

CAMBRIDGE NUTRITIONAL SCIENCES PLC
("CNS" or the "Company" or the "Group")

Interim Report
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

Improved gross margin and an increase in adjusted EBITDA. Company continues to build on foundations and improve profitability

CNS (AIM: CNSL) the specialist medical diagnostics company focused on promoting a personalised and functional approach to health and nutrition, announces its unaudited interim results for the six months ended 30 September 2024 and remains on track to meet EBITDA expectations for the year.

H1 Financial Highlights:

- Adjusted EBITDA¹ increased to £0.2m (H1 2024: £0.0m)
- Revenue of £4.1m (H1 2024: £4.9m)
- Gross margin increased to 65.4% (H1 2024: 62.7%), largely due to production efficiencies & product mix
- Loss before tax reduced to £0.2m (H1 2024: £0.7m)
- Cash and cash equivalents ahead of prior year at £4.5m (H1 2024: £4.4m)

Operational Highlights:

- Strong performance in operations with FoodPrint® yields continuing to improve
- CNSLab productivity has remained high with August and September both hitting a record high number of tests
- Automation and restructuring in operations have helped drive sustainable margin improvement
- Appointment of two full-time salespersons in the USA and Southern Europe to further develop the markets

Current trading and Outlook:

- Company remains on track to meet adjusted EBITDA¹ expectation
- Sales team have been expanded with new Global Sales Director and UK BDM to help drive long-term growth
- Well-funded to deliver on our strategic objectives to grow the Company
- Developing new partnerships with USA Laboratories that are expected to commercialise FoodPrint® in H2
- The Board remains confident that the Company has a compelling case regarding the dispute with DHSC but there have been no material developments

¹Adjusted for exceptional items, amortisation of intangible assets and share based payment charges.

Commenting on the results, James Cooper, Interim Chief Executive officer, said:

"The results of H1 have shown that the operational improvements are now hitting the bottom line, with an improved margin and an uplift in adjusted EBITDA. This is particularly encouraging as we did not have the benefit of a sizeable order backlog that boosted last year's H1 revenue. This puts us in a strong position as we continue to invest in growing the sales team whilst being confident in our ability to deliver on time and in full to all our customers."

Investor presentation

Carolyn Rand, Chair, and James Cooper, Interim CEO, will provide a live presentation relating to the Interim Results via the Investor Meet Company platform today at 4:00pm GMT. The presentation is open to all existing and potential shareholders.

investor meet company, platform today, or through email and presentation is open to all existing and potential shareholders.

Investors can sign up to Investor Meet Company for free and add to meet Cambridge Nutritional Sciences plc via:

<https://www.investormeetcompany.com/omega-diagnostics-group-plc/register-investor>

The investor presentation will later be made available on the Company website:

<https://www.cnsplc.com/financials/presentations>

The information communicated in this announcement is inside information for the purposes of Article 7 of EU Regulation 596/2014

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About Cambridge Nutritional Sciences plc

Cambridge Nutritional Sciences plc (AIM: CNSL) is a specialist medical diagnostics company focused on industry-leading Health and Nutrition products.

Chair's Statement

Overview

I am pleased to see the operational efforts have continued to deliver results, with a gross margin improvement to 65% due to productivity gains, despite higher raw material costs. The continued operational improvements and workforce rationalization also helped us reduce our overheads by 17%, allowing adjusted EBITDA to improve to £0.2m, while maintaining stable cash balances at £4.5m. Q1 sales were softer than expected as some customers are working on one off reductions in their stock holdings to manage external forces, and in addition now that they trust the product and our improved delivery service, revenue has normalized following an abnormal backlog of orders in the previous year, which decreased to £4.1m but is well ahead of H1 2023's £3.4m.

Following on from the success of improving operations and production capacity our operational focus is now shifting towards sales and marketing; this includes development and expansion for the UK and overseas markets to develop the pipeline and expand our customer base. Although the sales cycles are long, the focus has already greatly improved our qualified pipeline, and this gives us confidence in our future delivery.

A strategic marketing priority includes expanding market outreach and is evidenced by a full rollout of the MyHealthTracker App in the UK and a focus on new markets and customers now helped by our recent sales hires. We have also started enhancing business support systems and improving production efficiency. A new eQMS (Quality Management System) and wireless temperature monitoring system are also expected to drive productivity gains.

Financial Performance

Revenue decreased 16% to £4.1m (H1 2024: £4.9m), as some customers reduced their stock holdings, however the Board expect revenues to be stronger in the second half of the year.

Revenue by product group:

- Sales of FoodPrint® £2.6m (H1 2024: £3.3m)
- Sales of Food Detective® £0.7m revenue in line with the prior year
- CNS Lab revenue in line with prior year at £0.8m

Gross profit from operations was £2.7m (H1 2024: £3.1m) whilst gross margin improved by 4% to 65.4% (H1 2024: 62.7%). The increase in margin is due to a reduction in production costs which has been driven by yield and productivity increases. This is despite increases in raw material costs which were more than offset by these improvements.

Overheads decreased by 17% to £2.9m (H1 2024: £3.5m), mainly due to our operational project improvements and business process realignments.

The Group continues to consider EBITDA and adjusted EBITDA (adjusted for exceptional items and share-based payments) as being the appropriate measures of profitability being aligned with the cash generating activities of the business. The adjusted EBITDA was £0.2m (H1 2024: £0.0m). The £0.1m adjustment for exceptional items relates to the continued legal costs in relation to the DHSC contract and Board changes.

The cash balance (including short term deposits) on 30 September 2024 was £4.5m (H1 2024: £4.4m, 31 March 2024: £5.4m).

Operational Update

Following a successful yield improvement project in FY24, the business has widened its focus on operational improvements to other areas, enabled by the continuous improvement function. This has helped deliver new yield improvements as well as productivity gains that have helped drive the change in the gross margin. The team continue to look for further ways to improve the operational efficiency in a cost-effective manner and we view this as an important element of the business strategy going forward.

The business support systems have also been reviewed, and the team are in the final stages of transitioning to a new eQMS. This will improve the productivity of both the production and quality assurance teams whilst opening up further productivity gains in the future, due to the increased functionality that the new system contains. The team are now benefiting from the new wireless Temperature Monitoring System which has eliminated the need for hourly manual data collection and demonstrates how we can successfully use technology to deliver valuable gains.

Strategic Priorities

The Company is now focussed on growing sales in both existing and new markets. To enable this, we are expanding the sales team both in the UK and overseas. The team are investigating multiple routes to market within their territories and are receiving a positive response from those that we are engaging with. The interest in our field is only growing and we frequently find people unaware of the product and clinical utility that it can offer. This highlights the need to continuously educate and increase our outreach to new potential customers. In recognition of this we are expanding the marketing team which will allow for a greater focus on both the education and direct marketing capability of the company.

The MyHealthTracker App is fully rolled out in the UK and the team are now analysing feedback from users and working with our partner to determine the next generation of improvements and functionality. This includes the ability to release the app in foreign languages for overseas markets.

The USA continues to be a focus market for the sales team and the recent addition of a full-time sales member based in the US is expected to help accelerate our progress in this market. They will be responsible for working with our existing partners to help grow their business and in identifying new opportunities in this exciting market.

DHSC dispute update

There is no further progress to report in our dispute with the Department of Health and Social Care ('DHSC'). The Board continues to vigorously pursue its substantial counterclaim for losses incurred towards the DHSC, as a direct result of its failure to licence the necessary intellectual property to permit the contract to move forward and their failure to notify the Group of their inability to do so in a timely manner. The Board remains confident that the Company has a compelling case.

Current trading and Outlook

Whilst revenues in H1 were lower than expected, we remain confident in meeting EBITDA expectations for the year. We expect that the de-stocking we experienced in H1 will be alleviated in H2 as customers return to a more regular order pattern. In addition, the impact of the expanded sales team should be felt in the later stages of H2 and deliver a strong end to the financial year. The business has been able to react accordingly and maintains a strong margin which demonstrates the underlying strength of the business.

The Board's expectations are that the market conditions remain good - we are well capitalised and in a strong position to grow as a standalone business.

Carolyn Rand

Non-Executive Chair

Consolidated Statement of Comprehensive Income for the six months ended 30 September 2024

		6 months ended. 30 September 2024	6 months ended. 30 September 2023	12 months ended. 31 March 2024
	Note	£'000	£'000	£'000
Revenue	2	4,134	4,034	9,774

Revenue	£	2024	2023	2022
Cost of sales		(1,432)	(1,841)	(3,728)
Gross profit		2,702	3,093	6,046
Administration costs		(2,263)	(2,746)	(5,287)
Selling and marketing costs		(617)	(790)	(1,378)
Other income		26	51	84
Operating loss before exceptional items		(152)	(392)	(535)
Exceptional items		(117)	(294)	(238)
Operating loss after exceptional items		(269)	(686)	(773)
Finance income/(costs)	3	73	(12)	28
Loss before taxation		(196)	(698)	(745)
Tax credit	4	-	-	417
Loss for the period		(196)	(698)	(328)
Other comprehensive losses to be reclassified to profit and loss in subsequent periods				
Exchange differences on translation of foreign operations		(17)	(3)	(14)
Other comprehensive income for the period		(17)	(3)	(14)
Total comprehensive losses for the period		(213)	(701)	(342)
Earnings per share (EPS)				
Basic and diluted EPS on loss for the period	5	(0.1)p	(0.3)p	(0.1)p

Consolidated Balance Sheet

as at 30 September 2024

	Note	30 September 2024 £'000	30 September 2023 £'000	31 March 2024 £'000
ASSETS				
Non-current assets				
Intangibles	6	4,039	4,313	4,099
Property, plant, and equipment	7	485	515	388
Right of use assets	7	76	177	126
Deferred taxation		1,400	994	1,406
Total non-current assets		6,000	5,999	6,019
Current assets				
Inventories		776	1,073	607
Trade and other receivables		2,208	2,290	1,824
Short-term deposits		-	-	2,501
Cash and cash equivalents		4,520	4,396	2,943
Total current assets		7,504	7,759	7,875
Total assets		13,504	13,758	13,894
EQUITY AND LIABILITIES				
Equity				
Share capital		10,255	10,244	10,255
Share premium		25,072	25,072	25,072
Retained deficit		(25,710)	(25,974)	(25,585)
Translation reserve		(77)	(49)	(60)
Total equity		9,540	9,293	9,682
Liabilities				
Non-current liabilities				
Long-term borrowings		-	3	-
Lease liabilities		-	77	25
Deferred income		2,500	2,500	2,500
Total non-current liabilities		2,500	2,580	2,525
Current liabilities				
Short-term borrowings		3	33	22
Lease liabilities		76	101	101

Trade and other payables	1,203	1,452	1,323
Total current liabilities	1,282	1,586	1,446
Liabilities directly associated with assets held for sale	182	299	241
Total liabilities	3,964	4,465	4,212
Total equity and liabilities	13,504	13,758	13,894

Consolidated Statement of Changes in Equity

for the six months ended 30 September 2024

	Share capital £'000	Share premium £'000	Retained deficit £'000	Translation reserve £'000	Total £'000
Balance at 31 March 2023	10,244	25,072	(25,319)	(46)	9,951
Loss for the period to 30 September 2023	-	-	(698)	-	(698)
Other comprehensive losses - net exchange adjustments	-	-	-	(3)	(3)
Total comprehensive losses for the period	-	-	(698)	(3)	(701)
Share-based payments	-	-	43	-	43
Balance at 30 September 2023	10,244	25,072	(25,974)	(49)	9,293
Profit for the period to 31 March 2024	-	-	370	-	370
Other comprehensive losses - net exchange adjustments	-	-	-	(11)	(11)
Total comprehensive income/(losses) for the period	-	-	370	(11)	359
Issue of share capital	11	-	-	-	11
Share-based payments	-	-	19	-	19
Balance at 31 March 2024	10,255	25,072	(25,585)	(60)	9,682
Loss for the period to 30 September 2024	-	-	(196)	-	(196)
Other comprehensive income - net exchange adjustments	-	-	-	(17)	(17)
Total comprehensive (losses)/income for the period	-	-	(196)	(17)	(213)
Share-based payments	-	-	71	-	71
Balance at 30 September 2024	10,255	25,072	(25,710)	(77)	9,540

Consolidated Cash Flow Statement

for the six months ended 30 September 2024

	6 months ended 30 September 2024 £'000	6 months ended 30 September 2023 £'000	12 months ended 31 March 2024 £'000
Cash flows generated from operations			
Loss for the period	(196)	(698)	(328)
Adjustments for:			
Depreciation	90	108	214
Amortisation of intangible assets	218	219	436
Impairment of property, plant and equipment	-	-	110
Share-based payments	71	43	73
Taxation	-	-	(417)
Finance costs	(73)	12	(28)
Cash inflow/(outflow) from operating activities before working capital movement	110	(316)	60
(Increase)/decrease in trade and other receivables	(384)	113	579

(Increase)/decrease in inventories	(169)	(296)	170
Decrease in trade and other payables	(120)	(73)	(202)
Cash (outflow)/inflow from operating activities	(563)	(572)	607
Investing activities			
Finance income	82	-	50
Transfer from/(to) short-term deposits	2,501	-	(2,501)
Purchase of property, plant, and equipment	(137)	(10)	(48)
Purchase of intangible assets	(157)	(7)	(11)
Net cash inflow/(outflow) in investing activities	2,289	(17)	2,510
Financing activities			
Finance costs	-	(1)	(1)
Principal portion of asset finance payments	(78)	(71)	(143)
Interest portion of asset finance payments	(4)	(7)	(13)
Principal portion of lease liability payments	(50)	(47)	(99)
Interest portion of lease liability payments	(5)	(4)	(9)
Net cash outflow from financing activities	(137)	(130)	(265)
Net increase/(decrease) in cash and cash equivalents	1,589	(719)	(2,168)
Effects of exchange rate movements	(12)	-	(4)
Cash and cash equivalents at beginning of period	2,943	5,115	5,115
Cash and cash equivalents at end of the period	4,520	4,396	2,943

Notes to the Interim Report

for the six months ended 30 September 2024

1. BASIS OF PREPARATION

For the purpose of preparing the 31 March 2024 annual financial statements the Directors used IFRS as adopted by the EU and in accordance with the AIM Rules issued by the London Stock Exchange. In preparing these interim financial statements, the accounting policies used in the Group's Annual Report for the year ended 31 March 2024 have been applied consistently. The Group has not applied IAS 34 *Interim Financial Reporting*, which is not mandatory for AIM companies, in the preparation of these interim financial statements.

The interim financial statements are unaudited. The information shown in the consolidated balance sheet as at 30 September 2024 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and the information in respect of the year ended 31 March 2024 has been extracted from the Group's 2024 Annual Report which has been filed with the Registrar of Companies. The report of the auditors on the financial statements contained within the Group's 2024 Annual Report was unqualified and did not contain a statement under sections 498 (2) and 498 (3) of Chapter 3, Part 16 of the Companies Act 2006. These interim financial statements were approved by the Board of Directors on 20 November 2024.

2. SEGMENT INFORMATION

The Health and Nutrition division specialises in the research, development, and production of kits to aid the detection of immune reactions to food. It also provides clinical analysis to the general public, clinics, and health professionals.

The Corporate segment consists of centralised corporate costs which are not allocated to the trading activities of the Group.

Inter segment transfers or transactions are entered into under the normal commercial conditions that would be available to unrelated third parties.

2. SEGMENT INFORMATION (CONTINUED)

Business segment information

	Health and Nutrition		
	Nutrition	Corporate	Total
6 months to 30 September 2024	£'000	£'000	£'000
Revenue	4,265	-	4,265
Inter-segment revenue	(131)	-	(131)
Total revenue	4,134	-	4,134
Cost of sales	(1,432)	-	(1,432)
Gross profit	2,702	-	2,702

Operating costs	(2,153)	(701)	(2,854)
Operating profit/(loss) before exceptional items	549	(701)	(152)
Exceptional items	(49)	(68)	(117)
Operating profit/(loss) after exceptional items	500	(769)	(269)
Depreciation	90	-	90
Amortisation	218	-	218
EBITDA	808	(769)	39
Exceptional items	49	68	117
Share-based payment charges	-	71	71
Adjusted EBITDA	857	(630)	227
Share-based payment charges	-	(71)	(71)
Depreciation	(90)	-	(90)
Amortisation	(218)	-	(218)
Net finance income	73	-	73
Exceptional costs	(49)	(68)	(117)
Profit/(loss) before tax	573	(769)	(196)
Exceptional items	49	68	117
Share-based payment charges	-	71	71
Amortisation	60	-	60
Adjusted profit/(loss) before tax	682	(630)	52

2. SEGMENT INFORMATION (CONTINUED)

	Health and Nutrition £'000	Corporate £'000	Total £'000
6 months to 30 September 2023			
Revenue	5,062	-	5,062
Inter-segment revenue	(128)	-	(128)
Total revenue	4,934	-	4,934
Cost of sales	(1,841)	-	(1,841)
Gross profit	3,093	-	3,093
Operating costs	(2,739)	(746)	(3,485)
Operating profit/(loss) before exceptional items	354	(746)	(392)
Exceptional items	(151)	(143)	(294)
Operating profit/(loss) after exceptional items	203	(889)	(686)
Depreciation	108	-	108
Amortisation	219	-	219
EBITDA	530	(889)	(359)
Exceptional items	151	143	294
Share-based payment charges	-	17	17
Adjusted EBITDA	681	(729)	(48)
Share-based payment charges	-	(17)	(17)
Depreciation	(108)	-	(108)
Amortisation	(219)	-	(219)
Net finance costs	(12)	-	(12)
Exceptional costs	(151)	(143)	(294)
Profit/(loss) before tax	191	(889)	(698)
Exceptional items	151	143	294
Share-based payment charges	-	17	17
Amortisation	61	-	61
Adjusted profit/(loss) before tax	403	(729)	(326)

The adjusted profit/(loss) before taxation is a key measure of the Group's trading performance used by the Directors.
The reported numbers are non-GAAP measures

2. SEGMENT INFORMATION (CONTINUED)

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000
Revenues		
UK	840	830
Rest of Europe	952	1,167
North America	628	1,031
South/Central America	178	243
India	302	282
Asia	826	874
Africa and the Middle East	408	507
	4,134	4,934

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000	inc/(dec) %
FoodPrint®	2,564	3,284	47%
Food Detective®	717	732	4%
CNS laboratory service	842	829	97%
Food ELISA/other	11	89	28%
	4,134	4,934	44%

3. FINANCE INCOME/(COSTS)

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000
Continuing operations		
Interest receivable	82	-
Interest payable on bank overdraft	-	(1)
Interest payable on lease liabilities	(5)	(4)
Interest on hire purchase and asset finance arrangements	(4)	(7)
	73	(12)

4. TAXATION

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000
Continuing operations		
Tax credited in the income statement		
Current tax - current year	-	-
Current tax - prior year adjustment	-	-
Deferred tax - current year	-	-
Deferred tax - prior year adjustment	-	-
	-	-

4. TAXATION (continued)

Reconciliation of total tax credit

Factors affecting the tax credit for the period:	£'000	£'000
Loss taxable	(196)	(672)
Effective rate of taxation	25%	19%
Loss before tax multiplied by the effective rate of tax	(49)	(128)
Effects of:		

Deferred tax asset not recognised	49	128
Tax credit for the period	-	-

5. EARNINGS PER SHARE

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000
Loss attributable to equity holders of the Group	(196)	(698)

	2024 Number	2023 Number
Weighted average number of shares	237,950,660	237,685,180
Share options	-	-
Diluted weighted average number of shares	237,950,660	237,685,180

The number of shares in issue at the period end was 237,950,660. Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Diluting events are excluded from the calculation when the average market price of ordinary shares is lower than the exercise price.

Adjusted earnings per share on loss for the period

The Group presents adjusted earnings per share which is calculated by taking adjusted loss before taxation and adding the tax credit in order to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000
Loss attributable to equity holders of the Group	(196)	(698)
Exceptional items	117	294
Amortisation of intangible assets	60	61
Share-based payment charges	71	17
Adjusted loss attributable to equity holders of the Group	52	(326)

Adjusted EPS on loss for the period	0.0p	(0.8)p
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Adjusted loss before taxation, which is a key measure of the Group's trading performance used by the Directors, is derived by taking statutory loss before taxation and adding back exceptional items, amortisation of intangible assets (excluding development costs) and share-based payment charges.

6. INTANGIBLES

	Goodwill £'000	Licences/Technology software £'000	Customer Development assetsrelationships £'000	costs £'000	Total £'000
Cost					
At 31 March 2023	3,017	1,726	1,975	100	9,259
Additions	-	7	-	-	7
At 30 September 2023	3,017	1,733	1,975	100	9,259
Additions	-	4	-	-	4
Currency translation	-	(1)	-	-	(1)
At 31 March 2024	3,017	1,736	1,975	100	9,259
Additions	-	158	-	-	158
At 30 September 2024	3,017	1,894	1,975	100	9,259

Accumulated amortisation

At 31 March 2023	-	1,647	1,539	100	8,266	11,552
Amortisation charge in the period	-	12	49	-	158	219
At 30 September 2023	-	1,659	1,588	100	8,424	11,771
Amortisation charge in the period	-	10	50	-	157	217
At 31 March 2024	-	1,669	1,638	100	8,581	11,988
Amortisation charge in the period	-	10	50	-	158	218
At 30 September 2024	-	1,679	1,688	100	8,739	12,206

Net book value

At 30 September 2024	3,017	215	287	-	520	4,039
At 31 March 2024	3,017	67	337	-	678	4,099
At 30 September 2023	3,017	74	387	-	835	4,313

7. FIXED ASSETS

Consolidated	Right of use assets £'000	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost				
At 31 March 2023	412	696	2,445	3,553
Additions	202	-	10	212
Disposals	(412)	-	-	(412)
At 30 September 2023	202	696	2,455	3,353
Additions	-	4	34	38
Disposals	-	(299)	(1,069)	(1,368)
At 31 March 2024	202	401	1,420	2,023
Additions	-	-	137	137
At 30 September 2024	202	401	1,557	2,160

Accumulated depreciation

At 31 March 2023	391	694	1,880	2,965
Charge in the period	46	-	62	108
Disposals	(412)	-	-	(412)
At 30 September 2023	25	694	1,942	2,661
Charge in the period	51	2	53	106
Impairment	-	-	110	110
Disposals	-	(299)	(1,069)	(1,368)
At 31 March 2024	76	397	1,036	1,509
Charge in the period	50	1	39	90
At 30 September 2024	126	398	1,075	1,599

Net book value

At 30 September 2024	76	3	482	561
At 31 March 2024	126	4	384	514
At 30 September 2023	177	2	513	692

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