

11 September 2014

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

Half Yearly Report

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 2014. The Company remains on track to reduce overall losses in the year and to move into profitability in 2015.

Cambridge Cognition's product portfolio consists of:

Cantab Solutions	Products and services for use in pharmaceutical clinical trials
Cantab Research	Cognitive assessment products for non-regulated researchers (i.e. academia)
Cantab Healthcare (inc Mobile)	Recently launched medical software for healthcare delivery settings

Operational Highlights

- Clinical trials business up 24% with strong sales pipeline and contract wins for H2
- 48% uplift in Academic sales due to more proactive and structured marketing
- Over 10,000 patients assessed using Cantab Mobile in 260 surgeries across 30 Clinical Commissioning Groups (CCG)
- Appointment of Eric Dodd as Non-Executive Director (9 Jan 2014)

Financial Highlights

- Total revenue up 23.3% to £2.49m (H1 2013: £2.02m)
- Adjusted* EBITDA reduced to £0.40m loss (H1 2013: £1.04m loss)
- Loss before tax reduced to £0.47m (H1 2013: £1.49m loss)
- Loss per share reduced to 2.9p (H1 2013: 14.4p)
- Cash balances of £1.59m (31 Dec 2013: £2.26m)

* Adjusted for share-based payments and one-off H1 2013 IPO expenses

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

"Our results for the first half of the year demonstrate the Company's return to growth. We have worked hard over the last year to develop Cambridge Cognition into a commercially driven business and to establish a solid platform for future growth. This hard work is beginning to pay off and the first half performance gives us confidence that we will meet current expectations for the full year and that we are on track to deliver a profit in 2015."

Enquiries:

Cambridge Cognition Holdings plc

Nick Kerton, Chief Executive Officer
 Nick Walters, Chief Financial Officer

www.cambridgecognition.com

Tel: 01223 810 700

finnCap Ltd (Nomad and Broker)

Matthew Robinson/Henrik Persson/Simon Hicks
 Elizabeth Johnson

Tel: 020 7220 0500

(Corporate Finance)
 (Corporate Broking)

Walbrook PR Ltd

Paul McManus
 Lianne Cawthorne

Tel: 020 7933 8780 or camcog@walbrookpr.com

Mob: 07980 541 893

Mob: 07584 391 303

CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to provide a report on our results for the first half of the year which demonstrates the Company's return to growth. We have worked hard over the last year to develop Cambridge Cognition into a commercially driven business and to establish a solid platform for future growth. This hard work is beginning to pay off and the first half performance gives us confidence that we will meet expectations for the full year and that we are on track to deliver profits in 2015.

Financial Results

Revenue in the period was up over 23% to £2.49m (H1 2013: £2.02m), which reflects a fresh commercial approach to the academic research business and the early success of a new focus on drug characterisation and Human Abuse Liability (HAL) within our clinical trials business.

Cantab Solutions, which provides products and services for use in pharmaceutical clinical trials, increased revenues by 24% to £1.59m. As mentioned, the Company has seen the benefits of a new focus on drug characterisation and HAL, both of which have the ability to deliver higher quality and predictable revenues. It was a key goal to see this business return to growth and whilst our new focus has some impact on the first half of the year we expect to see a more significant contribution to revenue growth in the second half and beyond.

Revenues from our academic business, **Cantab Research**, performed very well with sales up by nearly 48% to £0.87m (H1 2013: £0.59m) driven by a new marketing focus which concentrates on the top 200 academic institutions worldwide in a more structured way.

Whilst sales from our recently launched **Cantab Healthcare** division, which focuses on the primary healthcare market, may not be in line with early expectations, the interest being shown in the product and the early results from those CCGs who have adopted the technology are extremely encouraging both in terms of the efficacy of the product and its prospects for future growth. Sales were £32k compared with £149k in H1 2013 although the same period last year benefitted from a large one-off sale in the first quarter. Total sales for *Cantab Healthcare* for the year ended 31 December 2013 was £158,000.

Gross profit grew by 25% to £2.17m (H1 2013: £1.74m), reflecting an improvement in gross profit margin to 87.0% (H1 2013: 86.0%). Adjusted EBITDA (adjusted for share-based payments, and with the H1 2013 comparison also adjusted for the expenses associated with the Admission to AIM) showed a significant reduction in losses to £0.40m (H1 2013: £1.04m loss). Losses before tax were also significantly reduced to £0.47m (H1 2013: £1.49m loss). As a result, loss per share improved considerably to 2.9p (H1 2013: 14.4p). These results reflect the improved trading conditions within the business, but also the significant work undertaken to correctly align our cost base and ensure that the Company is on track to move into profitability next year.

There was a significant improvement in the net cash outflow from operations during the period, with net cash outflow from operating activities reduced to £0.65m (H1 2013: outflow of £1.43m). Cash balances at 30 June 2014 were £1.59m (as at 31 December 2013: £2.26m).

Overall these results benefit from the first full impact of the £1.4m reduction in the overall cost base established last year, our investment in our commercial infrastructure and our continued focus on driving the business through breakeven and into profitability next year.

Operating Review

As previously announced 2013 was a year of structural change to allow the business to focus on our commercial strategy and to establish a robust infrastructure to drive future growth. The performance in the first half of this year shows that these changes are bearing fruit and that we are able to capitalise on our unique position within the process of understanding and treating mental health – from initial research, through to drug discovery and into the diagnosis and treatment of patients.

This position was recognised during the year in the Nesta report on innovative companies in the healthcare sector. Cambridge Cognition was listed as one of the companies that manage the complex relationships between doctors, researchers and government policy with technology used in several hundred clinical research sites in over 50 countries, testing patients' cognitive function to enable faster diagnosis, as well as being used in clinical trials.

Cantab Solutions (Clinical Trials)

Much of the hard work during this period has been to return our Clinical Trials business, Cantab Solutions, to a trajectory of growth producing high quality predictable revenue streams. We are delighted that we

have achieved this and the results reinforce our strategy of focussing on drug characterisation and HAL and the potential that this business has going forward.

With larger pharmaceutical companies taking a more cautious view to their implementation of trials relating to the Central Nervous System (CNS), the Company identified a number of HAL studies, where our Cantab Solutions products can be applied, looking at the potential a drug has for causing addiction or the propensity for a patient to build up a tolerance to a drug.

Towards the end of this reporting period we were able to announce a number of drug characterisation and HAL studies which provides an indication of the demand for Cambridge Cognition's technology. In particular we announced in early June our participation in a global multi-year study focussed on drug characterisation. This phase III trial is typical of the need drug development companies have for an objective and scientifically rigorous measurement of the cognitive properties of a new drug in a cost-efficient manner. The contract is worth £1.6m to Cambridge Cognition, half of which will be recognised in the 2014 financial year.

Towards the end of June we also announced eight new contracts for human abuse and liability studies totalling around £710,000, with approximately £535,000 of this expected to be accounted for in the current financial year. Alongside our newly launched CTIS-Abuse Liability product, which allows faster, more accurate studies using an iPad, we are now in a leading position for computerised assessment of Human Abuse Liability in drugs and have a strong pipeline of additional trials which we expect to convert in the second half of the year.

More recently, and following the period end, we announced the expansion of our scientific partnership with Altreos Research Partners, Inc., a leading provider of scientific, regulatory and operational input on abuse liability assessments. Under the new arrangements we will work together to develop and supply scientific software that will identify the potential for cognitive impairment caused by newly developed drugs and identify new abuse-deterrent products. Partnership arrangements such as this are a key means of winning new contracts and we already have a number of partnerships in place which we expect will make a steady contribution to our new business pipeline.

Cantab Research Suite (Academic)

With sales up 48% in the period I'm pleased to say that this business has really benefitted from a far more proactive and structured approach to how we market our products to academic institutions. The new Business Manager for this division has worked with the team to concentrate on the top 200 academic institutions in a more structured way. As a result of this stronger sales approach we have seen a healthy uplift in leads with a number of orders converting in the period.

During the period we also launched the latest version of Cambridge Cognition's leading cognitive testing platform which is used to assess cognitive function in studies run by the world's leading academic institutions and cited in over 1,300 peer reviewed publications.

Cantab Healthcare (inc Mobile)

Just following the period end we reached the important milestone of having completed 10,000 patient assessments using Cantab Mobile, our iPad based CE-marked Class II medical device which detects the earliest signs of memory loss associated with dementia. Cantab Mobile devices are now used in over 260 surgeries across 30 Clinical Commissioning Groups (CCGs) in the UK.

At this stage we are reviewing the results of the initial roll-out before instigating the second phase of the UK commercial journey. What has become clear from the first stage of our deployment and engagement with CCGs is that whilst general awareness has been raised across nearly all of the CCGs, we are moving into a phase where customers who are serious about deploying Cantab Mobile more widely require more technical support in the sales process and this is something that we will provide using our specialist in-house team. This will include a review of our planned approach to channel partners in other geographical markets.

The latest roll-out of Cantab Mobile took place in North East Lincolnshire, where our product is being deployed as part of a three month evaluation in five GP surgeries, five pharmacies and in Grimsby hospital to help improve early dementia diagnosis across the CCG.

With NHS funding being offered to GP practices for the timely diagnosis and support for people with dementia and continued government support of early dementia diagnosis we believe that more and more CCGs will want to use Cantab Mobile as part of the process of spotting dementia amongst high risk patient groups. In addition, a recent scientific paper presented at the Alzheimer's Association International Conference in Copenhagen showed that GP practices could significantly reduce diagnostic costs through the routine use of Cantab Mobile to detect the earliest clinically-relevant signs of memory loss associated with dementia. The results from the 10,000 completed patient assessments attests to this showing that on

average one in four patients were identified with mild cognitive impairment with the remaining 75% reassured that their cognitive function remained within normal parameters and that referral to secondary care units for dementia, which would cost the NHS time, resources and money, was unnecessary.

The UK Brain Health Centre Initiative, funded under the Technology Strategy Board Biomedical Catalyst Programme, continues to progress well. The prototype of the cognitive and neurological assessment tool is complete and ready for use in the community pilot. Administrative issues relating to local ethics submissions have resulted in delays to clinical use of the prototype, however patient testing will commence later this year for the first time. A comprehensive strategy to encourage patient referrals from GPs has been established to ensure that the project progression remains on plan.

Outlook

2014 has started well and we are already capitalising on our new sales focus and the commercial structure put in place last year. We have delivered good growth in the first half of the year and we expect to see this growth continue in the second half.

The strong contributions from our academic and clinical trials focused businesses have laid the foundation for a return to growth and, with a number of significant new contracts converted in the first half that will contribute to revenues in the second half and beyond, we are confident that we will deliver results for the full year that meet current market expectations.

We expect to provide shareholders with a further update on our strategy for the UK wide roll-out of Cantab Mobile as we enter into the second phase of our sales and marketing efforts which will be more focused and provide more technical support for our potential customers.

With prevailing attitudes in the NHS and UK Government to improve early dementia diagnosis rates and the advantages that Cantab Mobile brings to patients and clinicians alike, we believe we are well positioned to be a significant contributor to this step-change in dementia care.

I am delighted to be in the position to tell shareholders that Cambridge Cognition has returned to growth, that we expect our performance for the full year to meet expectations, and that we remain on track to deliver a profit in 2015. I would like to thank them for their continued support and my colleagues for their hard work which is clearly paying off.

Nick Kerton
Chief Executive Officer
10 September 2014

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
For the six months ended 30 June 2014

		6 months to 30 June 2014	6 months to 30 June 2013	12 months to 31 December 2013
		unaudited	unaudited	audited
	Note	£'000	£'000	£'000
Revenue	5	2,494	2,018	4,148
Cost of sales		(324)	(283)	(490)
Gross Profit		2,170	1,735	3,658
Administrative expenses		(2,911)	(3,193)	(6,761)
Other income		259	-	145
Operating (loss)		(482)	(1,458)	(2,958)
Analysed as:				
Adjusted EBITDA		(400)	(1,044)	(1,955)
Depreciation		(17)	(19)	(40)
Restructuring costs		-		(352)
Share-based payments charge		(65)	(48)	(238)
AIM listing expenses		-	(347)	(373)
Operating (loss)		(482)	(1,458)	(2,958)
Finance income		9	-	3
Finance costs		-	(35)	(35)
(Loss) before tax		(473)	(1,493)	(2,990)
Income tax		-	-	129
(Loss) for the period attributable to the equity shareholders of the Company		(473)	(1,493)	(2,861)
Earnings per share (pence)	6			
Basic		(2.9)	(14.4)	(21.3)
Diluted		(2.9)	(14.4)	(21.3)

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 2014

	Share capital £'000	Share premium £'000	Own shares £'000	Other reserve £'000	Equity reserves £'000	Retained earnings £'000	Total £'000
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
Balance at 1 January 2013	68	-	(204)	5,981	168	(7,696)	(1,683)
Total comprehensive income for the year	-	-	-	-	-	(2,861)	(2,861)
Reclassification following conversion of loan	-	-	-	-	(168)	168	-
Issue of new share capital	101	-	-	-	-	-	101
Premium on new share capital	-	6,922	-	-	-	-	6,922
Share issue costs	-	(587)	-	-	-	-	(587)
Credit to equity for equity settled share based payments	-	-	-	-	-	238	238
Transactions with owners	101	6,335	-	-	(168)	406	6,674
Balance at 31 December 2013	169	6,335	(204)	5,981	-	(10,151)	2,130
Balance at 1 January 2014	169	6,335	(204)	5,981	-	(10,151)	2,130
Total comprehensive income for the period	-	-	-	-	-	(473)	(473)
Credit to equity for equity settled share based payments	-	-	-	-	-	65	65
Transactions with owners	-	-	-	-	-	65	65
Balance at 30 June 2014	169	6,335	(204)	5,981	-	(10,559)	1,722

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	At 30 June 2014	At 30 June 2013	At 31 December 2013
Note	unaudited £'000	unaudited £'000	audited £'000
Assets			
Non-current assets			
Goodwill	352	352	352
Property, plant and equipment	50	56	53
Total non-current assets	402	408	405
Current assets			
Inventories	104	103	123
Trade and other receivables	2,078	1,115	976
Cash and cash equivalents	1,593	3,320	2,261
Total current assets	3,775	4,538	3,360
Total assets	4,177	4,946	3,765
Liabilities			
Current liabilities			
Trade and other payables	2,455	1,638	1,635
Total liabilities	2,455	1,638	1,635
Equity			
Share capital	169	169	169
Share premium account	6,335	6,335	6,335
Other reserve	5,981	5,981	5,981
Own shares	(204)	(204)	(204)
Retained earnings	(10,559)	(8,973)	(10,151)
Total equity	1,722	3,308	2,130
Total liabilities and equity	4,177	4,946	3,765

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 June 2014

		6 months to 30 June 2014	6 months to 30 June 2013	12 months to 31 December 2013
	Note	unaudited £'000	unaudited £'000	audited £'000
Net cash flows from operating activities	8	(654)	(1,431)	(2,472)
Investing activities				
Payment of deferred consideration		-	(300)	(300)
Purchase of property, plant and equipment		(14)	(3)	(21)
Net cash flow used in investing activities		(14)	(303)	(321)
Financing activities	-			
Proceeds from the issue of share capital net of costs		-	4,413	4,413
Net cash flows from financing activities		-	4,413	4,413
Net increase in cash and cash		(668)	2,679	1,620
Cash and cash equivalents at start of period		2,261	641	641
Cash and cash equivalents at end of period		1,593	3,320	2,261

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

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 10 September 2014.

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

Statutory accounts of the Group for the year ended 31 December 2013 were approved by the Board of Directors on 12 March 2014 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 together with the comparative information for the six months ended 30 June 2014 have been reviewed, not audited.

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 2013.

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 revenue in respect of 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 CANTAB Research 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:

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

	6 months to 30 June 2014	6 months to 30 June 2013	12 months to 31 December 2013
	£'000	£'000	£'000
CANTAB Healthcare	32	149	158
CANTAB Research	874	592	1,493
CANTAB Solutions	1,588	1,277	2,497
	<hr/>	<hr/>	<hr/>
	2,494	2,018	4,148
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6. Earnings per share

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

	6 months to 30 June 2014	6 months to 30 June 2013	12 months to 31 December 2013
	£'000	£'000	£'000
Earnings			
(Loss) for the period	(473)	(1,493)	(2,861)
	'000	'000	'000
Number of shares			
Basic weighted average number of shares	16,401	10,400	13,423
	<hr/>	<hr/>	<hr/>

The basic weighted average number of shares excludes 451,000 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 2014 the Company had outstanding options over ordinary shares as set out below.

	No	Weighted average exercise price £
Outstanding at 1 January 2014	1,119,344	0.43
Exercised in period	(36,900)	0.01
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Outstanding at 30 June 2014	1,082,444	0.44

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

The expense arising from share options in the period was £65,000 (year to 31 Dec 2013 – £238,000).

8. Reconciliation of operating loss to operating cashflows

	6 months to 30 June 2014 £'000	6 months to 30 June 2013 £'000	12 months to 31 December 2013 £'000
(Loss) before tax	(473)	(1,493)	(2,861)
Adjustments for:			
Depreciation	17	19	40
Share-based payments charge	65	48	238
Finance costs	-	35	35
Operating cash flows before working capital movements	(391)	(1,391)	(2,548)
Change in inventories	19	10	(10)
Change in trade and other receivables	(1,231)	104	243
Change in trade and other payables	820	(154)	(157)
Cash generated by operations	(783)	(1,431)	(2,472)
Tax credit received	129	-	-
Net cash flows from operations	(654)	(1,431)	(2,472)

9. 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.cambridgecognition.com.