

2 October 2018

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 2018 ("H1 2018/19").

Highlights:

- Revenue up 3% to £7.4m in line with our expectations (H1 2017/18: £7.2m)
- Revenue grew both domestically (2%) and internationally (4%)
- First sales recorded of redeveloped Patient Warming System
- First sales of new Unique+ CFM and LifeStart
- EBITDA up by 9% to £0.7m (H1 2017/18: £0.6m)
- Operating profit £0.5m (H1 2017/18: £0.5m)
- Cash remains strong ending the half year at £2.4m; a net inflow of £0.3m in the period
- Outlook unchanged with growth expected in H2

Neil Campbell, Chief Executive Officer, said today:

"From the difficult start to the year caused by the delays in receiving the necessary approvals for our own developed products, I am pleased to report that we are getting back on track with the first sales of the newly developed patient warming system achieved and expect that these sales will increase as we obtain further registrations in other markets.

Despite the slower than expected start of our Own Branded Products, I am also pleased that we have increased revenues domestically and internationally and achieved a 9% increase in EBITDA largely through the prudent management of resources. To some degree, this shows the resilience of the Group's product mix and operating structure and its ability to adapt to external conditions which are not in its control.

We continue have a strong cash position and are well placed for the rest of the year."

Enquiries:

Inspiration Healthcare Group plc Neil Campbell, Chief Executive Officer Mike Briant, Chief Financial Officer	Tel: 01455 840555
Nominated Adviser & Broker Cenkos Securities plc Mark Connelly / Cameron MacRitchie (NOMAD)	Tel: 0207 397 8900
Cadogan PR Alex Walters	Tel: 07771 713608

Investor Evening

The Directors of Inspiration Healthcare Group plc will be hosting an evening for investors on Thursday 4 October 2018 starting at 4.30pm in a private room downstairs at Balls Brothers, 10-11 Austin Friars, London, EC2N. To register for the event and to attend the evening, please contact: Alex Walters on 07771713608 or by email at alex.walters@cadoganpr.com

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

I am pleased to confirm that the Group continued to trade in line with our expectations as set out in our AGM Statement of 15 June 2018. Revenue for the first half of the financial year was up 3% on the equivalent period last year.

As we announced in our AGM Statement our plans to launch new products in the current financial year have been frustrated by the significant delays we experienced in obtaining an updated Quality Management System certificate and a CE Mark approval for our redeveloped Patient Warming System from our Notified Body. Shortly before the AGM, and much later than we expected, we received these two certificates and are now pleased to report that we have completed the first sales of the redeveloped Patient Warming System in July with further sales expected in the second half.

The delay in obtaining the necessary approvals meant that product registrations commenced later than planned and this had the effect of reducing the proportion of our Own Branded Product revenues. However, this was offset by stronger revenues from our Home Healthcare sector (up 17%), meaning the proportion of revenue generated from Distributed Products increased to 43% (FY 2017/18: 42%).

This demonstrates the Group's ability to balance revenues by focusing on different sectors of the business to adapt to the external conditions. We expect the mix to move back towards Own Branded Products in the second half and to see a gradual margin improvement. Additionally, we expect to realise the benefits from last year's investment in management and regulatory resources.

Financial Review

Revenue for the six months to 31 July 2018 was £7.4 million (2017/18: £7.2 million), an increase of 3% over the equivalent period for the previous year.

EBITDA improved by 9% year on year to £0.7m as a result of growing gross profit and limiting the increase in cash-based overheads. Operating Profit for the period at £0.5m was in line with the same period last year.

Revenue from our Own Brand Products at £3.2m was lower than the first half of last year (H12017/18: £3.5m) due to delayed product releases leading to the proportion of revenue generated from these products reducing marginally to 44% of total revenue (FY2017/18: 45%). Revenue from our Distributed Products was up by 20% to £3.2m, with particularly good sales in Home Healthcare.

Despite the increase in mix towards Distributor Product revenue, gross margin at 45% was in line with H1 2017/18. Underlying cash-based overhead increases were limited to 2.1% with the full impact of last year's investment in management and resources replacing the £0.1m one-time regulatory costs incurred in H1 2017/18. Investment in R&D (combined capitalised and expensed) amounted to approximately 4.2% of revenue in the first half, lower than recent periods due to the time taken to achieve regulatory clearances. We expect total spend on R&D to increase in the second half.

Profit after tax for the six months to 31 July 2018 at £0.4m was slightly down on the same period last year due to a small increase in the tax charge arising from lower relief on the reduced R&D spend referred to above.

The resulting diluted earnings per share was 1.4p for H1 2018/19 (H1 2017/18: 1.5p).

Cash at 31 July 2018 was £2.4 million, a net inflow of £0.3m. Trade receivables and trade payables are higher due a back-to-back supply facility provided to a third-party medical device company.

Operational Review

Both Domestic and International revenue grew, by 2% and 4% respectively. With the launch of our redeveloped Patient Warming System we can push ahead to establishing strong relationships with our network of international distributors in this field, whilst progressing the registration of this device for the US market which we expect to achieve during the next financial year.

We have continued to look for novel products to distribute and are pleased to have launched the ClampCut device from Price Invena of Denmark. The ClampCut is a single use device for cutting and clamping the umbilical cord and compliments Inspiration's own products, LifeStart and Inspire rPAP, which are used in the delivery room.

As with many companies operating in Europe, we continue to monitor the potential impact of Brexit. Clearly uncertainty remains about the future relationship between the UK and the EU and we will continue to explore all options to mitigate the potential effect that this may have on trading.

We are pleased to announce that Nigel Weston has joined the company as Head of Operations and a member of our senior management team, showing our commitment to continue to invest in our people and resources to underpin our growth strategy. Nigel brings a wealth of supply chain experience from both within the healthcare sector and other industries and will head up our operations function at our Earl Shilton facility. Nigel will report to Neil Campbell, CEO.

Market Review

Due to the factors outlined above our Critical Care revenue was flat year on year at £5.1m and Operating Theatre revenue was down 3% to £0.8m. However, performance in the Home Healthcare sector was able to offset these impacts reporting growth of 17% to £1.5m.

Investment in Neuroprotexon

In June it was announced by Neuroprotexon Limited ("NPXe"), a company in which Inspiration Healthcare holds 10% of the current issued share capital (or 8.6% diluted for options in existence at the time of the announcement), that NPXe confirmed that it was seeking to complete an IPO on AIM in the second half of 2018. We continue to monitor the situation with interest and will update shareholders accordingly.

Outlook

The last eighteen months have been characterised by industry wide delays in regulatory approvals. As previously indicated, we are just starting to turn these additional compliance requirements to our advantage as sales of newly approved products gather momentum.

As we enter the second half, we are encouraged by the take up of these new products and expect them to create a basis for growth over the next two years. This growth has been anticipated and we continue to expect the year's performance to be second half weighted. Therefore our overall expectations for the financial year remain unchanged.

MARK ABRAHAMS Chairman
2 October 2018

Unaudited Consolidated Income Statement

For the six months ended 31 July 2018

	Notes	Unaudited 6 months ended 31-Jul 2018 £'000	Unaudited 6 months ended 31-Jul 2017 £'000	Audited Year ended 31-Jan 2018 £'000
Revenue		7,391	7,185	15,495
Cost of sales		(4,072)	(3,983)	(8,709)
Gross profit		3,319	3,202	6,786
Operating expenses		(2,817)	(2,688)	(5,582)
Operating profit		502	514	1,204
Finance income		2	-	-
Finance costs		-	(2)	(2)
Profit before tax		504	512	1,202
Income tax (expense)/income	4	(70)	(51)	21
Profit attributable to the owners of the parent company		434	461	1,223
Earnings per share, attributable to owners of the parent company				
Basic expressed in pence per share	6	1.42p	1.50p	3.99p
Diluted expressed in pence per share	6	1.40p	1.50p	3.98p

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2018

	Notes	Unaudited 6 months ended 31-Jul 2018 £'000	Unaudited 6 months ended 31-Jul 2017 £'000	Audited Year ended 31-Jan 2018 £'000
Profit for the year		434	461	1,223
Other comprehensive expense				
Items that may be reclassified to profit or loss				
Cash flow hedges		3	-	(3)
Total other comprehensive expense for the year		3	-	(3)
Total comprehensive income for the year		437	461	1,220

Unaudited Consolidated Statement of Financial Position

As at 31 July 2018

(Registered Number: 03587944)

	Notes	Unaudited As at 31-Jul 2018 £'000	Unaudited As at 31-Jul 2017 £'000	Audited As at 31-Jan 2018 £'000
ASSETS				
Non-current assets				
Intangible assets		1,306	765	1,209
Property, plant and equipment		407	491	461
Investments		111	106	111
		1,824	1,362	1,781
Current assets				
Inventories		769	829	560
Trade and other receivables		3,161	2,082	3,066
Cash and cash equivalents	7	2,389	1,792	2,086
		6,319	4,703	5,712
Total assets		8,143	6,065	7,493
Liabilities				
Current liabilities				
Trade and other payables		(2,694)	(1,942)	(2,686)
Derivative financial liability		-	-	(3)
Deferred income		(507)	(433)	(328)
Current tax liability		(71)	(79)	(70)
		(3,272)	(2,454)	(3,087)
Non-current liabilities				
Deferred income		-	(12)	(7)
Deferred tax liability		(34)	(13)	(34)
		(34)	(25)	(41)
Total liabilities		(3,306)	(2,479)	(3,128)
Net assets		4,837	3,586	4,365
Shareholders' equity				
Called up share capital		3,067	3,067	3,067
Merger reserve		-	391	-
Reverse acquisition reserve		(16,164)	(16,164)	(16,164)
Share based payment reserve		55	-	20
Other reserves		-	-	(3)
Accumulated profit		17,879	16,292	17,445
Total equity attributable to owners of the parent company		4,837	3,586	4,365

Unaudited Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 31 July 2018

	Called up Share Capital £000's	Share premium account £000's	Merger reserve £000's	Reverse acquisition reserve £000's	Share based payment reserve £000's	Other reserves £000's	Retained earnings £000's	Total equity £000's
At 31 January 2017	3,067	9,929	4,600	(16,164)	-	-	1,693	3,125
Profit for the period 1 February 2017 to 31 July 2017	-	-	-	-	-	-	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	-
At 31 July 2017	3,067	-	391	(16,164)	-	-	16,292	3,586
Profit for the period 1 August 2017 to 31 January 2018	-	-	-	-	-	-	762	762
Other comprehensive income	-	-	-	-	-	(3)	-	(3)
Total comprehensive income/(expense) for the period	-	-	-	-	-	(3)	762	759
Transactions with owners								
Employee share scheme expense	-	-	-	-	20	-	-	20
Capital reduction exercise:								
- Issue of B Shares to Capitalise Merger Reserve	391	-	(391)	-	-	-	-	-
- Cancellation of B Shares	(391)	-	-	-	-	-	391	-
Total transactions with owners	-	-	(391)	-	20	-	391	20
At 31 January 2018	3,067	-	-	(16,164)	20	(3)	17,445	4,365
Profit for the period 1 February 2018 to 31 July 2018	-	-	-	-	-	-	434	434
Other comprehensive income	-	-	-	-	-	3	-	3
Total comprehensive income for the period	-	-	-	-	-	3	434	437
Transactions with owners								
Employee share scheme expense	-	-	-	-	35	-	-	35
Total transactions with owners	-	-	-	-	35	-	-	35
At 31 July 2018	3,067	-	-	(16,164)	55	-	17,879	4,837

Unaudited Consolidated Statements of Cash flows

For the six months ended 31 July 2018

	Notes	Unaudited 6 months ended 31-Jul 2018 £'000	Unaudited 6 months Ended 31-Jul 2017 £'000	Audited Year ended 31-Jan 2018 £'000
Cash flows from operating activities				
Cash generated from operations	8	571	162	919
Interest paid		-	(2)	(2)
Taxation received		-	-	161
Taxation paid		(69)	(50)	(126)
Net cash inflow from operating activities		502	110	952
Cash flow from investing activities				
Interest received		2	-	-
Purchase of property, plant and equipment		(23)	(198)	(254)
Purchase of intangible assets		(17)	(14)	(68)
Capitalised development costs		(161)	(255)	(688)
Acquisition of investment		-	-	(5)
Net cash used in investing activities		(199)	(467)	(1,015)
Cash flow from financing activities				
Finance leases		-	(16)	(16)
Net cash used in financing activities		-	(16)	(16)
Net increase / (decrease) in cash and cash equivalents		303	(373)	(79)
Cash and cash equivalents at the beginning of the period		2,086	2,165	2,165
Cash and cash equivalents at the end of the period		2,389	1,792	2,086

Notes to the Unaudited Interim Financial Statements

For the six months ended 31 July 2018

1. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 31 July 2018 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 2018, 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 2018 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 2017 is also unaudited. The audited accounts for the year ended 31 January 2018 for Inspiration Healthcare Group plc were approved by its Board of Directors on 23 April 2018 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 2018 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.

The following standards have been adopted for the first time in the current financial year.

IFRS 9 Financial Instruments

IFRS 9 (effective 1 January 2018) addresses the classification, measurement and recognition of financial assets and liabilities and replaces IAS 39. The implementation of IFRS 9 has not had a material impact on the interim financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 (effective 1 January 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The implementation of IFRS 15 has not had a material impact on the interim financial statements.

4. Taxation

A provision has been made for corporation tax at the rate of 19% on the estimated taxable profits for the period.

5. Dividends Paid

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

6. Earnings per ordinary share

Basic earnings per share for the period is calculated by dividing the profit attributable to ordinary shareholders for the year after tax by the weighted average number of shares in issue.

Basic diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares.

The calculation of earnings per ordinary share is based on a profit of £434k (31 July 2017: £461k and 31 January 2018: 1,223k)

Notes to the Unaudited Interim Financial Statements (continued)

For the six months ended 31 July 2018

6. Earnings per ordinary share (continued)

The weighted average number of shares in issue and the diluted weighted average number of shares in issue were as follows:

	Unaudited 6 months ended 31-Jul 2018	Unaudited 6 months Ended 31-Jul 2017	Audited Year Ended 31-Jan 2018
Shares			
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	30,667,548	30,667,548	30,667,548
Dilutive effect of potential Ordinary shares:			
Share options	260,338	-	66,449
Diluted weighted number of shares in issue for the purpose of diluted earnings per share	30,927,886	30,667,548	30,733,997

The number of share options for the year ended 31 January 2018 have been pro-rated for the time they have been in place.

The basic and diluted earnings per share are as follows:

	Unaudited 6 months ended 31-Jul 2018 pence	Unaudited 6 months Ended 31-Jul 2017 pence	Audited Year Ended 31-Jan 2018 pence
Basic	1.42	1.50	3.99
Diluted	1.40	1.50	3.98

7. Cash and cash equivalents

Cash and cash equivalents comprise 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 2018 £'000	Unaudited 6 months Ended 31-Jul 2017 £'000	Audited Year Ended 31-Jan 2018 £'000
Pound Sterling	1,974	1,262	1,567
Euro	82	425	280
US Dollars	331	104	236
Japanese Yen	2	1	3
Net cash inflow from operating activities	2,389	1,792	2,086

Notes to the Unaudited Interim Financial Statements (continued)

For the six months ended 31 July 2018

8. Note to the Consolidated Statement of Cash flows

	Unaudited 6 months Ended 31-Jul 2018 £'000	Unaudited 6 months Ended 31-Jul 2017 £'000	Audited Year Ended 31-Jan 2018 £'000
Profit before taxation	504	512	1,202
Adjustments for:			
Net finance (income) / costs	(2)	2	2
Depreciation and amortisation	158	111	230
Employee share scheme expense	35	-	20
Loss on disposal of tangible asset	-	1	10
(Increase) / decrease in inventories	(209)	(51)	218
(Increase) / decrease in trade and other receivables	(95)	409	(575)
Increase / (decrease) in trade and other payables	8	(874)	(130)
Increase / (decrease) in deferred income	172	52	(58)
Net cash inflow from operating activities	571	162	919

9. Related party transactions

- Investment in Neuroprotexon Limited

The company has a holding of 10.0% (2017: 10.4%) of the issued ordinary share capital of Neuroprotexon Limited (8.1% on a fully diluted basis taking into account share options and loan conversion rights of other investors). Neil Campbell resigned as a Non-Executive Director of Neuroprotexon Limited on 21 June 2018.

- Lease of Leicestershire facility

The Leicestershire facility at Earl Shilton is rented on an arms length basis from a self-invested pension plan controlled by Neil Campbell, Toby Foster, Simon Motley, Malcom Oxley and others. The lease was renewed on an arms length basis during April 2018.

- Key management

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

Registered Office:

**2 Satellite Business Village
Fleming Way
Crawley RH10 9NE**

Telephone: +44 (0) 1455 840555

Fax: +44 (0) 1455 841464

website www.Inspiration-healthcare.com