31 July 2019

Intelligent Ultrasound Group plc

("IUG" or the "Group" or the "Company" or "Intelligent Ultrasound")

Half yearly report

Intelligent Ultrasound (AIM: MED), the artificial intelligence (AI) based ultrasound software and simulation company, announces its unaudited half year results to 30 June 2019.

IUG is a global leader in ultrasound training through simulation and has expanded into the development of artificial intelligence (AI) software to guide and support doctors and sonographers in clinical ultrasound scanning. IUG operates two divisions:

1. **Intelligent Ultrasound Simulation Division** – focussed on hi-fidelity ultrasound education and training through simulation via its three main products: *ScanTrainer* obstetrics and gynaecology training simulator; *HeartWorks* echocardiography training simulator and *BodyWorks Eve* Point of Care and Emergency Medicine training simulator.
2. **Intelligent Ultrasound Clinical AI Division** – focussed on developing deep learning-based algorithms to make ultrasound machines smarter and more accessible. Products in development include *ScanNav* and *ScanNav AnatomyGuide.*

Highlights

- Post period-end, signed first long-term licence and co-development agreement for the Group's AI software with one of the world's leading ultrasound equipment manufacturers.
- Simulation Division sales increased 24% on the comparative period to £3.1m (H1 2018: £2.5m) driven by strong revenue contribution from North America. Cash balance at 30 June 2019 of £3.5m (31 December 2018: £5.6m).
- Commenced alliance with Mediscan Systems to use AI and simulation to improve patient care in India and enhance the Group's ultrasound scan image library, an important asset in the development of the Group's deep-learning based AI software.
- First live demonstration of *ScanNav AnatomyGuide* development prototype to clinicians.

Commenting on the results, Riccardo Pigliucci, Chairman of Intelligent Ultrasound Group plc, said: *"This has been an excellent first half of the year, with Simulation Division sales increasing by 24% and excellent progress made by our Clinical AI Division, which recently announced the signing of the its first long-term agreement with a major ultrasound machine manufacturer, which could be transformational for the Group. We look forward to continuing growth in Simulation sales and winning additional contracts with original equipment manufacturers for our growing range of AI based image analysis software."*

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About Intelligent Ultrasound (www.investors.intelligentultrasound.com)

Intelligent Ultrasound (AIM: MED), the intelligent ultrasound software and simulation company, develops artificial intelligence-based clinical image analysis software tools, augmented reality-based needle guidance software and advanced hi-fidelity haptic and manikin-based training simulators for medical practitioners.

Based in Cardiff and Oxford in the UK, Atlanta in the US and with representation in Beijing in Asia, the Group operates two divisions:

Intelligent Ultrasound Simulation Division

Focusses on hi-fidelity ultrasound education and training through simulation. Its three main products are the *ScanTrainer* obstetrics and gynaecology training simulator, the *HeartWorks* echocardiography training simulator and the *BodyWorks Eve* Point of Care and Emergency Medicine training simulator. To date over 800 simulators have been sold to over 470 medical institutions in over 30 countries around the world.

Intelligent Ultrasound Clinical AI Division

Focusses on developing deep learning-based algorithms to make ultrasound machines smarter and more accessible. Products in development include *ScanNav* which uses machine-learning based algorithms to automatically identify and grade ultrasound images to provide scan assessment and audit of protocol-based ultrasound scanning; and *ScanNav AnatomyGuide*, which aims to simplify ultrasound-guided needling by providing the user with real-time AI-based needle guidance software for a range of medical procedures.

Some products in the pipeline may require US FDA or other regulatory approval, as such this material should be considered informational only and does not constitute an offer to sell or infer claims or benefits.

CHAIRMAN'S STATEMENT

I am delighted to present the Group's interim report for the six months ended 30 June 2019. Simulation Division sales increased by 24% to £3.12m (H1 2018: £2.52m) and, after an excellent period of progress by the Clinical AI Division, on 4 July it signed its first long-term agreement one of the world's leading ultrasound equipment manufacturers to integrate the Group's image analysis software into a range of their ultrasound machines.

In January 2019, we announced the Company had changed its name from Medaphor Group plc to Intelligent Ultrasound Group plc. The Board believes that the new name reflects the fact that the Group is no longer just a global leader in ultrasound training through simulation, but has expanded into the development of artificial intelligence (AI) software to guide and support doctors and sonographers in clinical ultrasound scanning.

Review of the first six months of 2019

Clinical AI Division

Our Clinical AI Division, which was established with the acquisition of Intelligent Ultrasound Limited in October 2017, focusses on the development of deep-learning based software for automated ultrasound image analysis that will support and guide clinicians in key areas of ultrasound scanning.

The division has made significant progress in the period and on 4 July 2019 the Group announced that it has signed its first long-term licence and co-development agreement for its AI software with one of the world's leading ultrasound equipment manufacturers. The Group's range of AI-based software aims to boost scanning quality and to streamline sonographer workflow in medical ultrasound specialties, such as anaesthesiology, obstetrics, gynaecology, radiology and primary care medicine. The long-term agreement will enable the integration of Intelligent Ultrasound's real-time image analysis software onto a range of specialty specific ultrasound systems marketed in the global healthcare market. Co-development work with the OEM partner will commence immediately, with initial royalty per unit revenues expected during 2021 following regulatory approval. Terms of the agreement are confidential and undisclosed for commercial reasons.

In March 2019, we announced an alliance with Mediscan Systems, a premier fetal medicine and ultrasound research and training centre based in India, under which the Group will provide its *ScanTrainer* ultrasound training simulators in return for enhancements to our obstetric AI image database to aid the development of our *ScanNav* AI based clinical software. *ScanNav's* AI technology uses deep-learning techniques which require large scan image libraries to enable the technology to 'learn' how to identify normal and abnormal ultrasound images. Mediscan have supplied 800,000 images to the Group since the start of the alliance agreement in exchange for *ScanTrainer* training simulators and we are pleased to continue to support Mediscan in its goal of improving the quality of ultrasound practice in India and throughout the world.

In May 2019, we made the first live demonstration of the Group's prototype *ScanNav AnatomyGuide* AI software to clinicians at the Annual Scientific Meeting of Regional Anaesthesia United Kingdom (RA-UK). The software is being developed for use during Peripheral Nerve Block (PNB) procedures to support less experienced practitioners. PNB is a form of regional anaesthesia using needling that can be used for certain surgical procedures as a safer and cheaper alternative to general anaesthesia and also as a form of pain relief (potentially reducing the need for opioid analgesia). However, PNB requires significant skill to guide the needle safely through the patient's body. *The ScanNav AnatomyGuide* AI software will, automatically and in real-time, identify anatomical structures on the live ultrasound scan image, highlighting structures such as arteries that must be avoided during the needling procedure, thereby making PNB more accessible to less experienced practitioners, saving time and money and reducing risk.

The Group commenced a clinical study within the Aneurin Bevan University Health Board in November last year to gather clinical data for *ScanNav AnatomyGuide* and we currently expect that the development phase for the product will be substantially completed this year and that the regulatory approval process in Europe and the United States is therefore expected to commence in 2020. The development of the *ScanNav AnatomyGuide* AI software has been partly funded by Innovate UK.

Simulation Division

Revenue of £3.12m for the first half of the year, was up 24% on the comparative period (six months to 30 June 2018: £2.52m).

We are particularly pleased to report that sales for the first six months in North America of £1.30m were almost double last year (6m to 30 June 2018: £0.66m). We have made significant investment in sales and marketing in North America, as the board believes that the territory has the greatest potential market for the Group's products. We now have an established and experienced sales team in the U.S. and are looking forward to seeing continued growth in the region.

Sales in the UK of £0.45m for the first six month to 30 June 2019 were down 18% on the comparative period (6m to 30 June 2018: £0.55m). This is disappointing, after 2018 sales in the UK had shown good growth compared to the prior year. We believe that uncertainty surrounding Brexit negotiations has been and remains a factor. We have therefore reduced head-count within the UK sales and marketing team, but we continue to actively pursue leads in this currently challenging environment and are encouraged by the level of interest shown in our *BodyWorks Eve* Point of Care and Emergency Medicine ultrasound training simulator.

Rest of World ("RoW") sales, which are generated by our reseller network, were £1.37m for the six months to 30 June 2019 which is up 4% on the comparative period (six months to 30 June 2018: £1.32m). RoW revenues in the first half of 2018 were boosted by sales of our *BodyWorks Eve* demonstration systems to our reseller network, following the product's launch in February 2018. It is encouraging that these demonstration sales to resellers have now been replaced by growing *BodyWorks Eve* sales to hospitals and medical teaching schools. RoW sales in the current period include £0.13m of Simulation sales at fair value which were exchanged for ultrasound images under the alliance with Mediscan referred to above. Deferred income includes £0.03m in respect of the same transaction. The total fair value of the non-cash consideration received (800,000 scan images) of £0.16m has been expensed to the income statement within research and development expenditure.

Operating loss and cash

The operating loss for the Group for the six months to 30 June 2019 was £1.99m (six months to 30 June 2018: £1.89m) and cash at bank at 30 June 2019 was £3.48m (31 December 2018: £5.61m).

Contingent liability

In the Report & Accounts for the year ended 31 December 2018, the Company reported a potential liability to repay R&D tax credits over-claimed by Intelligent Ultrasound Limited (IUL) prior to its acquisition by the Group. Including interest and possible penalties, the potential liability is approximately £439,000. The case remains under review by HMRC, but the Board still considers that the likelihood of HMRC demanding repayment is possible rather than probable and, consequently, no provision has been made for this contingent liability.

Outlook

The contract signed earlier this month with a leading ultrasound equipment manufacturer is a milestone agreement for the Group. We believe that our Clinical AI Division's *ScanNav* software is one of the world's first AI products to provide real-time image analysis and guidance to sonographers during an ultrasound scan and we expect this to be the first of many agreements for our range of AI based image analysis software.

It is also particularly pleasing to be able to report continued growth in the first half of the year by our Simulation Division, bringing it closer to EBITDA breakeven and underpinning our confidence in achieving management's expectations for the full year.

Riccardo Pigliucci
Chairman

31 July 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2019

	Notes	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited year ended 31 December 2018
		£	£	£
REVENUE	4	3,117,047	2,521,934	5,313,164
Cost of sales		(1,334,620)	(1,191,414)	(2,479,781)
Gross profit		1,782,427	1,330,520	2,833,383
Other income		71,972	78,116	310,475
Administrative expenses		(3,847,368)	(3,445,988)	(7,120,434)
Exceptional administrative income	5	-	149,044	362,718
Total administrative costs		(3,775,396)	(3,218,828)	(6,447,241)
OPERATING LOSS		(1,992,969)	(1,888,308)	(3,613,858)
Finance costs		(3,020)	-	(7,402)
LOSS BEFORE INCOME TAX		(1,995,989)	(1,888,308)	(3,621,260)
Income tax credit	6	45,000	45,000	203,796
LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(1,950,989)	(1,843,308)	(3,417,464)
OTHER COMPREHENSIVE INCOME				
Items that will or may be reclassified to profit or loss:				
Exchange gain/(loss) arising on translation of foreign operations		7,657	(1,906)	844
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		7,657	(1,906)	844
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(1,943,332)	(1,845,214)	(3,416,620)
LOSS PER ORDINARY SHARE (PENCE) ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT				
Basic and diluted	7	(1.25)p	(2.03)p	(3.59)p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2019

	Ordinary share capital £	Share premium £	Accumulated losses £	Share-based payment reserve £	Merger reserve £	Foreign exchange reserve £	Total equity attributable to shareholders £
Balance as at 31 December 2017	907,015	12,216,670	(12,423,931)	413,600	6,013,065	20,191	7,146,610
Prior year adjustment – IFRS 15 *Revenue from Contracts with Customers*	-	-	(13,041)	-	-	-	(13,041)
At 1 January 2018 as restated	907,015	12,216,670	(12,436,972)	413,600	6,013,065	20,191	7,133,569
Comprehensive income for the period							
Loss for the period	-	-	(1,843,308)	-	-	(1,906)	(1,845,214)
Contributions by and distributions to owners							
Share-based payments expense	-	-	-	50,000	-	-	50,000
Total contributions by and distributions to owners	-	-	-	50,000	-	-	50,000
Balance as at 30 June 2018	907,015	12,216,670	(14,280,280)	463,600	6,013,065	18,285	5,338,355
Comprehensive income for the period							
Loss for the period	-	-	(1,574,156)	-	-	2,750	(1,571,406)
Contributions by and distributions to owners							
Shares issued for cash	597,503	4,481,275	-	-	-	-	5,078,778
Cost of raising finance	-	(260,732)	-	-	-	-	(260,732)
Retention shares issued further to acquisition of IUL	61,760	-	-	-	524,958	-	586,718
Share-based payments expense	-	-	-	98,000	-	-	98,000
Total contributions by and distributions to owners	659,263	4,220,543	-	98,000	524,958	-	5,502,764
Balance as at 31 December 2018	1,566,278	16,437,213	(15,854,436)	561,600	6,538,023	21,035	9,269,713
Comprehensive income for the period							
Loss for the period	-	-	(1,950,989)	-	-	7,657	(1,943,332)
Contributions by and distributions to owners							
Share-based payments expense	-	-	-	65,000	-	-	65,000
Total contributions by and distributions to owners	-	-	-	65,000	-	-	65,000
Balance at 30 June 2019	1,566,278	16,437,213	(17,805,425)	626,600	6,538,023	28,692	7,391,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Note	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
		£	£	£
NON-CURRENT ASSETS				
Intangible assets	8	2,668,215	3,175,456	2,886,562
Property, plant and equipment		446,504	417,502	417,732
		3,114,719	3,592,958	3,304,294
CURRENT ASSETS				
Inventories		496,888	468,031	851,491
Trade and other receivables		2,610,758	1,666,136	1,912,975
Current tax asset		-	-	80,302
Cash and cash equivalents		3,480,717	2,498,984	5,607,052
		6,588,363	4,633,151	8,451,820
TOTAL ASSETS		9,703,082	8,226,109	11,756,114
CURRENT LIABILITIES				
Trade and other payables	9	(1,428,111)	(2,010,198)	(1,467,865)
Deferred income		(178,832)	(210,363)	(311,496)
Income tax		(100,000)	-	(100,000)
Provisions		(85,205)	(79,088)	(68,972)
		(1,792,148)	(2,299,649)	(1,948,333)
NON-CURRENT LIABILITIES				
Deferred income		(186,559)	(165,111)	(160,074)
Deferred taxation		(332,994)	(422,994)	(377,994)
		(519,553)	(588,105)	(538,068)
TOTAL LIABILITIES		(2,311,701)	(2,887,754)	(2,486,401)
NET ASSETS		7,391,381	5,338,355	9,269,713
EQUITY				
Ordinary share capital	10	1,566,278	907,015	1,566,278
Share premium		16,437,213	12,216,670	16,437,213
Accumulated losses		(17,805,425)	(14,280,280)	(15,854,436)
Share-based payment reserve		626,600	463,600	561,600
Merger reserve		6,538,023	6,013,065	6,538,023
Foreign exchange reserve		28,692	18,285	21,035
TOTAL EQUITY		7,391,381	5,338,355	9,269,713

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2019

	Unaudited 6 months ended 30 June 2019 £	Unaudited 6 months ended 30 June 2018 £	Audited year ended 31 December 2018 £
CASH FLOW FROM CONTINUING OPERATING ACTIVITIES			
Loss before tax	(1,995,989)	(1,888,308)	(3,621,260)
Depreciation	114,784	107,309	244,957
Amortisation of intangible assets	525,117	497,687	992,586
Fair value adjustment on contingent consideration	-	(149,044)	(362,718)
Finance costs	-	-	7,402
Share-based payments expense	65,000	50,000	148,000
Operating cash flows before movement in working capital	(1,291,088)	(1,382,356)	(2,591,033)
Movement in inventories	354,603	(54,787)	(438,247)
Movement in trade and other receivables	(697,783)	43,300	(203,539)
Movement in trade and other payables	(129,700)	163,506	507,545
Cash used in operations	(1,763,968)	(1,230,337)	(2,725,274)
Income taxes received	80,302	-	133,495
NET CASH USED IN OPERATING ACTIVITIES	(1,683,666)	(1,230,337)	(2,591,779)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(143,556)	(212,305)	(361,707)
Disposal of property, plant and equipment	-	-	11,523
Internally generated and purchase of intangible assets	(306,770)	(306,666)	(512,671)
NET CASH USED IN INVESTING ACTIVITIES	(450,326)	(518,971)	(862,855)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares	-	-	5,078,778
Share issue costs	-	-	(260,732)
Finance costs paid	-	-	(7,402)
NET CASH GENERATED FROM FINANCING ACTIVITIES	-	-	4,810,644
Exchange gains/(losses) on cash and cash equivalents	7,657	(1,906)	844
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,126,335)	(1,751,214)	1,356,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,607,052	4,250,198	4,250,198
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,480,717	2,498,984	5,607,052

NOTES TO THE CONSOLIDATED INTERIM REPORT
for the six months ended 30 June 2019

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information contained in this interim report has not been audited by the Group's auditor and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Directors approved and authorised this interim report on 30 July 2019. The financial information for the preceding full year is extracted from the statutory accounts for the financial year ended 31 December 2018. Those accounts, upon which the auditor issued an unqualified opinion and did not include a statement under Section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

This interim report has been prepared in accordance with UK AIM Rules for Companies. The Group has not applied IAS 34 "Interim Financial Reporting" (which is not mandatory for UK Groups) in the preparation of this interim report. The interim report has been prepared in a manner consistent with the accounting policies set out in the statutory accounts for the financial year ended 31 December 2018.

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The Group financial statements are presented in pounds Sterling.

2. BASIS OF CONSOLIDATION

The consolidated interim report incorporates the results of the Company and its subsidiary undertakings.

3. NEW ACCOUNTING STANDARDS

IFRS 16, *Leases*

Adoption of IFRS 16, which became effective from 1 January 2019, has resulted in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. Prior to 1 January 2019, under the then applicable accounting requirements, the Group did not recognise the assets or liabilities relating to operating leases and instead spread the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment at the year end. The Board has applied the modified retrospective adoption method in IFRS 16 and, therefore, has only recognised leases on the balance sheet as at 1 January 2019. In addition, it has measured the value of right-of-use assets by reference to the measurement of the lease liability on that date. Instead of recognising an operating expense for its operating lease payments, the Group has recognised interest on its lease liabilities and depreciation of its right-of-use assets. The carrying value of right of use assets and leases extant at 30 June 2019 is not significant and, consequently, there has been no material impact on net assets at 30 June 2019 or the net loss recognised in the Consolidated Statement of Comprehensive Income for the six months to 30 June 2019.

4. REVENUE ANALYSIS

The following table provides an analysis of the Group's revenue by type (Distribution or Direct Sales) and geography based upon location of the Group's customers.

Unaudited 6 months ended 30 June 2019	Simulation Division		Clinical AI Division	Total
	Distribution	Direct Sales		
	£	£	£	£
United Kingdom	-	450,171	-	450,171
North America	-	1,301,357	-	1,301,357
Rest of World	1,365,519	-	-	1,365,519
	1,365,519	1,751,528	-	3,117,047

RoW sales in the six months to 30 June 2019 include £130,000 of *ScanTrainer* simulation system sales at fair value which were exchanged for ultrasound images under the alliance with Mediscan, details of which are provided in the Chairman's Statement above (2018: £Nil).

Unaudited 6 months ended 30 June 2018	Simulation Division		Clinical AI Division	Total
	Distribution	Direct Sales		
	£	£	£	£
United Kingdom	-	548,319	-	548,319
North America	-	656,036	-	656,036
Rest of World	1,317,579	-	-	1,317,579
	1,317,579	1,204,355	-	2,521,934

Audited year ended 31 December 2018	Simulation Division		Clinical AI Division	Total
	Distribution	Direct Sales		
	£	£	£	£
United Kingdom	-	994,080	-	994,080
North America	-	1,688,968	-	1,688,968
Rest of World	2,630,116	-	-	2,630,116
	2,630,116	2,683,048	-	5,313,164

5. EXCEPTIONAL ITEMS

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited year ended 31 December 2018
	£	£	£
Fair value adjustment on contingent consideration	-	(149,044)	(362,718)
	-	(149,044)	(362,718)

5. EXCEPTIONAL ITEMS (continued)

The fair value adjustment on contingent consideration in 2018 arose on the settlement during the year of the retained consideration on the acquisition of IUL in October 2017. The consideration was satisfied by the payment of cash of £72,000 plus the issue of 18,527,936 new Ordinary Shares ("the Consideration Shares") and 1,256,692 warrants ("the Consideration Warrants") in Intelligent Ultrasound Group plc with a combined fair value of £2,967,694 based on the market price of the shares at the time of the completion of the transaction. Two thirds of the Consideration Shares (12,351,961 shares) were admitted to trading and two thirds of the warrants (837,795 warrants) were issued upon completion. The issue of the remaining third of the Consideration Shares and Consideration Warrants (together "the Deferred Consideration") was deferred for 12 months from completion as the issue of these shares and warrants was contingent on no seller warranty or indemnity breaches (as specified in the Sale and Purchase Agreement) arising during that 12 month period. The issued warrants at their fair value of £125,669 along with the Deferred Consideration (retained shares at their original fair value of £926,396 and the retained warrants at their original fair value of £62,835), were included in creditors due within one year at 31 December 2017. The Company was not aware of any seller warranty or indemnity breaches on the first anniversary of the acquisition and so the 6,175,975 deferred Consideration Shares were admitted to trading on 9 October 2018 and the 418,897 deferred Consideration Warrants were issued at the same time. The difference between the original fair value of the Deferred Consideration and the fair value of the Deferred Consideration at 30 June 2018 of £149,044 and £362,718 at the settlement date was recognised in the Consolidated Statement of Comprehensive Income in these periods as a fair value adjustment on deferred consideration and included within exceptional items.

6. TAXATION ON ORDINARY ACTIVITIES

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited year ended 31 December 2018
	£	£	£
R&D tax credit	-	-	(213,796)
Adjustment for over-claim of R&D tax credit in prior periods	-	-	100,000
Deferred tax credit	(45,000)	(45,000)	(90,000)
	(45,000)	(45,000)	(203,796)

7. LOSS PER SHARE

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited year ended 31 December 2018
Earnings:	£	£	£
Loss for the purposes of basic and diluted loss per share (LPS) being the net loss attributable to the owners of the Company	(1,950,989)	(1,843,308)	(3,417,464)
Number of shares:	No.	No.	No.
Weighted average number of Ordinary shares for the purpose of basic LPS	156,627,749	90,701,443	95,233,054

7. LOSS PER SHARE (continued)

In the periods ended 30 June 2019, 30 June 2018 and 31 December 2018 there were share options in issue which could potentially have a dilutive impact, but as the Group was loss making they were anti-dilutive for each period and therefore the weighted average number of ordinary shares for the purpose of the basic and dilutive loss per share were the same.

8. INTANGIBLE ASSETS

The net book value of intangible assets at 30 June 2019 includes intellectual property and brands acquired with IML and IUL totalling £1,888,014 (31 December 2018: £2,135,717 30 June 2018: £2,383,417). The remaining net book value of intangible assets in each period were made up of development costs capitalised.

9. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
	£	£	£
Trade payables	420,588	477,904	665,040
Taxation and social security	77,881	94,042	88,870
Accruals	720,914	449,386	507,568
Warrants	165,464	125,669	165,464
Retention consideration shares	-	786,819	-
Retention consideration warrants	-	53,368	-
Other	43,264	23,010	40,923
	1,428,111	2,010,198	1,467,865

10. SHARE CAPITAL

Allotted, issued and fully paid:	No.	£
Ordinary shares of 1p each		
Balance at 1 January 2018 and 30 June 2018	90,701,443	907,015
Completion Shares issued on acquisition of IUL	6,175,975	61,760
Shares issued for cash	59,750,331	597,503
Balance at 31 December 2018 and 30 June 2019	156,627,749	1,566,278

One third of the consideration payable in respect of the acquisition of IUL in 2017 was deferred for 12 months from completion with the actual number of deferred shares and warrants to be issued dependent on any vendor warranty or indemnity breaches (as specified in the Sale and Purchase Agreement) arising during that 12 month period. The Company was not aware of any vendor warranty or indemnity breaches on the first anniversary of the acquisition and so the 6,175,975 deferred consideration shares (with a fair value of £586,718 at 9.5 pence per share) were admitted to trading on 9 October 2018 and 418,897 deferred consideration warrants were issued at their fair value. The share premium arising was subject to merger relief and has been taken to merger reserve. On 13 December 2018 the Company placed 59,750,331 newly issued shares of 1 pence each in the capital of the Company at a price of 8.5 pence per share. Share issue costs of £260,732 were netted off against the share premium arising on the new share issue.

11. CONTINGENT LIABILITY

In the Report & Accounts for the year ended 31 December 2018, the Company reported a potential liability to repay R&D tax credits over-claimed by Intelligent Ultrasound Limited (IUL) prior to its acquisition by the Group. Including interest and possible penalties, the potential liability is approximately £439,000. The case remains under review by HMRC, but the Board still considers that the likelihood of HMRC demanding repayment is possible rather than probable and, consequently, no provision has been made for this contingent liability.

11. INTERIM ANNOUNCEMENT

A copy of this report will be posted on the Company's website at www.intelligentultrasound.com