

Intelligent Ultrasound Group plc
Half Year Results 2024

Intelligent Ultrasound Group plc (AIM: IUG), the 'classroom to clinic' ultrasound company, specialising in artificial intelligence (AI) software and simulation, announces its unaudited half year results to 30 June 2024.

Post period end on 18 July 2024, the Group announced that it had entered into a conditional sale and purchase agreement for the sale of its Clinical AI business (Intelligent Ultrasound Limited and certain other clinical AI related assets) to GE HealthCare for an enterprise value of £40.5 million on a cash free/debt free basis. The proposed sale, that excludes the NeedleTrainer and NeedleTrainer Plus products, was approved by shareholders on 6 August 2024 and is now only subject to regulatory approval expected by the end of September with completion of the sale to follow in October.

The results from the Clinical AI business have been reported as a discontinued operation and the remaining Simulation business (now including NeedleTrainer) as continuing operations.

Positives in the first half of 2024 were:

- ROW reseller sales growing 37% to £1.6m (H1 2023: £1.1m)
- NeedleTrainer revenues increased to £1.0m (H1 2023: £0.5m)
- Administrative costs reduced by £0.1m to £4.0m (H1 2023: £4.1m) and include a number of cost savings across the Group
- Cash burn reduced significantly to £2.0m (H1 2023: £3.8m) leaving cash as at 30 June 2024 of £1.0m (31 December 2023: £3.0m)

However, revenue from continuing operations in the first half of the year declined by 22% to £4.5m (H1 2023: £5.8m). This results from a decline in the UK and North American markets.

- The decline in UK sales was expected, due to previously flagged NHS budget pressure, reducing sales by 58% to £0.8m (H1 2023: £1.9m)
- However, the 23% decline in North America sales to £2.2m (H1 2023: £2.8m) was not anticipated, with nearly £0.7m of expected sales held in delivery backlog or purchase order delays

The Group loss after tax for the period was £2.0m (H1 2023: £1.2m), of which £1.3m (H1 2023: £0.5m) relates to continuing operations and £0.7m (H1 2023: £0.8m) relating to discontinued operations.

Riccardo Pigiucci, Chair of Intelligent Ultrasound commented:

"We have spent the last seven years successfully creating first-to-market AI products and have built a strong capability in real-time automated ultrasound image analysis, so we are delighted that our achievements have been recognised by GE HealthCare.

The remaining Simulation Business had a difficult trading period in the first half of this year with a material decline in sales in the UK due to NHS budgeting constraints and a decline in the US due to delivery backlog and purchase order delays. However, going forward Simulation will be boosted by the inclusion of the NeedleTrainer range previously reported in our Clinical AI business, and the Board will use the time between signing and completion to conduct a comprehensive review of the business.

It is the Board's intention to make a material return of capital following a review of the growth potential and capital requirements of the post-transaction business and is taking legal and tax advice on structure of a return. An announcement detailing the proposed use of funds and strategic direction for the Company is expected to be made by the time the sale completes."

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About Intelligent Ultrasound Group

Intelligent Ultrasound (AIM: IUG) is one of the world's leading 'classroom to clinic' ultrasound companies, specialising in real-time hi-fidelity virtual reality simulation for the ultrasound training market ('classroom') and artificial intelligence-based clinical image analysis software tools for the diagnostic medical ultrasound market ('clinic'). Based in Cardiff in the UK and Atlanta in the US, the Group has two revenue streams:

Simulation

Real-time hi-fidelity ultrasound education and training through simulation. Our main products are the ScanTrainer obstetrics and gynaecology training simulator, the HeartWorks echocardiography training simulator, the BodyWorks Eye Point of Care and Emergency Medicine training simulator with Covid-19 module and the new BabyWorks Neonate and Paediatric training simulator and now includes NeedleTrainer that teaches real-time ultrasound-guided needling and incorporates the training version of ScanNav Anatomy PNB. To date over 1,700 simulators have been sold to over 800 medical institutions around the world.

Clinical AI software

Deep learning-based algorithms to make ultrasound machines smarter and more accessible using our proprietary ScanNav ultrasound image analysis technology. Current products on the market utilising this technology are GE HealthCare's SonoLyst software that is incorporated in their Voluson Expert, Signature and SWIFT ultrasound machines; ScanNav Anatomy PNB that simplifies ultrasound-guided needling by providing the user with real-time AI-based anatomy highlighting for a range of medical procedures.

www.intelligentultrasound.com

NOTE: ScanNav Anatomy PNB is CE approved and cleared for sale in the US by the FDA but is not available for sale in any other territory requiring government approval for this type of product.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Sale of clinical AI business to GE HealthCare

Post period end on 18 July 2024, the Group announced that it had entered into a conditional sale and purchase agreement for the sale of the Clinical AI business (Intelligent Ultrasound Limited and certain other clinical AI related assets) to GE HealthCare for an enterprise value of £40.5 million on a cash free/debt free basis. The proposed sale, which excludes the NeedleTrainer and NeedleTrainer Plus products, was approved by shareholders on 6 August 2024 and is now only subject to regulatory approval expected by the end of September with completion of the sale expected in October.

Transaction highlights:

- Sale of the Clinical AI Business to GE HealthCare agreed for an enterprise value of £40.5 million.
- Disposal excludes the NeedleTrainer/Trainer Plus product which will be retained within the remaining Simulation Business.
- The Simulation Business generated total revenues of £10.0 million in the financial year ended 31 December 2023 (including £0.8m relating to the NeedleTrainer product).
- The consideration represents an implied value of 12.4p per Ordinary Share on current issued share capital and a premium of 70.9 per cent to the Ordinary Share price on 17 July 2024 and a premium of 30.9 per cent to the volume weighted share price for the last 12 months. The Proposed Transaction also values the Clinical AI Business at 33.8 times full year 2023 revenues of that business.
- The transaction is subject to confirmation from the Competition and Markets Authority under the Enterprise Act, and the Investment Security Unit under the National Security and Investment Act, that they do not oppose the transaction.
- It is the Board's intention to make a material return of capital following a review of the growth potential and capital requirements of the post-transaction business and taking legal and tax advice on the structure of a return.
- An announcement detailing the proposed use of funds and future strategic direction for the post-transaction business is expected to be made by the time of completion of the Proposed Transaction, which, dependent on the timing of the Regulatory Consents, is expected to be in October this year.

Full details on the sale can be found in the 'Proposed disposal of the Clinical AI business' [Circular](#).

Continuing operations (Simulation including NeedleTrainer)

Revenue

As we will be retaining the NeedleTrainer products in the simulation portfolio post the GE HealthCare transaction, we have reclassified the NeedleTrainer revenue into the simulation revenue for H1 2024 and its comparative period, H1 2023.

Simulation revenue (including NeedleTrainer) in the first half of the year declined by 22% to £4.5m (H1 2023: £5.8m).

This resulted from a decline in the UK and North American markets:

- The decline in UK sales was expected, due to previously flagged NHS budget pressure, reducing sales by 58% to £0.8m (H1 2023: £1.9m)
- However, the 23% decline in North America sales to £2.2m (H1 2023: £2.8m) was not anticipated, with nearly £0.7m of expected sales held in either delivery backlog or

purchase order delays

Positives in the first half were:

- Reseller sales (ROW) increasing by 37% to £1.6m (H1 2023: £1.1m), with growing sales into China, the Middle East and Germany
- NeedleTrainer related sales doubling to £1.0m (2023: £0.5m)

Research and Development

In the period we focussed on developing the:

- HeartWorks cardiac updates to our BabyWorks 2.0 simulator
- New needling functionality for our BodyWorks POCUS simulator
- New Endometriosis Plus Compact simulator
- Updates to NeedleTrainer including new video and e-learning content and additional needle lengths

Discontinued operations (Clinical AI excluding NeedleTrainer)

Revenue

Clinical AI related revenue increased by 94% to £0.4m (H1 2023: £0.2m) and is based on sales of three AI products:

- Our ScanNav Assist AI technology drives GE HealthCare's SonoLyst X/IR and SonoLyst Live software, the world's first fully integrated ultrasound AI tool that automatically and in real-time recognises the 21 views recommended for fetal sonography imaging. SonoLyst Live is now a standard feature on the Voluson Expert 22 and 20; and in April 2024 was launched as a standard on the new Voluson Signature 20 ultrasound machine. SonoLyst Live is also an optional extra on the Voluson Expert 18 and Signature 18 ultrasound machines and SonoLyst X/IR is an optional extra on the SWIFT ultrasound machines.
- ScanNav Anatomy Peripheral Nerve Block ("PNB") is our own CE and FDA cleared, direct-to-market device, that simplifies ultrasound-guided needling by providing the user with real-time AI-based anatomy highlighting for a range of medical procedures.
- ScanNav FetalCheck is a pre-regulatory approval AI based software that enables an unskilled user to automatically measure gestational age. It continues to be used in the largest ever trial on the use of aspirin to prevent pre-eclampsia that is being conducted in Kenya, Ghana and South Africa in a trial funded by the Bill & Melinda Gates Foundation and led by the international NGO Concept Foundation.

Board Changes

On completion of the GE HealthCare transaction, Nicholas Sleep will be resigning as Director and joining the GE HealthCare team. I would like to take this opportunity to thank Nicholas for his drive and superb contribution to building such a successful Clinical AI operation and adding so much to the Group, both commercially and technically. He and his excellent team will all be missed.

Operations

We continue to operate out of our head office in the centre of Cardiff, the North America office in Alpharetta, Georgia and warehouse operation in Caerphilly. We successfully operate a flexible hybrid work environment, whereby the majority of employees combine office and at-home working that is appropriate to the Company and employee.

Environmental, Social, and Governance (ESG)

In May we published our third ESG report in the 2023 annual report and accounts. We continue to instigate new initiatives to promote better employee and local engagement and believe we are having a positive impact locally, nationally and globally.

The full report can be viewed here: [2023 Annual Report & Accounts](#)

Financial Review

The sale of the Clinical AI business to GE HealthCare has been classified as an Asset Held for Sale in the balance sheet and presented as a discontinued operation in the income statement in line with the requirements of IFRS 5 'Disposal of subsidiaries, businesses and non-current assets'. The comparatives have been restated as if the operation had been discontinued from the start of the comparative period. The assets and liabilities of the Clinical AI business are presented separately on the balance sheet.

Revenue

Continuing operations (Simulation including NeedleTrainer)

Revenue declined by 22% (£1.3m) in H1 2024 to £4.5m (H1 2023: £5.8m). Continuing operations include revenue from NeedleTrainer which is remaining within the product portfolio but was previously reported within the Clinical AI business.

The majority of the decline in simulation revenues was attributable to the UK market, where sales were down £1.1m (58%) on last year to £0.8m (H1 2023: £1.9m) with NHS budget availability still constrained. Sales in North America also declined by 23% to £2.2m (H1 2023: £2.8m). Positively, sales from resellers in the ROW region improved by 37% to £1.6m (H1 2023: £1.1m).

With the decline in revenue, gross profit for the period decreased by £0.9m to £2.6m (H1 2023 (restated*): £3.5m) and in addition the average gross margin dropped to 57% (H1 2023 (restated): 61%) mainly due to the higher proportion of reseller sales and product mix variances.

Discontinued operations (Clinical AI excluding NeedleTrainer)

Revenues increased by 94% to £0.4m (H1 23: £0.2m) mainly arising from growth in royalty income from GEHC.

Administrative costs

	H1 2024	H1 2023*	FY2023
<i>Continuing operations</i>	£m	£m	£m
Cash overheads	3.11	3.38	6.41
Non-cash costs	0.84	0.75	1.37
	<u>3.95</u>	<u>4.13</u>	<u>7.78</u>
<i>Discontinued operations</i>	1.03	1.15	2.05
Total administrative costs	<u>4.98</u>	<u>5.28</u>	<u>9.83</u>

*restated for discontinued operations and a reclassification of distribution and direct labour costs of £0.17m into cost of sales

Cash overheads relating to continuing operations were £3.11m, £0.27m lower than the prior

period. This mainly arose from lower sales commissions and reduced marketing and external R&D spend.

Overheads from discontinued operations also decreased due to a decision to delay certain R&D projects and other planned product marketing expenditures as well as freeze recruitment and leavers replacements.

Loss after tax

The Group loss after taxation for the period was £2.0m (H1 2023: £1.0m), £1.3m relating to continuing operations and £0.7m to discontinued operations.

Balance Sheet

The Group's net assets at 30 June 2024 reduced by £1.7m to £8.0m (31 December 2023: £9.7m), mainly relating to the cash burn in the period of £2.08m combined with lower trade receivables of £0.5m associated with variations in timing of invoicing in Q2 2024. Liabilities (excluding the £9.5m intercompany loan included within the liabilities held for sale) reduced by £0.9m to £2.3m (31 December 2023: £3.3m) due to lower trade payables and accruals.

The assets and liabilities of the Clinical AI business have been shown separately on the balance sheet with the intercompany loan owed by the Clinical AI business of £9.5m shown within liabilities held for sale and the associated receivable in the remaining business shown within current assets.

The 2023 R&D tax credit of £0.5m is expected to be received in September.

Total lease liabilities decreased by £0.1m to £0.6m (31 December 2023: £0.7m) with ongoing lease payments reducing the amounts owed to the end of the lease period.

The Group had cash and cash equivalents of £1.0m at 30 June 2024 (31 December 2023: £3.0m), a decrease of £2.0m in the period (H1 2023: £3.9m) and an improvement of £1.8m compared to H1 2023 despite £0.3m higher operating cash outflows of £0.9m (H1 2023: £0.6m). The prior period was significantly impacted by higher working capital balances associated with timings of trade receivables in Q4 and purchases of inventory which resulted in net cash outflows from operating activities of £2.7m. Net cash outflows in H1 2024 have reduced to £1.5m with working capital movements. Cash outflows from investing activities totalled £0.7m (H1 2023: £0.9m), of which £0.5m related to capitalised R&D costs (H1 2023: £0.7m) and £0.2m of additions to property, plant and equipment (H1 2023: £0.2m). The net cash outflow from financing activities was £0.1m (H1 2023: £0.2m), principally relating to lease payments.

Outlook

Having spent the last seven years successfully creating first-to-market AI products and building a strong capability in real-time automated ultrasound image analysis, we are delighted that our achievements have been recognised by GE HealthCare.

The remaining simulation business, which had a difficult trading period in the first half of this year, will be boosted by the inclusion of the NeedleTrainer range previously reported in our Clinical AI business, and the Board will use the time between signing and completion of the sale to GE HealthCare to conduct a comprehensive review of the remaining simulation business.

It is the Board's intention to make a material return of capital following a review of the growth potential and capital requirements of the post-transaction business and taking legal and tax advice on structure of a return. An announcement detailing the proposed use of funds and strategic direction for the Company is expected to be made in October when the sale of the clinical AI business to GE HealthCare is expected to complete.

Stuart Gall
CEO

14 August 2024

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Unaudited 6 months ended 30 June 2024	Restated* Unaudited 6 months ended 31 December 2023	Restated* Year ended 31 December 2023
		£'000	£'000	£'000
CONTINUING OPERATIONS				
REVENUE	4	4,543	5,839	9,935
Cost of sales		(1,960)	(2,293)	(3,975)
GROSS PROFIT		2,583	3,546	5,960
Other income		-	4	9
Administrative expenses		(3,952)	(4,122)	(7,774)
OPERATING LOSS		(1,369)	(572)	(1,811)
Finance income		-	16	26
Finance costs		(15)	(12)	(29)
PROFIT/(LOSS) BEFORE TAXATION		(1,384)	(568)	(1,808)
Taxation	5	49	84	152
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		(1,335)	(484)	(1,656)
DISCONTINUED OPERATIONS				
Loss from discontinued operations, net of tax	6	(659)	(756)	(926)
LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(1,994)	(1,240)	(2,582)
Continuing operations		(1,335)	(484)	(1,656)
Discontinued operations		(659)	(756)	(926)
		(1,994)	(1,240)	(2,582)

OTHER COMPREHENSIVE

INCOME/(EXPENSE)

Items that will or may be reclassified to profit or loss:

Exchange gain/(loss) arising on translation of foreign operations	19	(84)	(90)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	19	(84)	(90)
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT	(2,013)	(1,324)	(2,672)

LOSS PER SHARE (BASIC AND DILUTED, PENCE)

CONTINUING OPERATIONS				
- Basic and diluted	7	(0.41)	(0.15)	(0.51)
CONTINUING AND DISCONTINUED OPERATIONS				
- Basic and diluted	7	(0.61)	(0.38)	(0.79)

*Restated for discontinued operations and reclassification of direct labour and distribution costs into cost of sales. See Note 1 for detail

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2024	Unaudited 30 June 2023	Restated* Audited 31 December 2023 £'000
NON-CURRENT ASSETS				
Intangible assets		2,405	3,541	4,095
Property, plant and equipment		1,112	1,316	1,293
Trade and other receivables		61	61	61
		<u>3,578</u>	<u>4,918</u>	<u>5,449</u>
CURRENT ASSETS				
Inventories		1,375	1,869	1,450
Trade and other receivables	8	12,150	3,725	3,398
Current tax asset		204	972	462
Cash and cash equivalents		951	3,335	3,031
Assets held for sale	6	2,244	-	-
		<u>16,924</u>	<u>9,901</u>	<u>8,341</u>
TOTAL ASSETS		20,502	14,819	13,790
CURRENT LIABILITIES				
Trade and other payables	9	(1,696)	(2,561)	(2,698)
Deferred income		(339)	(336)	(294)
Lease liabilities		(246)	(193)	(244)
Provisions		(55)	(22)	(35)
Liabilities held for sale	6	(9,495)	-	-
		<u>(11,831)</u>	<u>(3,112)</u>	<u>(3,271)</u>
NON-CURRENT LIABILITIES				
Deferred income		(328)	(237)	(272)
Lease liabilities		(322)	(391)	(446)
Other payables		(65)	(65)	(65)
		<u>(715)</u>	<u>(693)</u>	<u>(783)</u>
TOTAL LIABILITIES		(12,546)	(3,805)	(4,054)
NET ASSETS		7,956	11,014	9,736
EQUITY				
Share capital	10	3,269	3,269	3,269
Share premium		30,207	30,207	30,207
Accumulated losses		(34,527)	(31,191)	(32,533)
Share-based payment reserve		2,193	1,928	1,998
Merger reserve		6,538	6,538	6,538
Foreign exchange reserve		111	98	92
Other reserves		165	165	165
TOTAL EQUITY		7,956	11,014	9,736

*Restated for Asset and Liabilities held for sale

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Share- based payment reserve £'000	Merger reserve £'000	Foreign exchange reserve £'000	Other reserves £'000	Total equity £'000
AT 1 JANUARY 2023	3,269	30,207	(29,951)	1,753	6,538	182	165	12,163

COMPREHENSIVE EXPENSE FOR THE PERIOD

Loss for the period	-	-	(1,240)	-	-	-	-	(1,240)
Other comprehensive income	-	-	-	-	-	(84)	-	(84)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY								
Share-based payments	-	-	-	175	-	-	-	175
AT 30 JUNE 2023	3,269	30,207	(31,191)	1,928	6,538	98	165	11,014
COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD								
Loss for the period	-	-	(1,342)	-	-	-	-	(1,342)
Other comprehensive income	-	-	-	-	-	(6)	-	(6)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY								
Issue of share capital	-	-	-	70	-	-	-	70
Share-based payments	-	-	-	-	-	-	-	-
AT 31 DECEMBER 2023	3,269	30,207	(32,533)	1,998	6,538	92	165	9,736
COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD								
Loss for the period	-	-	(1,994)	-	-	-	-	(1,994)
Other comprehensive expense	-	-	-	-	-	19	-	19
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY								
Share-based payments	-	-	-	195	-	-	-	195
AT 30 JUNE 2024	3,269	30,207	(34,527)	2,193	6,538	111	165	7,956

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 30 June 2024 £'000	Restated* Unaudited 6 months ended 30 June 2023 £'000	Restated* 12 months ended 31 December 2023 £'000
<i>Loss before tax from continuing operations</i>	(1,384)	(568)	(1,808)
<i>Loss before tax from discontinued operations</i>	(615)	(928)	(1,215)
Loss before tax	(1,999)	(1,496)	(3,023)
<i>Add back:</i>			
Depreciation	332	306	629
Amortisation of intangible assets	592	466	986
Net finance costs / (income)	16	(4)	3
Share-based payments expense	196	175	245
Operating cash flows before movement in working capital	(863)	(553)	(1,160)
Movement in inventories	74	(267)	151
Movement in trade and other receivables	239	(1,763)	(1,413)
Movement in trade and other payables	(733)	(123)	20
Movement in provisions	20	-	-
Cash used in operations	(1,263)	(2,706)	(2,402)
Income taxes (paid)/received	-	(2)	691
NET CASH USED IN OPERATING ACTIVITIES	(1,263)	(2,708)	(1,711)
<i>Continuing operations</i>	<i>(631)</i>	<i>(2,151)</i>	<i>(1,503)</i>
<i>Discontinued operations</i>	<i>(632)</i>	<i>(557)</i>	<i>(208)</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(162)	(213)	(338)
Interest received	-	16	26
Internally generated and purchase of intangible assets	(542)	(737)	(1,809)
NET CASH USED IN INVESTING ACTIVITIES	(704)	(934)	(2,121)
Continuing operations	(436)	(669)	(1,094)

Discontinued operations	(268)	(265)	(1,027)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments	(117)	(139)	(207)
Finance costs paid	(16)	(14)	(29)
NET CASH USED IN BY FINANCING ACTIVITIES	(133)	(153)	(236)
<i>Continuing operations</i>	<i>(133)</i>	<i>(153)</i>	<i>(236)</i>
<i>Discontinued operations</i>	-	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,100)	(3,795)	(4,068)
<i>Continuing operations</i>	<i>(1,200)</i>	<i>(2,973)</i>	<i>(2,833)</i>
<i>Discontinued operations</i>	<i>(900)</i>	<i>(822)</i>	<i>(1,235)</i>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,031	7,166	7,166
Exchange gains / (losses) on cash and cash equivalents	20	(36)	(67)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	951	3,335	3,031

*Restated for Continuing and Discontinued operations

NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2024

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 13 August 2024. The financial information for the preceding full year is extracted from the statutory accounts for the financial year ended 31 December 2023. 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. The report drew attention by way of emphasis to a material uncertainty related to going concern and forecast performance of Clinical AI & Simulation divisions used for the recoverability of intangible assets, investment value and intercompany receivable.

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 AIM listed companies) 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 2023.

The comparative periods have been restated to reclassify the results of the discontinued operations. The H1 2023 income statement has also been restated for the change in accounting policy to recognised distribution and direct labour costs within cost of sales (see page 68 of the 2023 Annual Report and Accounts for more detail). The restatement has not yet been subject to audit.

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.

Going concern

Post period end on 18 July 2024, the Board announced it had entered into a conditional sale and purchase agreement for the sale of its Clinical AI business (Intelligent Ultrasound Limited and certain other clinical AI related assets) to GE HealthCare. While the Group intends to return a substantial portion of the proceeds to shareholders, it will retain some of proceeds to strengthen the remaining Group's financial position. The Group believes that the sale proceeds, together with its existing resources, provide sufficient financial resources to meet its liabilities as they fall due for at least the next twelve months. In light of the foregoing, the Group's directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future.

Discontinued operations

The Group classifies an operation as discontinued when it has disposed of or intends to dispose of a business component that represents a separate major line of business or geographical area of operations. The post-tax profit or loss of the discontinued operations is shown as a single line on the face of the consolidated statement of profit or loss, separate from the continuing operating results of the Group. When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss is represented as if the operation had been discontinued from the start of the comparative year. Expenses are presented as discontinued if they will cease to be incurred on disposal of the discontinued operation.

Assets and liabilities held for sale

Where the Group expects to recover the carrying amount of a group of assets through a sale transaction rather than through continuing use, and a sale is considered to be highly probable at the reporting date, the assets are classified as held for sale and measured at the lower of cost and fair value less costs to sell. No depreciation or amortisation is charged in respect of non-current assets classified as held for sale once the classification has been made.

2. BASIS OF CONSOLIDATION

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

3. NEW ACCOUNTING STANDARDS

Several amendments and interpretations apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

4. REVENUE ANALYSIS

The following table provides an analysis of the Group's revenue by geography based upon location of the Group's customers.

Period ended	Unaudited 6 months ended 30 June 2024 £'000	Restated* Unaudited 6 months ended 30 June 2023 £'000	Restated* 12 months ended 31 December 2023 £'000
<i>Continuing operations</i>			
United Kingdom	818	1,899	2,769
North America	2,164	2,795	4,828
Rest of World	1,561	1,142	2,414
	<u>4,543</u>	<u>5,836</u>	<u>10,011</u>
<i>Discontinued operations</i>			
Rest of World	442	220	1,171
Intercompany royalty income	(7)	(8)	(9)
	<u>4,978</u>	<u>6,064</u>	<u>11,173</u>

*Restated for Continuing and Discontinued operations

Clinical AI royalty income is included in the regions but is based on the external customer's invoicing country rather than the destination of the end customer.

5. TAXATION

	Unaudited 6 months ended 30 June 2024 £'000	Restated* Unaudited 6 months ended 30 June 2023 £'000	Restated* Unaudited 12 months ended 31 December 2023 £'000
<i>Continuing operations</i>			
R&D tax credit	49	86	171
R&D tax credit relating to prior periods	-	-	(19)
US corporation tax	-	(2)	-
	<u>49</u>	<u>84</u>	<u>152</u>
<i>Discontinued operations</i>			
R&D tax credit	-	-	-
R&D tax (charge)/credit relating to prior periods	(44)	172	289
	<u>5</u>	<u>256</u>	<u>441</u>

6. DISCONTINUED OPERATIONS AND ASSET HELD FOR SALE

Post period end on 18 July 2024, the Board announced it had entered into a conditional sale and purchase agreement for the sale of its Clinical AI business (Intelligent Ultrasound Limited and certain other clinical AI related assets) to GE HealthCare for a consideration of £40.5m. Although the agreement is subject to shareholder approval, which was obtained on 6 August 2024, the Group believed that it was highly probable that the transactions would complete within 12 months of the date of the announcement and so was classified as a disposal group held for sale and a discontinued operation from the period end date.

The results of the Clinical AI discontinued operation business are presented below.

	Unaudited 6 months ended 30 June 2024 £'000	Unaudited 6 months ended 30 June 2023 £'000	Restated* 12 months ended 31 December 2023 £'000
REVENUE	442	220	1,171
Cost of sales	(23)	-	(291)
GROSS PROFIT	<u>419</u>	<u>220</u>	<u>880</u>
Administrative expenses	(1,034)	(1,148)	(2,095)
OPERATING LOSS	<u>(615)</u>	<u>(928)</u>	<u>(1,215)</u>
LOSS BEFORE TAXATION	(615)	(928)	(1,215)
Taxation	44	(172)	(289)
LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	<u>(659)</u>	<u>(756)</u>	<u>(926)</u>

The major classes of assets and liabilities classified as held for sale as at 30 June 2024 are, as follows:

ASSETS

	Unaudited As at 30 June 2024 £'000
<i>Assets</i>	
Intangible assets	1,640
Current tax asset	265
Trade and other receivables	339
Assets held for sale	<u>2,244</u>
<i>Liabilities</i>	
Trade and other payables	(83)
Accruals	(83)
Intercompany loans payable to other group companies	(9,329)
Liabilities held for sale	<u>(9,495)</u>
Net liabilities held for sale	<u>(7,251)</u>

7. LOSS PER SHARE

	Unaudited 6 months ended 30 June 2024 £'000	Restated* Unaudited 6 months ended 30 June 2023 £'000	Restated* 12 months ended 31 December 2023 £'000
Loss from continuing operations	(1,335)	(484)	(1,656)
Loss from discontinued operations	(659)	(756)	(926)
Loss for the year after taxation	<u>(1,994)</u>	<u>(1,240)</u>	<u>(2,582)</u>
Number of shares:	No.	No.	No.
Basic and diluted weighted average number of ordinary shares	326,869,921	326,869,921	326,869,921
Basic and diluted loss pence per share:			
Continuing operations	(0.41)	(0.15)	(0.51)
Discontinued operations	(0.20)	(0.23)	(0.28)
	<u>(0.61)</u>	<u>(0.38)</u>	<u>(0.79)</u>

In the periods ended 30 June 2024, 30 June 2023 and 31 December 2023 there were share options in issue which could potentially have a dilutive impact, but as the Group is loss making in all periods, they are anti-dilutive and therefore the weighted average number of ordinary shares for the purpose of the basic and dilutive loss per share is the same.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2024 £'000	Unaudited As at 30 June 2023 £'000	Audited As at 31 December 2023 £'000
Trade receivables	1,720	2,728	2,457
Other receivables	148	126	195
Prepayments	953	871	746
Loan due from Asset held for sale	9,329	-	-
	<u>12,150</u>	<u>3,725</u>	<u>3,398</u>

9. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2024 £'000	Unaudited As at 30 June 2023 £'000	Audited As at 31 December 2023 £'000
Trade payables	798	1,053	1,235
Taxation and social security	167	255	235
Other payables	-	1	103
Accruals	731	1,252	1,125
	<u>1,696</u>	<u>2,561</u>	<u>2,698</u>

10. SHARE CAPITAL

	No.	£'000
<i>Allotted, issued and fully paid:</i>		
<i>Ordinary shares of 1p each</i>		
Balance at 1 January 2023 and 30 June 2023	326,869,921	3,269
Shares issued for cash	-	-
Balance at 31 December 2023 and 30 June 2024	<u>326,869,921</u>	<u>3,269</u>

11. INTERIM ANNOUNCEMENT

A copy of this report will be posted on the Company's website at [Intelligent Ultrasound](#).

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