

Feedback plc

Half year results: Invoiced sales up 22%

Cambridge, UK, 24 January 2019 - Feedback plc (AIM: FDBK, "Feedback" or the "Company"), the specialist medical imaging technology company, announces its unaudited half year results for the six months to 30 November 2018.

Operational highlights (including post period-end)

- Feedback Medical sales momentum continues to grow with new TexRAD® sales into Czech Republic, Belgium, France, Italy, Portugal, India, US and South Korea during the first six months of FY 2019
- New hires of a data scientist and product specialist for Cadran
- Feedback Medical signed agreement in January 2019 with software development partner Future Processing to enhance Feedback Medical's software development capability and to distribute relevant Future Processing imaging analysis products which:
 - reinforces Feedback's software platform with improved clinical integration functionality; and
 - provides access to specialist medical imaging software developers and AI specialists

Financial summary

- Invoiced sales for the first six months up 22% to £271k (H1 2018: £222k) due to the new sales progress
- Recognised revenue for the six-month period up 4% to £236k (H1 2018: £228k)
- Loss after tax for the six-month period of £369k (H1 2018: loss £348k) due to higher cost base following the recruitment programme in 2018
- Increased investment in software development to £106k (H1 2018: £41k)
- Loss before interest, tax and amortisation for the six-month period of £400k (H1 2018: loss £337k)
- Cash at 30 November 2018 was £1.367m (30 November 2017: £267k) following the equity fundraise in November 2018, raising £1.375m before expenses

Dr Alastair Riddell, Executive Chairman of Feedback, commented:

***“We have seen positive progress across the business during this six-month period, building European sales as well as global sales in the US, South Korea and India. We have recruited to provide additional resource in data science and to support Cadran and this month, we have strengthened our partnership with Future Processing. This will bring increased software development capabilities and improved functionality to our technology as well as access to specialist medical imaging and AI expertise.*”**

“Our fundraise in November 2018 positions us well to build on the operational progress already achieved and to continue to focus on our longer term goals of maximising the clinical opportunities for TexRAD® and new business opportunities for Cadran.”

Enquiries:

Feedback plc

Alastair Riddell, Executive Chairman
Lindsay Melvin, CFO

+44 (0)1954 718072

IR@fbk.com

Allenby Capital Limited (Nominated Adviser)

David Worlidge / Asha Chotai

+44 (0)20 3328 5656

Peterhouse Corporate Finance Ltd (Joint Broker)
Lucy Williams / Duncan Vasey

+44 (0)20 7469 0936

Stanford Capital Partners Limited (Joint Broker)
Patrick Claridge / John Howes

+44 20 3815 8880

Instinctif Partners
Rozi Morris/ Deborah Bell/ Phillip Marriage

+44 (0)20 7457 2020
feedbackplc@instinctif.com

About Feedback plc

Feedback plc (AIM: FDBK) is a specialist medical imaging technology company providing innovative software and systems, through its fully-owned trading subsidiary, Feedback Medical Limited. Its products advance the work of radiologists, clinicians and medical researchers by improving workflows and giving unique insights into diseases, particularly cancer. Feedback Medical works with customers globally from headquarters in the internationally renowned scientific hub of Cambridge, UK. Its proprietary technologies are TexRAD®, the quantitative texture analysis tool and Cadran, a picture archiving communication system (PACS). For more information, see www.fbkmed.com

Overview

The first half of FY 2019 has seen a continuation of the momentum built up in the previous year, with invoiced sales for the first six months up 22% to £271k (H1 2018: £222k). The new operational structure continues to provide benefits, with increased information sharing and cross-business sales activity. New recruits post period-end are already contributing to sales growth and marketing activities and the Company is continuing its recruitment drive to increase its in-house R&D and product management capability.

Financial summary

In the six months to 30 November 2018, Feedback invoiced sales of £271k, up 22% on the first half of the 2018 financial year (H1 2018: £222k) due to increased international traction and improved operational structure. Recognised revenue in the period increased 4% to £236k (H1 2018: £228k). The difference between sales and revenue is due to the contract structures which typically comprise installation costs, a contract for a year or more, followed by a 20% annual maintenance fee thereafter.

The Company's recruitment drive, investment in developing further software products and functionality, and investment in its agreement with Future Processing have resulted in a loss after tax for the six-month period of £369k (H1 2018: loss £348k). Loss before interest, tax and amortisation was £400k (H1 2018: loss £337k). During the period, Feedback invested £106k with Future Processing on future product developments (H1 2018: £41k). This intangible asset will be amortised against future income streams stemming from this investment. The tax credit reflects the research and development tax credit available to Feedback Medical.

Feedback continues to focus on cost control, with existing overheads kept well monitored. Cash at 30 November 2018 was £1.367m (30 November 2017: £267k) following the equity fundraise in November 2018, raising £1.375m before expenses.

Operational review

Feedback Medical

Feedback Medical is undertaking a recruitment drive to increase its in-house R&D and product management capability. It expects to appoint a research manager to assist with the expansion of Cadran and TexRAD® products into academic and commercial R&D support, as well as a small data science team to assist with data analysis and new algorithm development. A product specialist has already been recruited to identify opportunities and specifications for Cadran sales. This expansion will build on the Company's deep image processing expertise and experience to become a leader in quantitative imaging.

In November 2018, Feedback Medical announced that it had retained its ISO 13485:2016 certification for the fourth consecutive year. ISO 13485:2016 is the internationally recognised 'Medical Devices Quality Management' standard specifying that organisations demonstrate their ability to provide medical devices and related services that consistently meet customer and regulatory requirements.

The Company's continued compliance with this standard illustrates the importance that it places on the quality of its products and customer support. The certification was awarded following a surveillance audit by independent compliance specialists SGS UK Ltd.

TexRAD®

International interest in Feedback's TexRAD® quantitative texture analysis platform has continued throughout the first half of the financial year. In August 2018, the Company received its first order through its distributorship agreement with GE Healthcare, for a hospital in India. In addition, during this month, an order was received from University of Iowa Hospitals and Clinics in Iowa, US. This was then followed by the Samsung Medical Centre order for TexRAD®, received in September 2018, through distributor Korea Computer ISG. Feedback Medical has also seen significant European customer expansion for TexRAD® during the period, signing university hospitals in Belgium, France, Italy, Portugal and Czech Republic.

Two independent pilot studies of TexRAD® Lung, TexRAD®'s particular application in lung cancer, have been undertaken at University College London Hospitals NHS Trust and Leeds Teaching Hospital NHS Trust. During these studies, images and medical histories of more than 100 patients have been reviewed at each site to evaluate TexRAD® Lung in Positron Emission Tomography (PET) and Computerised Tomography (CT) scans for lung cancer. The preliminary analyses of these studies demonstrate a positive prognostic value for TexRAD® Lung and its texture parameter. These have led to further refinements of the product.

Commercial and technical discussions continue with Alliance Medical. Feedback is also in active discussions with other medical imaging software companies and service providers to partner with and integrate TexRAD® Lung within their platforms and potentially sell within the UK and beyond.

Cadran

Feedback Medical is exploring further opportunities for Cadran, its Picture Archiving and Communication System (PACS), focusing on its image archiving, retrieval, storage and anonymisation capabilities with several eminent clinical centres. Initially, those centres with research archives and radiation-oncology focused image-banks will be targeted. The growing interest in and development of radiomics, machine-learning and AI solutions has led to a need for better archiving, collation and curation of large data sets and their links to other electronic medical health records.

R&D progress

Feedback works closely with its customers to provide the functionality that its users need. As a result, in January 2019, it invested in its collaboration with software development partner, Future Processing, to reinforce its software platform with new and improved clinical integration, based on customer feedback. The collaboration also provides continued access to a dynamic and flexible team of specialist medical imaging software developers and AI specialists.

As part of the agreement, Feedback will also distribute relevant medical image analysis products developed by the Future Processing team.

Current trading and outlook

The first half of the financial year has brought continued positive progress at Feedback. Feedback Medical built on its customer base with new sales in Europe as well as further sales in the US, South Korea and India. Post period-end, the partnership with Future Processing was strengthened, increasing software development capacity and capabilities. The successful fundraise in November 2018 has enabled the recruitment of a new data scientist and a product specialist for Cadran, with further hires to come. A professional clinical evaluation of the 100 academic publications on Feedback's products is currently underway to assist with regulatory filings and strategic positioning of our products going forward. With positive milestones being achieved post period-end, the board looks forward to further positive developments in the second half of the financial year.

Dr A J Riddell
Executive Chairman

UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Notes	unaudited six months to 30 November 2018 £'000	unaudited six months to 30 November 2017 £'000	audited Year to 31 May 2018 £'000
Revenue		236	229	458
Cost of sales		(1)	(6)	(16)
Gross profit		235	223	442
Other operating expenses		(642)	(575)	(1,190)
Operating loss		(407)	(352)	(748)
Net finance income		-	-	-
Loss on ordinary activities before taxation		(407)	(352)	(748)
Tax credit		38	4	117
Loss on ordinary activities after tax attributable to the equity shareholders of the Company		(369)	(348)	(631)
Total comprehensive expense for the year		(369)	(348)	(631)
LOSS PER SHARE (pence)				
Basic and diluted	2	(0.13)	(0.14)	(0.25)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Retained Earnings £'000	Translation Reserve £'000	Total £'000
At 1 June 2017	615	2,376	300	(2,511)	(210)	570
Total comprehensive income for the period	-	-	-	(348)	-	(348)
Balance at 30 November 2017	615	2,376	300	(2,859)	(210)	222
New shares issued	89	355	-	-	-	444
Costs associated with the raising of funds	-	(17)	-	-	-	(17)
Total comprehensive expense for the period	-	-	-	(284)	-	(284)
At 31 May 2018	704	2,714	300	(3,143)	(210)	365
New Shares issued	229	1146	-	-	-	1,375
Costs associated with the raising of funds	-	(83)	-	-	-	(83)
Total comprehensive expense for the year	-	-	-	(369)	-	(369)
At 30 November 2018	933	3,777	300	(3,512)	(210)	1,288

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		unaudited 30 November 2018 £'000	unaudited 30 November 2017 £'000	audited 31 May 2018 £'000
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		6	7	7
Intangible assets	3	276	111	154
		282	118	161
Current assets				
Trade receivables		190	83	88
Other receivables		142	59	174
Cash and cash equivalents		1,367	267	632
		1,699	409	894
Total assets		1,981	527	1,055
EQUITY				
Capital and reserves attributable to the Company's equity shareholders				
Called up share capital		933	615	704
Share premium account		3,777	2,376	2,714
Capital reserve		300	300	300
Translation reserve		(210)	(210)	(210)
Retained earnings		(3,512)	(2,859)	(3,142)
TOTAL EQUITY		1,288	222	365
LIABILITIES				
Deferred tax liabilities		-	-	-
		-	-	-
Current liabilities				
Trade payables		106	78	57
Other payables		390	227	444
		496	305	501
Liabilities due after more than one year				
Other payables		197	-	189
Total liabilities		693	305	690
TOTAL EQUITY AND LIABILITIES		1,981	527	1,055

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	unaudited Six months to 30 November 2018 £'000	unaudited Six months to 30 November 2017 £'000	audited Year to 31 May 2018 £'000
Cash flows from operating activities			
Loss before tax	(407)	(348)	(748)
<i>Adjustments for:</i>			
Depreciation and amortisation	7	26	57
Impairment of investment	-	(5)	-
Increase in trade receivables	(102)	(33)	(38)
Decrease in other receivables	32	3	1
Increase/(Decrease) in trade payables	49	9	(12)
(Decrease)/Increase in other payables	(46)	(23)	382
Corporation tax received	38	-	-
	(22)	(23)	390
Net cash used in operating activities	(429)	(371)	(358)
Cash flows from investing activities			
Purchase of tangible fixed assets	-	(4)	(6)
Purchase of intangible assets	(128)	(55)	(127)
Net cash used in investing activities	(128)	(59)	(133)
Cash flows from financing activities			
Net proceeds of share issue	1,292	-	427
Net cash generated from financing activities	1,292	-	427
Net increase/(decrease) in cash and cash equivalents	735	(430)	(64)
Cash and cash equivalents at beginning of period	632	697	696
Cash and cash equivalents at end of period	1,367	267	632

NOTES TO THE UNAUDITED INTERIM REPORT

1. BASIS OF PREPARATION

The consolidation interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as endorsed by the European Union (“IFRS”) and expected to be effective at the year end of 31 May 2019. The accounting policies are unchanged from the financial statements for the year ended 31 May 2018.

The information set out in this interim report for the six months ended 30 November 2018 does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The accounts for the year ended 31 May 2018 have been filed with the Registrar of Companies.

This interim report was approved by the directors on 24 January 2019.

2. LOSS PER SHARE

Basic earnings per share are calculated by reference to the loss on ordinary activities after and on the weighted average number of shares in issue.

	unaudited As at 30 November 2018 £'000	unaudited As at 30 November 2017 £'000	audited As at 31 May 2018 £'000
Net loss attributable to ordinary equity holders	(369)	(348)	(631)
	As at 30 November 2018	As at 31 November 2017	As at 31 May 2018
Weighted average number of ordinary shares for basic earnings per share	281,616,584	246,066,584	252,403,981
Effect of dilution:			
Share Options	-	-	-
Warrants	-	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	281,616,584	246,066,584	252,403,981
Loss per share (pence)			
Basic	(0.13)	(0.14)	(0.25)
Diluted	(0.13)	(0.14)	(0.25)

3. INTANGIBLE ASSETS

	Software	Customer relationships	Patents	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 May 2017	563	100	104	272	1039
Additions	41	-	13	-	54
At 30 November 2017	604	100	117	272	1093
Additions	48	-	25	-	73
At 31 May 2018	652	100	142	272	1,166
Additions	106	-	22	-	128
At 30 November 2018	758	100	164	272	1,294
Amortisation					
At 31 May 2017	563	75	49	272	959
Charge for the period	-	11	12	-	23
As at 30 November 2017	563	86	61	272	982
Charge for the period	-	14	16	-	30
At 31 May 2018	563	100	77	272	1,012
Charge for the period	-	-	6	-	6
At 30 November 2018	563	100	83	272	1,018
Net book Value					
At 30 November 2018	195	-	81	-	276
At 31 May 2018	89	-	65	-	154
At 30 November 2017	-	14	56	-	111

4. AVAILABILITY OF THE INTERIM REPORT

Copies of the report will be available from the Company's registered office at Grange Park, Broadway, Bourn, Cambridgeshire CB23 2TA and also from the Company's website www.fbkm.com.