

Inspiration Healthcare Group plc

("Inspiration Healthcare" or the "Company")

Inspiration Healthcare Group plc ("Inspiration", the "Company" or the "Group")

Interim Results

Inspiration Healthcare Group plc (AIM: IHC), the global medical device company, today announces its interim results for the six months ended 31 July 2016.

The Group completed the reverse takeover of Inditherm PLC on 24 June 2015. The financial results for the half year to 31 July 2016 reflect six months of Inspiration Healthcare Limited and six months from Inditherm plc as previously constituted. However, the 2015 comparative has 20 weeks of Inditherm plc. A proforma statement of income has been produced, which reflects six months of trading from both entities for both 2016 and 2015, adjusted to show the Group as it is currently structured. On this proforma basis, the consolidated Group is showing growth in revenue and profit.

Highlights:

- Sales on a pro form basis grew by 10% to £7.1m with strong growth in Critical Care
- International sales were up 19% with growth in the Americas and Europe
- Interest in the LifeStart at the Paediatric Academic Society meeting (Baltimore) shows the concept of the product has great potential
- R&D work focused on CE Marking the Inspire rPAP system, the first product from our new R&D team
- Operating profit on a proforma basis grew 12% to £0.6m
- Cash remains strong ending the half year at £3.0m (from £2.3m at 31 January 2016).
- On a statutory basis sales grew 26% to £7.1m. Operating profit was 18% lower at £0.6m.

Neil Campbell, Chief Executive Officer, said today: "The excellent performance in our first half is pleasing as the new team have got to grips with the challenges in the market. We continue to invest in sales and marketing and new product development to position the company for continued growth"

Enquiries:

Inspiration Healthcare Group plc Neil Campbell, Chief Executive Officer	01709 761000
Nominated Adviser & Broker Cenkos Securities plc Bobbie Hilliam (NOMAD)	0207 397 8900
Cadogan PR Alex Walters	07771 713608

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.

Chairman's Statement

Highlights

Sales on a proforma basis grew by 10% to £7.1m with strong growth in Critical Care

International sales were up 19% with growth in the Americas and Europe

Interest in the LifeStart at the Paediatric Academic Society meeting (Baltimore) shows the concept of the product has great potential

R&D work focused on CE Marking the Inspire rPAP system, the first product from our new R&D team

Operating profit on a proforma basis grew 12% to £0.6m

Cash remains strong ending the half year at £3.0m (from £2.3m at 31 January 2016).

On a statutory basis sales grew 26% to £7.1m. Operating profit was 18% lower at £0.6m.

The Group completed the reverse takeover of Inditherm PLC on 24 June 2015. Accordingly, the financial results for the half year to 31 July 2016 reflect six months of Inspiration Healthcare Limited and six months from Inditherm plc as previously constituted. However, the 2015 comparative has 20 weeks of Inditherm plc. To help shareholders to assess the enlarged Group, a proforma statement of income has been produced on the following page, which reflects six months of trading from both entities for both 2016 and 2015, adjusted to show the Group as it is currently structured. On this basis the consolidated Group is showing growth in revenue of 10% and an underlying return on sales of 8.2%.

We have continued to invest in R&D especially the Inditherm range as we see the untapped potential of the Inditherm Alpha system and the LifeStart. Investment has also been ongoing for the Inspire rPAP driver which will be launched late in the year and as a result R&D expenditure will increase in the second half.

Critical care performed well, with sales of our Inspire nCPAP neonatal non-invasive respiratory range growing strongly. Our service offering continues to perform strongly in Critical Care in the UK.

Operating room sales for the Inditherm Alpha range showed an expected decline as we have not yet completed our product range improvements. During the next financial year we expect to have re-engineered the offering both commercially and technically and remain confident in the potential for this sector.

Our Home Healthcare products range continues to perform well in a niche market. In particular the disposable range has grown strongly which is especially pleasing given the recurring revenues from this product line. We have continued to invest in the Micrel Brand and its route to market in both OR and Home Healthcare and expect to see further growth in due course.

Financial Review

On a statutory accounting basis, revenue for the six months to 31 July 2016 was £7,117k (2015: £5,652k). The operating profit for the period before exceptional items was £582k (2015: £713k) and

after exceptional items £447k (2015: £410k loss). The profit after tax was £361k (2015: £504k loss) and the earnings per share was 1.2p (2015: 1.9p/loss)

On 24 June 2015, the company, by way of a share exchange, acquired the entire issued ordinary share capital of Inspiration Healthcare Limited. Full details of the transaction were included in the Company's annual report and financial statements for the year ended 31 January 2016.

The following unaudited proforma statement presents the income statement for the enlarged Group for the 6 months to 31 July 2016, for the 6 months to 31 July 2015 and 12 months to 31 January 2016 on the assumption that the two entities had been a consolidated group for the entire period.

	Actual 6 months ended 31 July 2016 £'000	Proforma 6 months ended 31 July 2015 £'000	Proforma Year ended 31 January 2016 £'000
Revenue	7,117	6,470	13,096
Cost of sales	(3,910)	(3,579)	(7,118)
Gross profit	3,207	2,891	5,978
Operating expenses	(2,648)	(3,502)	(6,132)
Research and development	(112)	(138)	(421)
Other income	-	-	295
Operating profit/(loss) for the period	447	(749)	(280)
Analysed as:			
Operating profit/(loss) before impairment of goodwill and intangible assets and exceptional items	582	518	1,109
Impairment of goodwill and intangible assets	-	(517)	(517)
Exceptional items	(135)	(750)	(872)
Operating profit/(loss)	447	(749)	(280)
Finance income	1	2	3
Profit/(loss) on ordinary activities before taxation	448	(747)	(277)
Taxation	(87)	(95)	(136)
Profit/(loss) for the period attributable to the owners of the parent company	361	(842)	(413)
Earnings/ (loss) per share, before exceptional items for Inspiration Healthcare Group attributable to owners of the parent company during the period - basic and diluted	1.6p	1.4p	3.4p

Revenue for the six months to 31 July 2016 was £7.1m (2015: £6.5m) representing 10% growth on a proforma basis. UK sales were up 6%, with a strong performance in the Inspire range of respiratory care products offset by a decline in Inditherm products which are yet to benefit from planned product improvements. International sales were up 19% with growth in Europe and the Americas. Gross margin was slightly higher than last year due to a larger proportion of service revenue.

Underlying overheads are up 12% due to planned increases in sales and marketing staff resources and professional fees which are in line with management expectations of re-engineering a larger business. R&D costs charged to the P&L are slightly lower than last year but we also incurred capital development costs associated with the inspire rPAP project in the first half year. We expect total spend on R&D to increase in the second half. Exceptional costs of £0.1m represent the costs of replacing the Group Finance Director.

As a consequence of the growth, underlying operating profit was up 12% on a proforma basis to £0.6m (2015: £0.5m). The operating profit percentage edged up to 8.2% (2015: 8.0%).

The resulting earnings per share, before exceptional items, was 1.6p (2015 proforma: 1.4p).

Net cash at 31 July 2016 was £3m (2015: £2.1m), providing capacity for increased capital expenditure forecast for the second half year and working capital to support future growth.

Operational Review

Investing in our sales team and marketing initiatives to drive our business forward has continued to reap benefits in the first half of the year with sales showing growth on a proforma basis of 10%. International sales have increased by 19% and we continued to push ahead establishing strong relationships with our international partners and prospective customers. Our first dealer meeting for a select number of our neonatal distribution partners in September this year sees the launch of the Inspire rPAP range of products extending our neonatal resuscitation offering. We expect to have further dealer meetings in an expanded format in the forthcoming years as we continue to build our own branded product lines.

Our Regulatory Strategy is developing new opportunities for our products in overseas markets although some of the countries we are actively applying for (especially Russia and China) are more onerous and take longer than others. We are pleased to have recently received notification of regulatory clearance of the Tecotherm Neo in Russia. We anticipate that we will receive regulatory clearance for more products in the next twelve months.

Our strategy to support the academics wishing to study the benefits that the products may bring is ongoing. We are proud to be able to supply equipment and help develop our products for these studies. The Tecotherm is currently being used in the largest ever study for treating perinatal Hypoxic Ischaemic Encephalopathy (brain damage due to the lack of oxygen at birth) in a trial centred in India. It is also being used to keep babies warm in a large imaging study of premature babies using the MRI by Kings College at St Thomas' Hospital London. The LifeStart is being used on studies both in Ireland and the United States of America and the Inspire rPAP is being trailed in Scandinavia with further studies around the world planned. These studies show our commitment to academic research and the important role it plays in improving patient outcomes.

Our own brand products now account for 46% (2015: 45%) of group turnover. As we continue to develop our own products and expand our footprint internationally we expect that our own branded products will be a larger contributor to turnover and profit in the future.

We have completed the ERP implementation across the group and the company now benefits from better management reporting and information. The next phase is to 'hive down' the trade and assets in the PLC to Inspiration Healthcare Ltd before the end of the financial year. We are currently implementing a cloud based IT strategy to enable all company information to be supported through one structure in the cloud.

In May, Mr Ian Smith left the company as Group Finance Director. On behalf of the Board I would like to thank him for his contribution to the company and wish him well for the future. I am pleased to welcome Mr Mike Briant, to the Board as our new Chief Financial Officer and Company Secretary. Mike is a chartered accountant with a wealth of experience in listed and private companies' as well specific experience in the medical devices industry.

Market Review

In Critical Care we have launched a new product from Acutronic, the InfantView, a visualisation aid for intubation of extremely low birth weight infants. This has proven to be of great interest to Neonatologists and sales have already been realised which is unusually quick for capital purchases. We continue to see growth in our Sucrose product which is extremely satisfying having recently renewed our relationship with the manufacturer EPMC Pharma of Belgium by signing a longer term distribution contract. Whilst sales of Atom have reduced this year, we are investing in sales and marketing of incubators in the UK.

In our Operating Room division, the Inditherm Alpha range of products have had a difficult first half year. The management team have identified and prioritised plans to improve the product in the short term as well as streamline the product offering and its promotion via a new sales team in the UK. Interest continues in our managed service offering which will reduce capital sales as we transition customers on to a recurring revenue model, which will help the company's cash flow albeit at the expense of high value one off orders. A comprehensive review of the product offering has been concluded and an exciting new product is now under development. Sales of Medos products are showing year on year growth as are the Jet Ventilation products from Acutronic.

Our Home Healthcare division continues to grow as we take market share from competitors and we

see small growth in the market for Parenteral Feeding.

Outlook

Our mix of revenues from capital, consumables and after sales service reduces the reliance on healthcare capital budgets and we expect that our recurring revenues in the near term will remain a strong contributor to group sales.

Our new and early stage products show considerable potential, however we are pragmatic with knowing that changing medical practice takes time. Having put in place the right sales and marketing infrastructure within the company, we are ideally placed to benefit from these products in the longer term.

The company has a strong history of cash generation and we believe this will continue, enabling an increase in future investment in R&D to be funded out of current cash reserves.

At an EGM held on 21 September a capital reduction programme was approved which, subject to court approval expected in October, will enable the company to introduce a dividend payable from profits generated in the future. The company intends to confirm its dividend policy at the time of publishing its full year results next year.

Looking forward, we are managing the impact of the movement in Sterling since the EU referendum and believe the business is well positioned to continue to invest and grow. These actions, plus a solid start to the year and the strong cash position, give the Board confidence that our expectations for the year remain unchanged.

MARK ABRAHAMS *Chairman*
28 September 2016

Unaudited Consolidated Statement of Comprehensive Income for the six months ended 31 July 2016

	6 months ended 31 July 2016 £'000	6 months ended 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
Notes			
Revenue	7,117	5,652	12,279
Cost of sales	(3,910)	(3,224)	(6,764)
Gross profit	3,207	2,428	5,515
Operating expenses	(2,648)	(2,722)	(5,270)
Research and development	(112)	(116)	(394)
Other income	–	–	295
Operating profit/(loss)	447	(410)	146
Analysed as:			
Operating profit/(loss) before impairment of goodwill and intangible assets and exceptional items	582	713	1,305
Impairment of goodwill and intangible assets	–	(517)	(517)
Exceptional items	5 (135)	(606)	(642)
Operating profit/(loss)	447	(410)	146
Finance income	1	1	2
Profit/(loss) on ordinary activities before taxation	448	(409)	148
Taxation	6 (87)	(95)	(136)
Profit/(loss) attributable to the owners of the parent company	361	(504)	12
Earnings per share for Inspiration Healthcare Group attributable to owners of the parent company during the period - basic and diluted	1.2p	(1.9p)	0.04p

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 2016

	As at 31 July 2016 £'000	As at 31 July 2015 £'000	Audited As at 31 January 2016 £'000
ASSETS			
Non-current assets			
Intangible assets	318	236	242
Goodwill	-	-	-
Property, plant and equipment	164	128	166
Deferred tax asset	47	-	45
Investments	100	84	100
	629	448	553
Current assets			
Inventories	1,063	999	780
Trade and other receivables	1,728	1,307	2,147
Current tax asset	60	18	-
Cash and cash equivalents	3,009	2,084	2,319
	5,860	4,408	5,246
Total assets	6,489	4,856	5,799
Liabilities			
Current liabilities			
Trade and other payables	2,349	1,734	2,502
Obligations under finance leases	24	17	17
Deferred income	416	378	276
Current tax liability	379	286	-
	3,168	2,415	2,795
Non-current liabilities			
Deferred income	114	96	136
Obligations under finance leases	-	23	16
Deferred tax liability	33	25	39
Total liabilities	3,315	2,559	2,986
Net assets	3,174	2,297	2,813
Shareholders' equity			
Called up share capital	3,067	3,067	3,067
Share premium account	9,929	9,929	9,929
Merger reserve	4,600	4,600	4,600
Reverse acquisition reserve	(16,164)	(16,164)	(16,164)
Accumulated profit	1,742	865	1,381
Total equity	3,174	2,297	2,813
Total liabilities and equity	6,489	4,856	5,799

Unaudited Consolidated Statements of Cash Flows

For the six months ended 31 July 2016

	6 months ended 31 July 2016 £'000	6 months ended 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
Operating profit/(loss) for the period	447	(410)	146
Impairment of goodwill	-	378	378
Impairment of intangible assets	-	139	139
Depreciation and amortisation	103	42	178
Loss on disposal of intangible assets	-	-	6
Net finance income	2	1	2
(Increase)/decrease in inventories	(284)	(178)	14
Decrease in trade and other receivables	303	1,103	379
Increase in trade and other payables	131	96	579
Increase in deferred income	117	36	(26)
Taxation paid	56	-	(172)
Net cash flow from operating activities	875	1,207	1,623
Cash flow from investing activities			
Interest paid	(1)	-	(1)
Purchase of property, plant and equipment	(56)	(32)	(132)
Purchase of intangible assets	(120)	(112)	(169)
Cash and cash equivalents acquired under reverse acquisition	-	894	894
Acquisition of investment	-	(84)	(100)
Net cash used/generated in investing activities	(177)	666	492
Cash flow from financing activities			
Finance leases	(8)	40	33
Dividends paid prior to reverse acquisition	-	(171)	(171)
Net cash used in financing activities	(8)	(131)	(138)
Net increase in cash and cash equivalents	690	1,742	1,977
Cash and cash equivalents at the beginning of the period	2,319	342	342
Cash and cash equivalents at the end of the period	3,009	2,084	2,319

Unaudited Consolidated Statement of Changes in Shareholder Equity

For the six months ended 31 July 2016

	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 2015	511	9,929	-	(10,440)	1,540	1,540
Dividends paid	-	-	-	-	(171)	(171)
Loss for the period and total comprehensive expense	-	-	-	-	(504)	(504)
Arising on reverse acquisition	-	-	-	(5,724)	-	(5,724)
Shares issued as consideration	2,556	-	4,600	-	-	7,156
Shareholders' equity at 31 July 2015	3,067	9,929	4,600	(16,164)	865	2,297
Profit for the period and total comprehensive income	-	-	-	-	516	516
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 income	-	-	-	-	361	361
Shareholders' equity at 31 July 2016	3,067	9,929	4,600	(16,164)	1,742	3,174

Notes to the Interim Report

1. Basis of Preparation

These condensed unaudited consolidated interim financial information for the six months ended 31 July 2016 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 2016, 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 2016 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 2015 is also unaudited. The audited accounts for the year ended 31 January 2016 for Inspiration Healthcare Group plc were approved by its Board of Directors on 28 April 2016 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 2016 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. Restatement of comparative information - Six months to 31 July 2015

The previous Interim Report included provisional numbers for goodwill and intangible assets, which were subsequently adjusted in the full year Annual Report as permitted under IFRS3. The comparative statement of comprehensive income and statement of financial position have been restated to reflect the £517k impairment of goodwill (£375k) and intangible assets (£142k).

5. Exceptional items

The exceptional items in the current period of £135k relate to severance costs, following the change of CFO.

Prior period exceptional items relate to the acquisition of Inspiration Healthcare Limited on 24 June 2015. In addition to transactions costs, a further £170k of restructuring costs were incurred.

	6 months ended 31 July 2016 £'000	Restated 6 months ended 31 July 2015 £'000	Year ended 31 January 2016 £'000
Severance costs relating to change of CFO Professional fees in relation to the reverse acquisition	135	–	–
Severance costs on re-organisation	–	436	472
	–	170	170
Total exceptional items	135	606	642

6. Taxation

A provision has been made for Corporation tax at the rate of 20% on the estimated taxable operating profits for the period.

7. Dividends Paid

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

8. Earnings/(loss) per share

The calculation of earnings per ordinary share is based on a profit of £361k (31 July 2015: Loss £504k, 31 January 2016: Profit £12k) and on a weighted average number of shares of 30,667,548 for the 6 months to 31 July 2016, 26,629,372 for the 6 months to 31 July 2015 and 28,665,055 for the 12 months to 31 January 2016.

9. Contingent liabilities

Included within cash and cash equivalents is a deposit for £250k that is used as collateral for bank facilities provided by HSBC Bank plc to Inspiration Healthcare Group plc. Bank facilities provided by HSBC Bank plc include a bank guarantee issued to Highbridge (Houndhill) Industries Limited for £143k being a rolling two years rent on the manufacturing facility at Rotherham. The company entered the lease on 11 March 2002 for an initial period of fifteen years, which ends on 10 March 2017.

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 clearly defined performance specifications.

10. Related party transactions

- Investment in Neuroprotexon Limited

The company has a holding of 12.8% of the issued ordinary share capital of Neuroprotexon Limited and holds 50,000 options to purchase ordinary shares at an exercise price of £1.05 per share. 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. All non-executive director fees to be paid by Neuroprotexon Limited will be invoiced by the Group in due course. The Group will also provide intellectual property and technology to aid research.

- Lease of Leicestershire facility

Inspiration Healthcare Limited entered into a lease in respect of Gildor House in 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 37.8% of the voting shares of the Company.

11. EGM

At an EGM held on 21 September a capital reduction programme was approved which, subject to court approval expected in October, will enable the company to introduce a dividend payable from profits generated in the future.

Copies of the announcement will be sent to shareholders and are available to members of the general public from the Company Secretary, Inspiration Healthcare Group plc, Inditherm House, Houndhill Park, Bolton Road, Wath upon Dearne, S63 7LG or via the Company website at www.inspiration-healthcare.com