expanding C4XD's pre-clinical pipeline to treat addictive disorders
- Renewal of our existing collaborations with Evotec AG ("Evotec") and Takeda Cambridge Ltd ("Takeda"), providing them access to C4XD's conformational design technology
- Progress in applying our technology to the prediction of crystal polymorphs

Financial highlights

- Cash, cash equivalents and deposits at 31 January 2015 of £9.4 million (31 July 2014: £0.7 million)
- Total assets at 31 January 2015 of £10.4 million (31 July 2014: £1.2 million)

Chairman's statement

"With the IPO, C4XD has secured the funding that enables us to progress our two leading programmes to clinical development stage," stated Clive Dix, Chairman of C4XD. "The support and confidence of our collaboration partners, AstraZeneca, Evotec and Takeda validates the C4XD drug discovery and development platform. I am delighted with the progress made since IPO and believe the business is well positioned to deliver future value for shareholders."

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C4XD began trading on the AIM market of the London Stock Exchange in October 2014 under the ticker symbol C4XD. For further information please visit: www.c4xdiscovery.com.

Chairman's and Chief Executive Officer's Joint Review

Overview

C4XD has the only technology in the world that can generate accurate, experimentally-derived dynamic solution 3D structures of drug molecules in just a matter of days, helping to accelerate product development. Our conformational insights can be used in conjunction with existing technologies for rational drug design and can make a particularly high impact when protein crystallography is not routinely available, as is the case for GPCRs (G-protein-coupled receptors, such as Orexin receptors) and ion channels.

Addiction

The treatment of addiction represents a substantial area of unmet medical need, worth an estimated \$9 billion per annum. C4XD's lead programme, targeting Orexin-1, could represent a major new method of treating addiction. We have patented a number of distinct chemical series, providing us with a lead programme and multiple follow-up programmes. We expect our lead programme could enter clinical development in 2016, and we continue development of other follow-up programmes; we believe this broad approach will underpin a substantial licensing transaction with a pharma company in the future.

The Orexin-1 receptor is of particular interest to the pharmaceutical industry for the development of treatments for stress-related addictive disorders (e.g. alcohol, nicotine, cocaine and opiate related craving and withdrawal symptoms). However, to date no drug candidate that targets Orexin-1 has progressed into clinical development, in large part due to the difficulty in identifying candidates that are specific only to Orexin-1. In particular, there is another receptor, Orexin-2, that appears to be very structurally similar to Orexin-1 but which has a very different biological function, and it has proved highly challenging to develop drug candidates which will target Orexin-1 selectively, without targeting Orexin-2.

C4XD's programme has identified multiple lead compounds with more than 1,000-fold selectivity for Orexin-1 over Orexin-2, and in pharmacological models this threshold appears to offer sufficient differentiation to justify progressing into candidate selection and drug development.

Chronic Obstructive Pulmonary Disease (COPD)

COPD, an umbrella term for a group of progressive lung diseases including chronic bronchitis and emphysema (or smokers cough), is another area of substantial unmet medical need, and the market opportunity is estimated at \$44-48 billion per annum.

C4XD is using a novel mode of action to target the NRF-2/Keap-1 protein complex ("NRF-2"), involved in the inflammation pathway which plays a significant role in COPD, and which also has other potential applications in areas such as Inflammatory Bowel Disease, Multiple Sclerosis, Rheumatoid Arthritis and Cancer.

C4XD believes it has already developed the most potent compounds so far reported against NRF-2, based on searches of scientific literature. We expect to test our compounds in a disease model during 2015 and, if the results are encouraging, this programme could progress to clinical development over the next two years.

Diabetes

Diabetes is a large and growing market, estimated to be worth \$50 billion per annum by 2016. Although current treatments exist, healthcare professionals would prefer more oral treatments to replace current therapies which require injection. Oral therapies offer the opportunity of lower cost, easier administration, and improved patient compliance.

C4XD currently holds two separate grants from the UK's innovation agency, Innovate UK, to research new therapies to treat diabetes.

Conformational Design Platform

C4XD's platform enables the accurate measurement of the shapes of small molecules in solution. This is particularly relevant for the shapes of small molecule drugs in the human body because we can reflect the actual bodily conditions at the site where the drug will act, including temperature, pH and other factors.

The C4XD proprietary software analyses data from conventional Nuclear Magnetic Resonance ("NMR") equipment through proprietary software, including a patented algorithm, to provide conformational information that can then be used to drive medicinal chemistry structural design. C4XD is the only company able to generate this level of experimentally derived conformational information, giving it an advantage in efficiently designing and optimising novel small molecule candidate drugs.

C4XD uses standard NMR equipment, combined with its proprietary software to generate analysis and measurement that conventional NMR approaches cannot provide. Our software uses a patented algorithm, together with a substantial amount of other C4XD proprietary know-how.

Collaborations

C4XD has collaborations with AstraZeneca, Evotec and Takeda which enable them to access our conformational approach for use in their own programmes. These relationships validate the power and utility of our technology platform.

Other applications

The C4XD platform also predicts and controls the different crystalline forms which small molecules are able to adopt. These different forms have different properties and these insights are valuable in the development of robust, consistent manufacturing processes for small molecule therapies which are administered in solid form; different crystalline forms often dissolve at different rates which alters the effective dosing for patients. Control and consistency of solid formulations is therefore an important part of pharmaceutical supply.

Financial Highlights

Revenue for the six months ended 31 January 2015 amounted to £0.2m (31 January 2014: £0.4m). These revenues are largely generated through collaborations with our partners. Grants secured are accounted for as a reduction in R&D expenditure.

Research and development expenses were £0.9m for the six months ended 31 January 2015 (31 January 2014: £0.5m), reflecting the increase in activity and headcount following the successful IPO and positive progress being made, particularly with our Orexin programme.

Administrative expenses were £0.5m for the six months ended 31 January 2015 (31 January 2014: £0.3m) reflecting additional operating costs incurred by C4XD as a listed company. The IPO transaction costs, amounting to approximately £1.0m, have been charged directly against reserves, in accordance with normal accounting practice.

Net loss for the six months ended 31 January 2015 amounted to £0.8m or 3.1 pence per share (31 January 2014: £0.3m or 1.4 pence per share).

C4XD had total assets at 31 January 2015 of £10.4m (31 January 2014: £1.8m) and cash and equivalents of £9.4m (31 January 2014: £1.4m).

C4XD expects to continue to increase its expenditure on research and development as its programmes, including Orexin, progress through further pre-clinical development during the remainder of 2015 and subsequent years.

Outlook

C4XD has made significant progress since IPO and the business is well positioned to deliver future value for shareholders.

Clive Dix
Chairman

Piers Morgan
Chief Executive Officer

Interim consolidated statement of comprehensive income
For the six months ended 31 January 2015

		Six months to 31 January 2015 (Unaudited) £'000	Six months to 31 January 2014 (Unaudited) £'000	Year to 31 July 2014 (Audited) £'000
	Notes			
Revenue	3	173	431	619
Cost of sales		(62)	(1)	(23)
Gross profit		111	430	596
Research and development expenses		(936)	(488)	(1,180)
Administrative expenses		(450)	(263)	(636)
Operating loss		(1,275)	(321)	(1,220)
Finance income		12	1	1
Finance expense	4	195	(59)	(119)
Loss on ordinary activities before taxation		(1,068)	(379)	(1,338)
Taxation	5	260	100	220
Loss for the period and total comprehensive loss for the period		(808)	(279)	(1,118)
Loss per share :				
Basic and diluted loss for the period	6	(3.11)p	(1.40)p	(5.60)p

Interim consolidated statement of changes in equity
For the six months ended 31 January 2015

	Issued equity capital £'000	Share premium £'000	Share- based payment reserve £'000	Merger Reserve £'000	Revenue reserve £'000	Total £'000
At 1 August 2013	-	1,120	3	-	(1,364)	(241)
Loss for the six months to 31 January 2014	-	-	-	-	(279)	(279)
Share-based payments	-	-	2	-	-	2
Reallocation of reserves on reverse acquisition	200	-	-	(200)	-	-
At 31 January 2014	200	1,120	5	(200)	(1,643)	(518)
Loss for the six months to 31 July 2014	-	-	-	-	(839)	(839)
Share-based payments	-	-	24	-	-	24
At 31 July 2014	200	1,120	29	(200)	(2,482)	(1,333)
Loss for the six months to 31 January 2015	-	-	-	-	(808)	(808)
Issue of share capital	110	10,890	-	-	-	11,000
Expenses of placing	-	(856)	-	-	-	(856)
Loan notes converted to deferred shares	2,025	-	-	-	-	2,025
Share-based payments	-	-	18	-	-	18
At 31 January 2015	2,335	11,154	47	(200)	(3,290)	10,046

In order to comply with IFRS 3, the Group has applied reverse acquisition accounting in the presentation of consolidated shareholders' equity for comparative periods. These comparative periods show the results of the accounting acquirer (C4X Discovery Limited) along with the share capital structure of the parent company (C4X Discovery Holdings plc). As a result, the consolidated share capital and share premium presented for comparative periods is that which was in existence immediately following the share for share exchange which occurred on 13 October 2014, and which is explained further in note 7 to the interim financial information.

Interim consolidated statement of financial position
As at 31 January 2015

Notes	31 January 2015 (Unaudited) £'000	31 January 2014 (Unaudited) £'000	31 July 2014 (Audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	18	25	21
Intangible assets	60	58	56
	78	83	77
Current assets			
Trade and other receivables	386	99	157
Income tax asset	510	300	250
Short-term investments and cash on deposit	4,000	-	-
Cash and cash equivalents	5,420	1,361	673
	10,316	1,760	1,080
Total assets	10,394	1,843	1,157
Liabilities			
Current liabilities			
Trade and other payables	348	158	227
Financial liabilities	-	42	43
	348	200	270
Non-current liabilities			
Financial liabilities	-	2,161	2,220
	-	2,161	2,220
Total liabilities	348	2,361	2,490
Net assets/(liabilities)	10,046	(518)	(1,333)
Capital and reserves			
Issued equity capital	7 2,335	200	200
Share premium	11,154	1,120	1,120
Share-based payment reserve	47	5	29
Merger reserve	(200)	(200)	(200)
Revenue reserve	(3,290)	(1,643)	(2,482)
Total equity	10,046	(518)	(1,333)

Approved by the Board and authorised for issue on 27 April 2015

Piers Morgan
Chief Executive Officer
27 April 2015

Interim consolidated cash flow statement
For the six months ended 31 January 2015

	Notes	Six months to 31-Jan-15 (Unaudited) £'000	Six months to 31-Jan-14 (Unaudited) £'000	Year to 31-Jul-14 (Audited) £'000
Loss after tax		(808)	(279)	(1,118)
Adjustments for:				
Depreciation of property, plant and equipment		7	4	9
Amortisation of intangible assets		2	2	4
Share-based payments		18	2	26
Finance expense	4	(195)	59	119
Taxation		(260)	(100)	(220)
Changes in working capital				
(Increase)/decrease in trade and other receivables		(229)	30	(28)
Increase in trade and other payables		84	31	56
Increase in deferred revenue payables		37	-	44
Cash outflow from operating activities		(1,344)	(251)	(1,108)
Research and development tax credit received		-	104	274
Net cash outflow from operating activities		(1,344)	(147)	(834)
Cash flows from investing activities:				
Purchases of property, plant and equipment		(3)	(6)	(7)
Purchases of intangible fixed assets		(7)	-	-
Increase in cash placed on deposit		(4,000)	-	-
Net cash outflow from investing activities		(4,010)	(6)	(7)
Cash flows from financing activities:				
Proceeds from the issue of ordinary share capital	7	11,000	-	-
Expenses of placing		(856)	-	-
Repayment of preference shares		(30)	-	-
Interest paid		(13)	-	-
Net cash inflow from financing activities		10,101	-	-
Increase/(decrease) in cash and cash equivalents		4,747	(153)	(841)
Cash and cash equivalents at the start of period		673	1,514	1,514
Cash and cash equivalents at the end of the period		5,420	1,361	673
Monies placed on deposit		4,000	-	-
Cash, cash equivalents and deposits at the end of the period		9,420	1,361	673

Notes to the interim financial report

For the six months ended 31 January 2015

1. Corporate information

The principal activity of the C4X Discovery Holdings plc is the provision of new technologies to improve the drug discovery process for novel small molecule therapies.

The company is incorporated and domiciled in the United Kingdom and its registered number is 9134041. The address of the registered office is Manchester One, 53 Portland Street, Manchester, M1 3LD. The company was incorporated on 16 July 2014 as a public company limited by shares with the name of Schosween 24 plc and changed its name to C4X Discovery Holdings plc on 13 October 2014.

The company acquired the entire share capital of C4X Discovery Limited on 13 October 2014 and has applied the principles of merger and reverse acquisition accounting in the preparation of the consolidated financial information.

The interim financial information was approved for issue on 27 April 2015.

2. Accounting policies

Basis of preparation

The accounting policies adopted in this interim financial report are consistent with those followed in the preparation of the Group's annual report and accounts for the year to 31 July 2014. The interim financial information for the six months ended 31 January 2015 and 31 January 2014 is unaudited and does not constitute statutory accounts as defined in the Companies Act 2006. This interim financial report includes audited comparatives for the year to 31 July 2014. The 2014 annual report and accounts received an unqualified audit opinion and has been filed with the Registrar of Companies. This interim financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have been prepared under the historical cost convention.

Basis of consolidation

This interim financial report consolidates the financial statements of C4X Discovery Holdings plc and the entities it controls (its subsidiaries).

3. Segmental information

Operating segments

At 31 January 2015, 31 January 2014 and 31 July 2014 the Group operated as one segment, being the provision of new technologies to improve the drug discovery process for novel small molecule therapies.

Income from the rendering of services relates to collaboration agreements where C4XD is assisting customers with the drug discovery process.

This is the level at which operating results are reviewed by the chief operating decision maker (i.e. the CEO) to make decisions about resources, and for which financial information is available.

All revenues have been generated from continuing operations and are from external customers.

	Six months to 31 January 2015 £'000	Six months to 31 January 2014 £'000	Year to 31 July 2014 £'000
<i>Analysis of revenue</i>			
Rendering of services	173	431	619
	173	431	619

Geographical information

The Group operates in one main geographic area, the United Kingdom. The Group's revenue per geographical area is as follows:

	Six months to 31 January 2015 £'000	Six months to 31 January 2014 £'000	Year to 31 July 2014 £'000
<i>Analysis of revenue</i>			
UK	173	431	619
	173	431	619

All the Group's assets are held in the UK and all of its capital expenditure arises in the UK.

4. Finance expense

The interest payable on loan notes, which had been accrued in prior periods, has been credited to the consolidated statement of comprehensive income in the current period (six months to 31 January 2014 charge of £59,000 and year to 31 July 2014 charge of £119,000).

5. Tax

The tax credit of £260,000 recorded in the consolidated statement of comprehensive income for the six months ended 31 January 2015 comprises a research and development tax credit receivable of £260,000 (£100,000 for the six months ended 31 January 2014 and £250,000 for year ended 31 July 2014 tax credits receivable net of a negative adjustment of £30,000 in respect of a prior period).

6. Loss per share

	31 January 2015 £'000	31 January 2014 £'000	31 July 2014 £'000
Loss for the financial period attributable to equity shareholders	(808)	(279)	(1,118)
Weighted average number of shares:	No.	No.	No.
Ordinary shares in issue	25,966,811	19,988,550	19,988,550
Basic loss per share (pence)	(3.11)p	(1.40)p	(5.60)p

The number of ordinary shares in issue at 31 January 2014 and 31 July 2014 have been increased by a factor of 1075 in order to make the resulting loss per share consistent with that reported for the period to 31 January 2015.

Diluted loss per share has not been presented above as the effect of share options issued is anti-dilutive.

7. Share capital

	Number of A ordinary shares	Number of ordinary shares	Unaudited Total £'000
At 16 July 2014 on incorporation	-	2	-
Share subdivision on 3 September 2014	-	198	-
Issued on 13 October 2014	4,434,375	15,553,975	200
Re-designation on 17 October 2014	<u>(4,434,375)</u>	<u>4,434,375</u>	-
	-	19,988,550	200
Issued on 23 October 2014 in placing		<u>11,000,000</u>	<u>110</u>
At 31 January 2015 ordinary shares of 1p each	-	30,988,550	310
Deferred shares of £1 each		2,025,000	2,025
Total issued equity capital			<u>2,335</u>

On 16 July 2014, being the date of incorporation, 2 ordinary share of £1 were subscribed for fully paid; and on 3 September 2014 such shares were each sub-divided into 100 ordinary shares of £0.01 each and then transferred to Charles Blundell and Andrew Almond in equal shares.

On 13 October 2014 the company issued 15,553,975 ordinary shares of £0.01 each and 4,434,375 A ordinary shares of £0.01 each to the shareholders of C4X Discovery Limited in consideration for the transfer of the entire share capital of C4X Discovery Limited to the company pursuant to a share exchange agreement.

By a resolution dated 17 October 2014 each of the issued A ordinary shares of £0.01 each was converted into and re-designated as an ordinary share of £0.01 each ranking equally with the existing ordinary shares of £0.01 each in the company.

On 23 October 2014 11,000,000 shares were issued in a placing at a price of £1 resulting in share proceeds of £11,000,000.

8. Interim financial report

A copy of this interim condensed financial report is available on the Company's website at www.c4xdiscovery.com.