26 September 2017

Inspiration Healthcare Group plc

("Inspiration Healthcare" or the "Company")

Interim Results

Inspiration Healthcare Group plc (AIM: IHC), the global medical device company, today announces its unaudited interim results for the six months ended 31 July 2017 ("H1 2017/18").

Highlights:

- Revenue up 1% to £7.2m in line with expectations (H1 2016/17: £7.1m)
- International sales up 20% to £2.3m, with strong growth in Europe (H1 2016/17: £1.9m)
- Revenue from Own Branded products increased by 8% to £3.5m (H1 2016/17: £3.2m)
- Operating Profit of £0.5m (H1 2016/17: £0.6m)
- £0.1m of one-time costs for quality management and regulatory compliance systems
- Cash remains strong ending the half year at £1.8m
- Trading in line with expectations, with pipeline in place for uplift in profit performance during the second half of the financial year.

Neil Campbell, Chief Executive Officer, said today: "We are very pleased to have maintained our revenue in the first half, in line with our expectations, as certain product sales were restricted due to outsourced manufacturing and the upgrading of our regulatory compliance systems. The significant improvement in our quality management and compliance systems across all areas of the business however has given us a much stronger platform to support future growth, starting in the second half."

Enquiries:

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About Inspiration Healthcare

Inspiration Healthcare (AIM: IHC) is a global supplier of medical technology for critical care, operating theatre and other medical applications. The Company provides high quality innovative products to patients and caregivers around the world that help to improve patient outcomes and efficiencies of healthcare organisations with patient focused customer service and technical support.

The Company's own brand of critical care solutions span non-invasive respiratory management, thermoregulation and diagnostics, and patient warming for newborns through to adults in intensive care and the operating theatre, whilst the distribution business supplies solutions to support specialised surgical procedures and infusion therapies.

Present in over 50 countries worldwide, Inspiration Healthcare's success has been built on continuous innovation, excellent customer service and an inherent commitment to improving the quality of life of patients, working in close collaboration with key opinion leaders and stakeholders in the clinical and medical community across the globe.

Further information on Inspiration Healthcare can be seen at www.inspiration-healthcare.com

Chairman's Statement

As confirmed in our AGM statement of 30 June 2017, I am pleased to report that the Group's business continues to trade in line with our expectations, with revenue for the first half slightly up on the equivalent period last year. During the half, we have strengthened our management team with the recently announced appointments and significantly upgraded our quality and regulatory systems, whilst we continue to grow internationally. We are also pleased to have completed the restructuring of our business now focused on medical technology.

Critical care continues to perform well, despite delays in CE mark clearance for new products arising from increased regulatory requirements, with sales of our Inspire nCPAP neonatal non-invasive respiratory range continuing to grow strongly. Additionally, we are seeing increased interest from developing countries in our Tecotherm cooling products.

Operating room sales for the Alpha patient warming range showed the anticipated reduction in revenue whilst we redevelop our product offerings which are scheduled to be completed by the end of the current financial year. Our Home Healthcare products range continues to perform well in a niche market.

Our investment in management and regulatory resources in the first half, despite reducing reported profits in the short term, will provide an enhanced platform for our business to develop going forward.

Financial Review

Revenue for the six months to 31 July 2017 was £7.2 million (2016/17: £7.1 million), in line with expectations and up 1% over the equivalent period for the previous year.

Reported Operating Profit for the period at £514k was £68k or 12% below the same period last year (H1 2016/17: £582k before exceptional items). However, the year on year decline is primarily due to additional investment in management and regulatory resources with the latter including £100k for one-time costs to strengthen this function. This investment was made to assist the Group achieve its future growth aspirations.

Profit after tax for the six months to 31 July 2017 was £461k compared to £361k for the same period to 31 July 2016 (the latter being after exceptional costs of £135k).

Revenue from our own brand products increased 8% year on year to £3.5m for the first half and accounted for 48% of revenue, up from 45% for the equivalent period. This is particularly pleasing as we have now extracted historical Industrial revenues from the business (£0.1m H1 2016/17). Revenue from Distributed products declined to £2.6m, representing 37% of total revenue (H1 2016/17: 40%). The gross margin of 45% was broadly in line with last year due to the improved product mix offsetting the impact of adverse movements in exchange rates on distributor product margins. Over the longer term we have the ability to protect our gross margins through natural currency hedges and selective price increases, but short-term volatility of exchange rates of Sterling against the Euro and the US Dollar continues to present some challenges.

Investment in management and regulatory resources resulted in an increase in overheads of 6%. However, due to savings achieved from the Rotherham closure at the end of last year and other cost management initiatives the overall increase in overheads was limited to 2% or £63k (before exceptional items in the prior year). Investment in R&D (combined capital and expensed) amounted to approximately 4% of revenue in the first half. We expect total spend on R&D to increase in the second half.

As a consequence of the above factors reported Operating Profit was down 12% to £0.5m (2016/17: £0.6m). Operating margin was 7.2% (2016/17: 8.2%).

The resulting reported earnings per share was 1.5p (2016 before exceptional items: 1.6p).

Net cash at 31 July 2017 was £1.8 million, down from the year-end position of £2.1 million, partly due to settlement of exceptional items booked last year.

At the AGM held on 30 June a capital reduction programme was approved and, following the necessary court hearings, I am pleased to say that this was completed in early August. Historical accumulated losses have now been eliminated following the completion of the Capital Reduction which will allow the Company the flexibility to distribute profits to shareholders as dividends at some point in the future. However, the Board intends that there will be significant retention of earnings to finance growth.

Operational Review

International sales increased by 20% mainly due to a strong performance of our core Neo-natal product range in Europe and the Middle-East. We continue to push ahead establishing strong relationships with our international partners and prospective customers and as new products come to fruition we expect to continue to build on our distribution network. We have spent time looking at ways of improving our access to the USA market which we feel will be a key region for growth over the next few years. The launch of key new products in the USA is dependent on FDA clearance which is now being looked at as part of our wider strategy for this market.

Our investment in our International sales team over the past 18 months is now reaping dividends as we have established stronger partnership with our distributors in key markets in Europe and the Middle East.

Domestic market revenues (comprising the UK and Republic of Ireland) were down by 6% to £4.9m in H1 2017/18 (H1 2016/17: £5.2m) due to previously referred to regulatory delays to new product releases. The underlying trend in the NHS in the UK is to look for products that offer superior clinical outcomes at a price point that offers value for the NHS. Our sales and marketing team are continually looking at ways to improve how we communicate our value proposition in the UK and Ireland to differentiate our offering from that of our competitors through, for example, managed service contracts and new technologies.

Market Review

Our Critical Care sales increased 4.2% year on year to £4.2m, despite delays to the launch dates of the LifeStart and rPAP Driver products. We remain confident that these products will do well once regulatory clearances have been concluded and we have seen continued interest in all our products, both in enquiries from developing healthcare systems and in relation to clinical trials in established markets. It is also encouraging that we are being approached by inventors of medical devices looking to partner with us to take their invention to market. We are currently evaluating a number of collaborative projects that could be potentially disruptive in the market.

In Operating Theatre our emphasis has been on highlighting the benefits of managed service contracts which we are well placed to implement in the UK as NHS Trusts consider different ownership and usage models of the redeveloped patient warming system. This has inevitably reduced revenue in the short term but we are confident that this will lead to greater adoption of the product and profitability in the longer term. We have also more aggressively targeted opportunities for distributed products in this area as we seek to develop revenue streams for future years.

Our Home Healthcare sales were up by 7% on the same period last year to £1.1m, despite the removal of industrial revenue, which was previously reported in this revenue segment, due to the closure of the Rotherham facility.

Outlook

Our strengthened management team and quality systems will allow us to accelerate growth in the longer term. As a consequence, our focus is now on advancing the rate of new products to be released into our key markets. We believe that our enhanced capabilities in the areas of quality management and regulatory compliance will meet the demands of our industry and position us well for the future.

Our expectation for the full year remains unchanged, maintaining our returns on a growing revenue line.

MARK ABRAHAMS Chairman
26 September 2017

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2017

	Notes	**Unaudited 6 months ended 31-Jul 2017 £'000**	Unaudited 6 months ended 31-Jul 2016 £'000	Audited Year ended 31-Jan 2017 £'000
Revenue		**7,185**	7,117	14,323
Cost of sales		**(3,983)**	(3,910)	(7,965)
Gross profit		**3,202**	3,207	6,358
Operating expenses		**(2,688)**	(2,760)	(5,913)
Operating profit		**514**	447	445
Analysed as:				
Operating profit before impairment of goodwill and intangible assets and exceptional items		**514**	582	1,163
Exceptional items	4	**-**	(135)	(718)
Operating profit		**514**	447	445
Finance income		**-**	2	3
Finance costs		**(2)**	(1)	(4)
Profit on ordinary activities before taxation		**512**	448	444
Taxation	5	**(51)**	(87)	(132)
Profit retained attributable to the owners of the parent company		**461**	361	312
Earnings per share, before exceptional items attributable to owners of the parent company during the period – basic and diluted		**1.5p**	1.6p	3.4p
Earnings per share for Inspiration Healthcare Group attributable to owners of the parent company during the period – basic and diluted		**1.5p**	1.2p	1.0p

All recognised gains and losses are included in the Consolidated Statement of Comprehensive Income, as such there is no other comprehensive income.

Unaudited Consolidated Statement of Financial Position

As at 31 July 2017

	Notes	**Unaudited As at 31-Jul 2017 £'000**	Unaudited As at 31-Jul 2016 £'000	Audited As at 31-Jan 2017 £'000
ASSETS				
Non-current assets				
Intangible assets		**765**	318	535
Goodwill		**-**	-	-
Property, plant and equipment		**491**	164	365
Deferred tax asset		**-**	47	-
Investments		**106**	100	106
		1,362	629	1,006
Current assets				
Inventories		**829**	1,063	778
Trade and other receivables		**2,082**	1,728	2,491
Current tax asset		**-**	60	-
Cash and cash equivalents	8	**1,792**	3,009	2,165
		4,703	5,860	5,434
Total assets		**6,065**	6,489	6,440
Liabilities				
Current liabilities				
Trade and other payables		**1,942**	2,349	2,816
Obligations under finance leases		**-**	24	16
Deferred income		**433**	416	368
Current tax liability		**79**	379	77
		2,454	3,168	3,277
Non-current liabilities				
Deferred income		**12**	114	25
Deferred tax liability		**13**	33	13
Total liabilities		**2,479**	3,315	3,315
Net assets		**3,586**	3,174	3,125
Shareholders' equity				
Called up share capital		**3,067**	3,067	3,067
Share premium account		**-**	9,929	9,929
Merger reserve		**391**	4,600	4,600
Reverse acquisition reserve		**(16,164)**	(16,164)	(16,164)
Accumulated profit		**16,292**	1,742	1,693
Total equity		**3,586**	3,174	3,125
Total liabilities and equity		**6,065**	6,489	6,440

Unaudited Consolidated Statements of Cash flows

For the six months ended 31 July 2017

	Notes	**Unaudited 6 months ended 31-Jul 2017 £'000**	Unaudited 6 months Ended 31-Jul 2016 £'000	Audited Year ended 31-Jan 2017 £'000
Cash flows from operating activities				
Cash generated from operations	9	**162**	817	771
Interest paid		**(2)**	(1)	(4)
Taxation paid		**(50)**	56	(203)
Net cash inflow from operating activities		**110**	872	564
Cash flow from investing activities				
Interest received		**-**	2	3
Purchase of property, plant and equipment		**(198)**	(56)	(313)
Purchase of intangible assets		**(14)**	(36)	(58)
Capitalised development costs		**(255)**	(84)	(327)
Acquisition of investment		**-**	-	(6)
Net cash used in investing activities		**(467)**	(174)	(701)
Cash flow from financing activities				
Finance leases		**(16)**	(8)	(17)
Net cash used in financing activities		**(16)**	(8)	(17)
Net (decrease) / (decrease) in cash and cash equivalents		**(373)**	690	(154)
Cash and cash equivalents at the beginning of the period		**2,165**	2,319	2,319
Cash and cash equivalents at the end of the period		**1,792**	3,009	2,165

Unaudited Consolidated Statement of Changes in Shareholder Equity

For the six months ended 31 July 2017

	Called up Share Capital £000's	Share premium account £000's	Merger reserve £000's	Reverse acquisition reserve £000's	Retained earnings £000's	Total equity £000's
Shareholders' equity at 31 January 2016	**3,067**	**9,929**	**4,600**	**(16,164)**	**1,381**	**2,813**
Profit for the period and total comprehensive expenses	-	-	-	-	361	361
Shareholders' equity at 31 July 2016	**3,067**	**9,929**	**4,600**	**(16,164)**	**1,742**	**3,174**
Loss for the period and total comprehensive expenses	-	-	-	-	(49)	(49)
Shareholders' equity at 31 January 2017	**3,067**	**9,929**	**4,600**	**(16,164)**	**1,693**	**3,125**
Profit for the period and total comprehensive expenses	-	-	-	-	461	461
Capital reduction exercise:						
- Issue of B Shares to Capitalise Merger Reserve	4,209		(4,209)			-
- Cancellation of B Shares	(4,209)				4,209	-
- Cancellation of Share Premium Account	-	(9,929)		-	9,929	-
Shareholders' equity at 31 July 2017	**3,067**	**-**	**391**	**(16,164)**	**16,292**	**3,586**

Capital Reduction

On 26th July 2017, the High Court issued an order confirming the cancellation of Inspiration Healthcare Group PLC's share premium account and the first tranche of B shares issued to capitalise £4,208,858 of the amount standing to the credit of the merger reserve. Following registration with Companies House, the Capital Reduction became effective on 28 July 2017.

Subsequently, on the 9th August 2017 the High Court issued an order confirming the cancellation of the second tranche of B shares to capitalise £391,274 of the amount standing to the credit of the merger reserve. Following registration with Companies House, the Capital Reduction became effective on 14 August 2017.

Notes to the interim report

1. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 31 July 2017 have been prepared in accordance with AIM rule 18 in relation to half year reports. This information should be read in conjunction with the annual financial statements for the year ended 31 January 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. Going-concern basis

The Group meets its day-to-day working capital requirements through its cash resources. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

3. Interim financial information

The interim financial information for the period ended 31 July 2017 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial information for the period ended 31 July 2016 is also unaudited. The audited accounts for the year ended 31 January 2017 for Inspiration Healthcare Group plc were approved by its Board of Directors on 3 May 2017 and have been delivered to the Registrar of Companies with an unqualified audit report.

The Company's annual report and financial statements for the year ended 31 January 2017 were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing those statements.

4. Exceptional items

There are no exceptional items in the current period. £135k incurred in the equivalent prior year period relate to severance costs following the change of Group Finance Director.

Exceptional items for the year ended 31 July 2017 include the costs of closure of the corporate office and manufacturing site at Rotherham and the Albourne R&D facility.

	6 months ended 31-Jul 2017 £'000	6 months ended 31-Jul 2016 £'000	Year ended 31-Jan 2017 £'000
Professional fees in relation to the reverse acquisition	**-**	-	(62)
Severance and related costs	**-**	136	136
Closure of facilities	**-**	-	644
Total exceptional items	**-**	**136**	**718**

5. Taxation

A provision has been made for corporation tax at the rate of 19.4% on the estimated taxable profits for the period.

6. Dividends Paid

There are no immediate plans to pay dividends for Inspiration Healthcare Group plc.

7. Earnings/(loss) per share

The calculation of earnings per ordinary share is based on a profit of £461k (31 July 2016: £361k, 31 January 2016: £312k) and on a weighted average number of ordinary shares of 30,667,548 for each period.

8. Cash and cash equivalents

Cash and cash equivalents compromise solely of cash and cash in hand and held by the Group.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	Unaudited 6 months ended 31-Jul 2017 £'000	Unaudited 6 months Ended 31-Jul 2016 £'000	Audited Year Ended 31-Jan 2017 £'000
Pound Sterling	**1,262**	2,647	1,715
Euro	**425**	262	77
US Dollars	**104**	96	373
JPY	**1**	4	-
Net cash inflow from operating activities	**1,792**	3,009	2,165

9. Note to the Consolidated Statement of Cash flows

	Unaudited 6 months Ended 31-Jul 2017 £'000	Unaudited 6 months Ended 31-Jul 2016 £'000	Audited Year Ended 31-Jan 2017 £'000
Profit before taxation	**512**	448	444
Adjustments for:			
Net finance costs / (income)	**2**	(1)	1
Depreciation and amortisation	**111**	103	204
Loss on disposal of tangible asset	**1**	-	2
(Increase) / decrease in inventories	**(51)**	(284)	2
Decrease / (Increase) in trade and other receivables	**409**	303	(461)
(Decrease) / increase in trade and other payables	**(874)**	131	598
Increase / (decrease) in deferred income	**52**	117	(19)
Net cash inflow from operating activities	**162**	817	771

10. Contingent liabilities

Included within cash and cash equivalents is a deposit for £150k that is used as collateral for bank facilities provided by HSBC Bank plc to Inspiration Healthcare Group plc.

Inspiration Healthcare Limited has provided a fixed and floating charge over its assets as collateral for bank facilities provided by The Royal Bank of Scotland plc. Throughout all periods reported there have been no borrowings on this facility. In addition, The Royal Bank of Scotland plc provide a bank guarantee to HM Revenue and Customs as security for its Duty Deferment Scheme.

During the normal course of business, the group offers warranties against its products against clearly defined peformance specifications.

11. Related party transactions

- Investment in Neuroprotexeon Limited

The company has a holding of 10.4% (2016: 12.8%) of the issued ordinary share capital of Neuroprotexeon Limited and holds 25,000 options to purchase ordinary shares at an exercise price of £0.23 per share which have been exercised since 31 July. The investment agreement provides the Group with the right to appoint a director. Neil Campbell is currently appointed as a Non-Executive Director as the Group's representative.

● Lease of Leicestershire facility

Inspiration Healthcare Limited entered into a lease in respect of Gildor House in Earl Shilton, Leicestershire for an annual rent of £19,250 on 8 April 2008. The lease term is for ten years from April 2008. The last rent review date in the term has already passed. The landlord of the property is a self-invested pension plan ("SIPP") controlled by Neil Campbell, Toby Foster, Simon Motley, Malcolm Oxley and Graham Walls. The annual charge was deemed to be at a market rate by Standard Life Trustee Limited on 18 April 2008. This was reviewed on 6 August 2013, with the market rate remaining unchanged.

● Key management

Directors control 28% of the voting shares of the legal parent company

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