Inspiration Healthcare Group plc
(previously Inditherm plc)

Annual Report & Financial Statements **2016**

a breath of fresh air…

Our expertise is in bringing a broad range of life changing products to our customers, largely health authorities in the UK and increasingly, internationally.

Contents

Incidence of perinatal asphyxia ranges from 1/1000 live births in resource rich countries to 5-10/1000 in resource poor countries.

McGuire, Clinical Evidence 2007

Pioneering

Tecotherm Neo can be used to treat the effects of perinatal asphyxia by regulating the baby's core temperature in the first few hours of life.

Tecotherm Neo

Our Business

Inspiration Healthcare Group plc (the Group) is a supplier of medical devices mainly in areas of critical care. It was formed by the reverse acquisition of Inditherm plc by Inspiration Healthcare Ltd in June 2015.

The new management team's expertise is in bringing a broad range of life changing products to our customers, largely health authorities in the UK and increasingly, internationally. We use our technical expertise in niche areas and excellence in customer service as a differentiator. We have a major focus on bringing real changes to the quality of life of babies in their early stages of development.

> **"The new management team's expertise is in bringing a broad range of life changing products to our customers"**

Our key products fall into 3 segments: Critical Care, Operating Theatre and Home Healthcare product sales.

- **Critical Care**:- our main business area. Revenue of £8.8 million (2015: £7.3 million) (representing 72% (2015: 76%) of revenue), this segment also includes subsets that provide an exciting portfolio of products. The main source of revenue comes from the Neonatal Intensive Care Units (NICU). Products for premature and sick babies include our LifeStart (for deferred cord clamping), Tecotherm Neo (for thermo-regulation), Inspire nCPAP (non-invasive respiratory support) which are all key products in this area. Additionally in the UK we complement these with a range of distributed products including ventilators, incubators and a range of consumable products. We also sell products for adult and paediatric intensive care in the UK and Ireland.
- **Operating Theatre**:- Revenue of £1.3 million (2015: £0.7 million) (representing 11% (2015: 8%) of revenue), this is a growing area of our business where we sell the Inditherm Alpha system, our own range of warming products for maintaining patient temperature during surgery. We complement these products in the UK and Ireland with jet ventilators, cardiac surgery perfusion products and pain management systems.
- **Home Healthcare**:- Revenue of £2.1 million (2015: £1.5 million) (representing 17% (2015: 16%) of revenue), this segment represents a broad range of products mainly for parenteral feeding and products that are not used in intensive care and the operating theatre. The Inditherm industrial products are also included. They use related technology in different markets but add a useful contribution. We add products in this segment because of our extensive relationship with suppliers and customers.

Sales represent a mix of capital and revenue items for our customers. It is, therefore, important to note that our business is not reliant on capital budgets in health systems around the world which come under increasing pressure during economic downturns. Our business model benefits from strong recurring revenue from consumable products and technical service. Our growth is underpinned by introducing new and innovative capital items in addition to the spares and after-market support. In particular our range includes:

- **Capital**:- our capital range includes our own brand of the Tecotherm, Alpha patient warming, Unique CFM and LifeStart, again complemented in the UK and Ireland by a range of distributed products including incubators, ventilators, and infusion pumps.
- **Consumables**:- our own range of consumables is headlined by the Inspire nCPAP range. We distribute a range of other neonatal consumables as well as disposables that link directly to our capital range.
- **Technical service**:- a range of service options from planned preventative maintenance, to ad hoc repairs along with selling spare parts and training courses.

All of our products benefit from our renowned customer service and emergency hire service where we will deliver any equipment to a hospital in the UK and Ireland within hours complete with our clinical support team.

2016 Highlights

Financial (statutory unless otherwise stated)

- Revenue up **29%** (**15%** on a proforma basis)
- Critical Care sales up **21%**, UK up **17%**, International up **28%**
- Operating profit before impairment charges and exceptional items up **£0.3 million** (**£0.8 million** on a proforma basis)
- Reported operating profit **£0.1 million** after **£1.2 million** of non-recurring costs
- R&D investment **3.3%** of revenue
- Cash at year end at **£2.3 million**

Operational

- Growth in all geographies and segments
- Two major long term distribution contracts signed
- Largest ever export order shipped to Saudi Arabia
- International sales (outside of UK and Ireland) up **34%**

Post Year End

- CE marking of Inspire rPAP, important new product and clinical trial started

Key facts

Revenue up
29%

Operating Profit up
£0.3 million

Critical Care Sales up
+21%

Cash at year end
£2.3 million

There are over 400,000 operating theatres in the world.

Funk et al, The Lancet, 2010

Patient Focused

Inditherm Alpha patient warming system uses patented technology to help reduce patients becoming hypothermic before, during and after surgery.

Inditherm Alpha

Chairman's Welcome

It gives me great pleasure to report the first annual results of the newly formed Inspiration Healthcare Group plc which came about following the reverse acquisition of Inditherm plc by Inspiration Healthcare Limited.

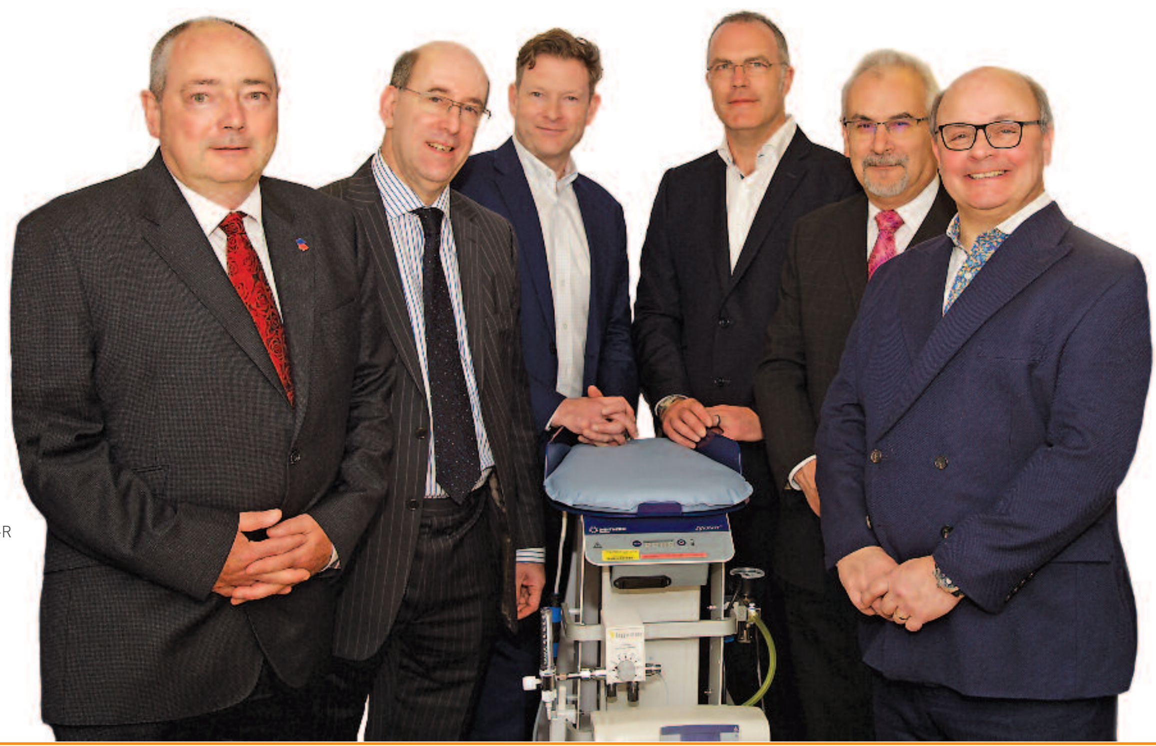
Transactions of this type are complex but I am pleased say that the teams from both sides did an excellent job and the transaction was completed in a professional and enjoyable way. I look forward to the merged business providing real value for shareholders in the future.

On 24 June 2015, when the transaction became unconditional, Inditherm plc acquired 100% of the share capital of Inspiration Healthcare Limited in a transaction which under IFRS 3 was deemed to be a reverse acquisition. The enlarged group has been renamed Inspiration Healthcare Group plc. The transaction has brought a strong management team with a proven track record of growth and profitability. The Group has a much broader range of innovative products which predominantly serve the medical markets specialising in Critical Care and the Operating Theatre.

The re-structured business will provide a strong platform for growth in important areas of the medical technology market with scale and additional resources.

Under the provisions of IFRS 3 the results are reported as a continuation of Inspiration Healthcare Limited with the results of the former Inditherm plc consolidated from the point that the transaction was completed and the shares of the enlarged entity admitted to AIM. Accordingly, the trading for the year to 31 January 2016 reflects twelve months of Inspiration Healthcare Limited and approximately thirty-two weeks from Inditherm plc as previously constituted.

The statutory results for the year ended 31 January 2016 show revenue of £12.3 million, operating profit of £1.3 million before impairment charges and exceptional items arising on the reverse acquisition of £1.2 million and an operating profit of £0.1 million. Reported revenue growth was 29% of which 15% was organic and the balance due to incorporating the Inditherm business.



Board Members L-R
Robert Beveridge
Mark Abrahams
Toby Foster
Neil Campbell
Ian Smith
Brook Nolson

To help shareholders to assess the Group, an unaudited Proforma Consolidated Income Statement has been produced, which reflects twelve months of trading from both entities (see below). The Board believes that this statement represents the most appropriate basis for future comparison of operating performance.

Proforma Consolidated Income Statement (unaudited)

	12 months 2016	12 months 2015
	£'000	£'000
Revenue	**13,096**	11,409
Cost of sales	**(7,118)**	(6,344)
Gross profit	**5,978**	5,065
Operating expenses	**(6,553)**	(4,806)
Other income	**295**	–
Operating (loss)/profit	**(280)**	259
Analysed as:		
Operating profit before impairment of goodwill and intangible assets and exceptional items	**1,109**	302
Impairment of goodwill and intangible assets	**(517)**	–
Exceptional items	**(872)**	(43)
Operating (loss)/profit	**(280)**	259
Net finance income	**3**	6
(Loss)/profit on ordinary activities before taxation	**(277)**	265
Income tax expense	**(136)**	(229)
(Loss)/profit for the period attributable to owners of the parent company	**(413)**	36
Earnings per share, before impairment of goodwill and intangible assets and exceptional items, attributable to owners of the parent company during the period - basic and diluted	**3.4p**	2.9p

Adjusted earnings per share has been included as, in the opinion of the Directors, this will allow shareholders to gain a clearer understanding of the trading performance of the Group for the period.

Compared to the statutory results, the unaudited proforma consolidated income statement basis includes an additional 20 weeks of Inditherm plc's results prior to the reverse acquisition which has the impact of increasing revenue by £0.8 million and reducing the operating profit before impairment charges and exceptional items by £0.2 million. On the proforma basis revenue increased by 15% and operating profit before goodwill and impairment charges and exceptional items increased by £0.8 million from £0.3 million to £1.1 million compared to the previous 12 months.

There is a great deal of synergy between the two group's product ranges. The majority of the Inspiration product range focuses on the newborn in the Neonatal Intensive Care Units (NICU) as does the Inditherm infant warming range. Additionally in the UK, Inspiration sell a range of products into the Operating Theatre, to which adding the Inditherm patient warming mattresses gives scale to the sales team and will unlock more value from this sector.

Interest in the Inditherm products has also grown especially in the LifeStart range. We believe that this product has significant potential and it is gaining interest in both regular usage and also in the academic world where clinicians are looking at the benefits of deferred cord clamping. The interest in this topic is gaining momentum with ongoing clinical trials and we look forward to realising the full potential of the product in the forthcoming years.

Some of our R & D developed products were slower to gain regulatory clearance than we had hoped but our market research shows substantial interest in these products and we remain confident in the potential of our new product pipeline.

I would like to offer my sincere thanks to our staff who have worked diligently and tirelessly throughout the year to maintain the momentum required to grow our Group during the merger and integration process. Their endeavour is appreciated by the entire Board.

Forward looking statement

The Group is well positioned to realise its potential with a newly restructured sales team and a pipeline of products through a prioritised R & D programme. We believe the market is right for the products we have developed especially with our comprehensive neonatal offering where we can help affect the outcome of babies from before the first breath of life.

The market in the UK continues to unpredictable for capital purchases by the NHS. However our managed service offering helps to remove such barriers for the NHS to acquire our patient warming system for surgery. We also have strong recurring revenue through our disposable product and Technical Support contracts that reduce reliance on capital budgets.

We believe that our own branded products are well placed in our key export markets to drive growth in our business, whilst we will continue to look for products to distribute in the United Kingdom that would add value to our existing portfolio.

The new financial year has started well and on plan and we expect to continue our progress across the business this year.

MARK ABRAHAMS

Chairman

28 April 2016

Directors

Executive Directors

Neil Campbell
Chief Executive Officer

After beginning his career in medical devices at Smiths Medical, Neil held several sales and marketing positions including regional International Sales Manager at Eschmann. He subsequently joined Electro Medical Equipment Limited ("EME") as marketing manager for the global neonatal company. In 2003, Neil became CEO and founding partner of Inspiration Healthcare Limited. In total Neil has spent 23 years in the Medical Device sector. Neil's commitment to perinatology has been recognised by him being invited to be an industry and scientific board member at the Infant Centre in Ireland. Neil is also a Non-executive Director of Neuroprotexeon Limited, a drug-discovery and biotechnology company, in which the Group is a shareholder.

Toby Foster
Group Sales Director

Toby joined EME in 1992 having previously run his own small business in the construction/property industry. During his time at EME, he was instrumental in launching new products including neonatal ventilators, neonatal nCPAP, adult high frequency oscillation and developmental care. He then moved to international sales management before heading up the UK sales team. In 2003 he was a founding director of Inspiration Healthcare Limited; responsible for all sales and sales recruitment, the 24/7 clinical support service and patient first philosophy, launching several new technologies including the Novalung extracorporeal lung assist into the UK critical care market.

Ian Smith
Group Finance Director

Ian joined Inspiration Healthcare Group plc (previously Inditherm plc) as Group Finance Director upon completion of the reverse acquisition of Inditherm plc (which he joined in January 2004 as Finance Director) by Inspiration Healthcare Limited. He is a Chartered Accountant having trained with Ernst & Young. After moving into industry he qualified as a Corporate Treasurer and has over 25 years' board level experience gained at both group and operating company level in a wide range of industries. Amongst previous roles, Ian has been Finance Director for Portakabin Limited, Divisional Finance Director of the turbocharging division of Cummins Engine Co Inc. and Divisional Finance Director and Group Treasurer at Hickson International.

Non-executive Directors

Mark Abrahams
Non-executive Chairman

Mark is currently Non-executive Chairman of Fenner Plc, having been Chief Executive for 18 years. There he led a strategy of converting the group from a power transmissions manufacturer to a world leader in reinforced polymers. Mark was Vice Chair of Leeds Teaching Hospitals Trust and was Non-executive Chairman of the Darby Group Plc. He is a Chartered Accountant and a Companion of the Institute of Management. He is a member of the Economics Growth Board of the CBI.

Robert Beveridge
Non-executive Director and Senior Independent Director

Bob Beveridge FCA was appointed as a Non-executive Director on 3 August 2015 and is Chairman the Group's Audit Committee. Bob has wide ranging non-executive director and public company experience. He is Non-executive Director and Chairman of the Audit Committee of Brady plc, Volex plc and InternetQ plc. Previously he was Group Finance Director of McBride plc, Marlborough Stirling plc and Cable and Wireless Communications plc and Non-executive Director of Hampshire Hospitals NHS Trust.

Brook Nolson
Non-executive Director

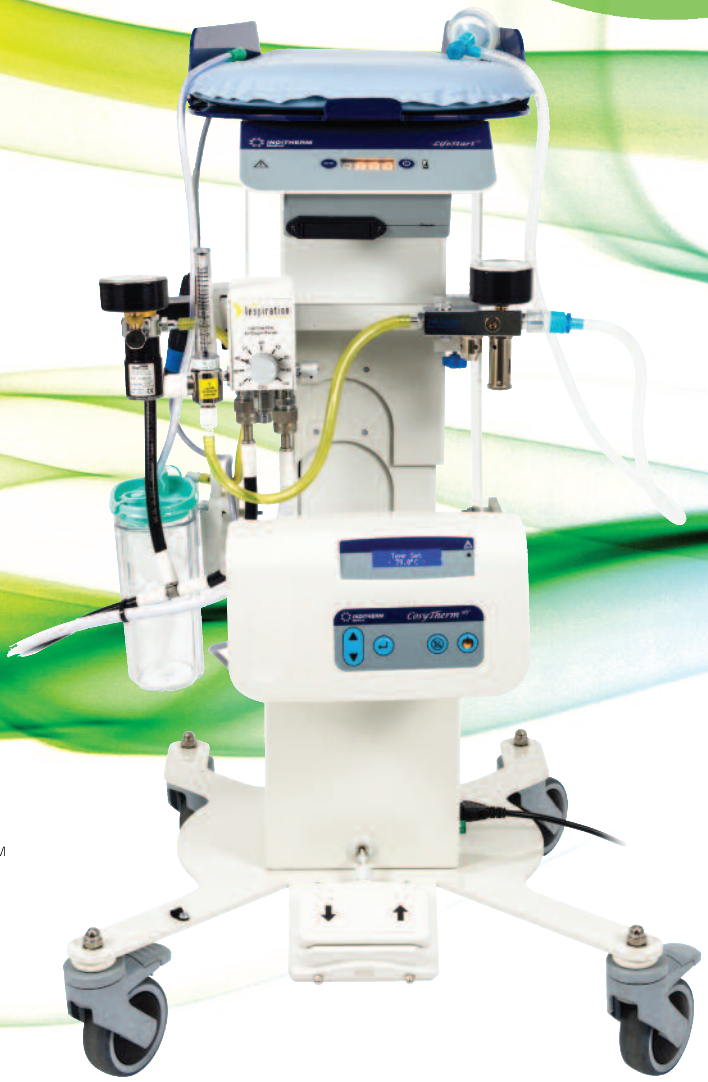
Brook joined the Group as Non-executive Director on 23 June 2015. Having established and managed a regional electronics retail chain, Brook moved into a marketing role with Balfour Beatty plc in 1986. He assumed the role of Regional Marketing Director in 1989 for the North East. Following a period as Business Development Director of Birse Group plc, Brook was appointed Strategic Key Accounts Director of Willmott Dixon Group. His roles included development of marketing strategy, establishing a customer care process and managing innovation, research and development. In 2001, he was appointed Group Strategic Director of Morgan Sindall plc, with responsibility to consolidate individual operating companies into one brand. Brook remains an adviser to a number of businesses across various sectors, which include turnaround and start up situations.

For preterm infants in good condition at delivery, delaying cord clamping by 3 min results in increased blood pressure during stabilisation, a lower incidence of IVH and fewer blood transfusions. For infants requiring resuscitation, resuscitative intervention remains the immediate priority.

J Wylie, S Ainsworth, R Tinnion – Resuscitation Council Guidelines 2015; Cochrane Review

Outcome Changing

LifeStart™ enables the umbilical cord to be cut at the most optimal time for the baby by allowing it to be positioned close to mother even if needing resuscitation.



LifeStart™

Strategic Report

Principle Activities

Inspiration Healthcare Group plc is a supplier of medical devices mainly in areas of critical care. It was formed by the reverse acquisition of Inditherm plc by Inspiration Healthcare Limited which became unconditional on 24 June 2015. Inditherm plc was renamed Inspiration Healthcare Group plc on 23 June 2015.

Inspiration Healthcare Limited was founded in 2003 as a patient-focused distributor of critical care equipment in the UK and the Republic of Ireland. Each of the founders is still active in the business. Using cash generated from operations to invest in sales and marketing activities and to add further products to the portfolio under distribution agreements, Inspiration has experienced unbroken year-on-year sales growth since 2003 through a combination of:

- adding more innovative products to complement the range available to our medical customers;
- increasing our international presence as we gain market share in each of our targeted countries;
- increasingly developing our own technology principally through innovative products designed to improve outcomes for babies; and
- targeted acquisitions of niche businesses in related product areas.

Inspiration has also licensed technology for sale under its own brand worldwide with products manufactured by third parties. In addition, Inspiration has invested in an R&D team based in Albourne, West Sussex, to develop its own products.

Inditherm plc was formed in 1998 having developed a heating product using new technology, also called Inditherm, which is capable of generating a uniform heat with no hot or cold spots when a low voltage is applied. The product is material-based and flexible, robust, energy efficient and controllable. In addition, use of the product can deliver cost-efficient warming in medical applications.

Review of Business and Future Developments

The Consolidated Statement of Comprehensive Income is set out on page 43 reflecting the Group's profit before taxation for the financial year of £0.1 million (2015: £1.0 million) and profit before taxation, impairment of goodwill and intangible assets and exceptional items for the financial year of £1.3 million (2015: £1.0 million).

The Operating and Financial Review prepared on a Group basis is contained on pages 23 to 25.

Products

Each of our three segments can be futher divided into key two areas. These are Own Brand, which accounts for 45% of revenue and Distributed, which encompasses products distributed on behalf of other manufacturers and accounts for 55% of revenue.

Own Brand

Products that we manufacture or sub-contract manufacture to our own specification and design. These products typically have a higher margin but have higher costs to bring to market (such as R&D, manufacturing, regulatory and marketing costs). We sell these products in international markets as well as the UK.

Review of Business and Future Developments (continued)

Products (continued)

Distributed

Products we sell in the UK and Ireland through our direct selling channels. These products add value to our portfolio and typically generate positive cash. They are usually secured by distribution contracts.

There are distinct advantages of having a blend of products. The own brand products demonstrate our sector expertise and are protected by either patents or other specialist knowledge. Distributed products earn lower margins but need less capital, typically generating cash more quickly. However, these benefits are offset against the risk of losing the distributorship due to changes in strategy of the principal and could therefore be seen as relatively short term. Our strategy therefore is to increase the proportion of sales from own branded products.

Distributed products add value to our sales team and the call point as we can offer a more comprehensive product range. We will continue to look at opportunities to add more distributed products into the product portfolio where they can add value and complement/supplement the rest of the product range. Products that we will actively look for will be therapeutic with an element of capital where we can offer technical service and planned preventative maintenance, along with bespoke consumables.

Our strategy over the next few years will be to invest further in R&D to further enhance the range of own brand products sold internationally. International sales are strategically important to increase our diversity and resilience as well as offering improved margins. Priorities will be given to areas where we have an existing sales channel. They will revolve around our Neonatal Product range, and especially thermo-regulation of the new-born and respiratory support, and peri-operative patient warming.

During the last six months of the financial year, the current product portfolio of own brand products has been reviewed comprehensively. The overall proposition of the products has been assessed and we have looked strategically at the market dynamics. We have now defined product requirements, market requirements and expect to launch the first of several products in the new financial year.

Sales and Marketing

The market for medical equipment is growing in all our market segments albeit at different levels around the world. The birth rate in many countries remains relatively consistent but there is an increasing demand for improving the outcome and survival rates of babies that are born with complications. In low to middle income countries, investment is being made in child health to reduce childhood mortality as part of the World Health Organisation's Millennium Development Goal which is aimed at reducing mortality in children under five.

Currently there is considerable interest in optimising the timing of clamping of the umbilical cord of the new born. This ideally places the LifeStart product in the forefront as clinicians look to determine how to offer the best treatment to their patients.

We are starting to see particular growth in our managed service offering and growth in interest in our rental programmes in the UK. Our aim is to ensure that the products are right for the market and to offer a range of capital purchase and revenue based offerings to give maximum flexibility to our customers who want to use our technology but may not have the capital budgets to make an outright purchase.

In international markets we have seen strong growth in our Tecotherm range with a large order from Saudi Arabia. Clinical trials have started in India to see if babies suffering from perinatal asphyxia can be treated in a low income setting using the Tecotherm and we look forward to the findings of this study.

Our international dealer network has been reviewed in light of the merger to ensure we have best in class distributors. We believe that we now have in place a strong route to market in most of the key markets and this, supported by the internal regulatory strategy, will allow for further growth internationally in the next few years.

In the UK we have re-aligned our sales team to be able to handle a greater range of products and also to focus more clearly on the products in the current range. This allows greater growth potential as we develop new products or distribute more products from our overseas partners as well as leveraging its position in key accounts with better customer service and product support.

The Home Healthcare parenteral products are achieving excellent distribution. We expect to see continued growth in this niche but important market as the extra focus from the restructured sales team starts to realise the potential.

Our marketing strategy continues to focus on how to improve the interaction with customers by defining innovative products, improving the online interface, the corporate image and how we can drive interest in the product we sell. We will continue to invest in the Inspiration brand to position it as a world leader in the key niche markets it serves.

Sales and Marketing (continued)

Our technical service offering has been stable this financial year. Market conditions have proved difficult with NHS Trusts looking closely at the costs of service through third parties. We are looking for opportunities to increase the portfolio of products that we can service and ways to grow training revenues.

IT and Infrastructure

In 2014 we embarked on implementing a full ERP system into Inspiration Healthcare Limited and we are now in the final stages of planning to migrate the former Inditherm business onto the same platform.

Additionally, this will include a CRM function which will help our sales and marketing teams develop better understanding of customer needs and help plan targeted campaigns to ensure that our customers are fully engaged without being overly exposed to products that they may not be interested in.

Principal Risks and Uncertainties

The Group has a formal process for identifying principal risks and has a programme for reviewing these risks as part of its monthly Board meeting business. The principal risks faced by the Group are:

Strategic Risks

Loss of Key Distribution or Licence Agreements

The loss of any of the Group's largest agreements to sell medical devices on behalf of third parties may have a material impact on the Group's business, prospects, financial condition or results of operations. Major account reviews take place regularly and plans are mutually agreed. Our strategy is based upon the added value of our supply chain and if necessary alternative product suppliers can be sourced. It is the Group's intention to increase the proportion of sales from products where we own the intellectual property to minimise this risk.

Competition

The Group operates in a highly competitive market with potential competitors including companies which may have substantially greater resources than those of the Group. The Group's products may face competition from products designed, manufactured, marketed and supplied by companies that have greater research, development, marketing, financial and personnel resources. Exceptional customer service and delivery times are essential in order to maintain competitive advantage and our strategy is based upon this competitive advantage.

Research & Development

The Group invests in R&D projects in order to develop innovative new products. It works with a professional advisory panel in order to prioritise opportunity areas. Continued growth within existing customers depends upon the successful introduction of these new products. Projects are reviewed regularly by the Board and total R&D investment is planned to increase in the forthcoming year, in line with our strategic objectives.

Integration of Acquisitions

The stated strategy of the Group is to grow by a mixture of organic sales growth and acquisitions. A new end to end business system and processes are being implemented across all our sites and will comprise the basis for the integration of future acquisitions. Until the first acquisition is fully integrated the Group might not deliver all the logistics, service and sales synergies identified in the business case.

Operational Risks

Dependence on Supply by Third Parties

The Group's business depends on products and services provided by third parties. If there is any interruption to the supply of products or services by third parties or those products or services are not as scalable as anticipated or at all, or there are problems maintaining quality standards and delivering product to

Principal Risks and Uncertainties
(continued)

Operational Risks (continued)

specification, or there are problems in upgrading such products or services, the Group's business will be adversely affected. The Group maintains appropriate stock levels of the most critical items to maintain customer service levels and mitigate this risk.

Reliance on Key Individuals

The success of the Group will depend largely upon the expertise and relationships of the Board and other senior employees. The loss of any of the key individuals could have an adverse effect on the Group. Rewards are competitive and all employees are paid at least the living wage. A culture of engagement and recognition exists and it is the Group's policy to maintain a safe and pleasant work environment.

Supply Chain Business Interruption

The success of the Group depends critically upon the efficiency and speed of its supply chain. A new experienced supply chain manager has been appointed and an ERP system has been implemented to underpin the supply chain processes. A disaster recovery plan exists and is tested each year.

Health & Safety

The Health & Safety of all our associates is a priority item for the Board and the Health & Safety report is presented at each Board meeting. The Group's Health & Safety officer holds a national accreditation. An annual Health & Safety assessment is presented annually to the Board and follow up actions agreed if necessary.

Principal Risks and Uncertainties
(continued)

Financial & Compliance Risks

Foreign Exchange Risk

As the Group operates globally, it is exposed to foreign exchange gains and losses which may have an adverse effect on the Group's profits. However, the balance of imports and exports provides a high degree of natural hedge so the risk is minimised.

Retention of the Group's Certificates and Other Licences

The medical industry is highly regulated and each territory in which the Group operates is subject to its own stringent legal and regulatory regime. Regulatory approvals are required to market and sell medical devices into both the UK and export markets. The Group has stringent internal controls in order to comply with the relevant legal and regulatory conditions in the UK and in its export markets and has a Regulatory Affairs and Quality Department dedicated to liaising with the regulatory authorities to monitor any changes in conditions and ensure continuing compliance with existing and new conditions.

Litigation

Legal proceedings may arise from time to time in the course of the Group's business, including through potential product failure which may lead to claims and reputational damage. The Board maintains product and public liability insurance to comply with the requirements of the NHS in the UK. In addition, the Company seeks protection of IP and does not intentionally infringe the IP of others.

Risk Appetite

Risk appetite can be defined as 'the amount and type of risk' that the Group is willing to take in order to meet their strategic objectives. The Board have applied a differentiated risk appetite to each major category of risk, i.e. Strategic, Operational, Financial & Compliance. Levels of risk were considered against the following categories:

0 – Avoid risk – zero tolerance

1 – Minimal risk – as little as reasonably possible

2 – Cautious – prepared to accept some limited loss

3 – Open – prepared to consider balance between risk and reward, invest for future return

4 – Seek – prepare to be innovative in pursuit of higher returns

5 – Mature – confident of setting high levels of risk appetite underpinned by rigorous processes and controls.

Our Strategic risks appetite is assessed as level 4 (Seek) as we aim to be innovative in our specialist areas. For Operational risks we adopt level 2 (Cautious) as our customer service is integral to our business model. Our risk appetite for Financial & Compliance is minimal as we work in a highly regulated industry.

Employees

Pre-merger, Inspiration Healthcare Limited had been awarded recognition from the Living Wage Foundation. Post-merger management decided to implement this initiative across the entire Group. We are pleased to say that all employees now benefit from this initiative. We will continue to invest in our staff in terms of decided to implement this initiative across the entire Group. We are pleased to say that all employees now benefit from this initiative. We will continue to invest in our staff in terms of training and opportunities to progress their careers within the Group in order to create a stimulating work environment for all our staff and develop appropriate skills to grow the business.

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

We have continued our policy of retaining our loyal staff through the short term peaks and troughs of demand. On behalf of the Board, we thank our staff most sincerely for their continued support.

Dividends

At the time of the Group's re-admission to AIM in June 2015, the Board proposed to reinvest earnings in financing the growth of the Group's business. Neil Campbell and Toby Foster received dividends (from Inspiration Healthcare Limited) during the year's prior to the reverse acquisition and becoming directors of Inspiration Healthcare Group plc (see note 10).

Key Performance Indicators

The Directors have monitored the performance of the Group with particular reference to the relevant key performance indicators (KPI's) which are set out below:

	Proforma results 12 months ended 31 January 2016	Statutory 12 months ended 31 January 2016	Statutory 12 months ended 31 January 2015
Sales growth %	**14.8%**	**28.7%**	7.9%
Proportion of sales from international markets %	**32.3%**	**31.7%**	30.2%
Gross margin %	**45.6%**	**44.9%**	42.3%
R & D % of Sales (Gross)	**3.3%**	**3.3%**	2.6%
Operating profit (before impairment of goodwill and intangible assets and exceptional items) %	**8.5%**	**10.6%**	10.3%
Sales from own brand %	**45.0%**	**42.4%**	39.9%
Asset turnover ratio (times)	**3.4**	**3.7**	3.3

These Key Performance Indicators have been chosen by the Directors as those that measure the key elements of the Group's performance towards the achievement of the Group's strategy.

Sales of own brand products in international markets continue to show encouraging growth in line with our strategic goals. R&D has been stable in recent years but is expected to increase in the future. Asset turnover is an important measure of our operating efficiency.

MARK ABRAHAMS
Chairman

28 April 2016

NEIL CAMPBELL
Chief Executive Officer

28 April 2016

Operating and Financial Review

Our underlying revenue grew during the year, embracing the challenges of merging the Inspiration and Inditherm businesses. The biggest thank you I can say is to all our staff who have helped complete the merger smoothly and have driven the Group forward. I am delighted with the response we have had from all our staff who have brought about the successful integration.

On a statutory basis reported operating profit was £0.1 million (2015: £1.0 million) with operating profit before impairment charges and exceptional items of £1.3 million (2015: £1.0 million). On a proforma basis, operating profit before impairment charges and exceptional items improved to £1.1 million (2015: £0.3 million). Profit after tax and earnings per share (EPS) were minimal, reflecting the impact of non-recurring impairment charges of £0.5 million and £0.7 million of exceptional costs. Underlying profit margin was 8.5% and adjusted EPS increased from 2.9p to 3.4p per share on a proforma basis (2.9p to 4.1p on a statutory basis).

Sales of the Inspiration Healthcare Limited business increased to £11.2 million from £9.5 million with the balance of revenue generated by the former Inditherm business. Sales grew 21% in Critical Care to £8.8 million (2015: £7.3 million) and 39% in Home Healthcare to £2.1 million (2015: £1.5 million).

The overall performance of the Group was in line with our plans at £12.3 million of revenue (2015: £9.5 million). As expected, this represented a flat period for the Inditherm range, which was achieved with a lower cost base as the product range was integrated into the Inspiration offering. Looking forward, in the short to medium term, we expect to achieve growth as we develop more appropriate channels and products.

Critical Care (£8.8 million, +21% growth year on year)

Our Critical Care business grew strongly with UK sales up 17% and international sales up 28%. Whereas the UK market is particularly important to us in our distribution model, the real growth from our own products in the longer term will be attained internationally. During the financial year we have made made reasonable progress in North America and we had our largest ever order shipped to Saudi Arabia (£0.7 million).

Our sales team has now been re-organised in the UK to give a focus on the different aspects of our business. We now have a dedicated Critical Care sales team, including a full time National Sales Manager. This approach will give more focus to the team and better reporting and visibility of opportunities.

Our service department has contracts with NHS Trusts for planned preventative maintenance. Additionally we also carry out ad hoc repairs chargeable by the hour and supply spare parts. Technical service is a core part of our business, which adds value to distribution and helps differentiate us from competitors. Our service offering includes 24/7 emergency hire of life support equipment.

Operating Theatre (£1.3 million, +82% year on year)

Our Operating Theatre business includes the original Inditherm surgical warming products as well as some distributed products in the UK that can add value to customers in this area. Again, as with the Critical Care sales team, we have re-organised the sales team to deliver a more focused service to the customer when it comes to discussing surgical needs and patient requirements led by a National Sales Manager.

The sales growth reflects the impact of the acquisition, the Inditherm Alpha mattress system for warming patients during surgery had a challenging financial year, although we managed to win a substantial managed service contract in the UK. Further development of the managed service business is being undertaken to see how far we can progress with this offering as we believe it demonstrates savings to our customers more clearly.

Home Healthcare (£2.1 million, + 39% year on year)

We have seen significant growth in our parenteral feeding product lines sharing experience with other infusion based products in the portfolio.

The industrial business of Inditherm is making a small but valuable contribution and following the transaction the focused resource is starting to show benefits with increased interest in this area.

Review of Business and Future Developments

On a Group basis the business review, future prospects and key performance indicators are set out in the Strategic Report on pages 15 to 22. Due to the change in the structure of the business following the reverse acquisition the Directors have included a 12 month Proforma Consolidated Income Statement (unaudited) within the Chairman's Welcome on pages 9 to 11. The Directors believe that this year on year comparison represents the most appropriate basis for future comparisons of financial performance and that overall the Annual Accounts and Consolidated Financial Statements are fair, balanced and understandable.

Taxation

The Group has recorded an income tax expense of £136,000 (2015: £229,000). Within this amount the Group has benefitted from a deferred tax credit on recognition of the future benefit of capital allowance (not previously claimed by Inditherm plc) as a deferred tax asset of £45,000 (2015: £nil). Further benefit is gained from Research and Development tax credits resulting in £115,000 (2015: £nil) of UK corporation tax recoverable at the year end. £80,000 of the amount recoverable relates to previous financial years.

Cashflow

The year end cash and cash equivalents improved to £2.3 million from £0.3 million in 2015 due to cash generated from trading of £1.1 million (2015: decrease of £0.2 million) and £0.9 million assumed from Inditherm plc when the reverse acquisition was completed.

The Group has no borrowings (other than £33,000 (2015: £nil) of finance leases). The Directors believe that in the short to medium term, the planned growth in the business can be funded from ongoing operations.

Exceptional Items

The Group presents certain items as exceptional items that are non-recurring and significant. These relate to items which, in management's judgement, need to be disclosed by virtue of their size and incidence in order to obtain a more meaningful understanding of the financial information.

The exceptional items reported relate to reverse acquisition transaction and re-organisation costs of £0.7 million. The amount comprised two main categories of non-recurring items. Firstly, professional fees of £0.5 million including brokerage, legal fees, accounting and taxation advice, stamp duty and public relations fees in relation to the reverse acquisition. Secondly, non-recurring severance costs of £0.2 million including payments for loss of office and redundancy.

Impairment of Goodwill and Intangible Assets

The impairment of goodwill and intangible assets arising on reverse acquisition of £0.5 million comprise the impairment of intellectual property of £0.1 million and impairment of goodwill of £0.4 million both recognised following a review of the carrying values of the assets at year end (see note 11 for further details).

NEIL CAMPBELL

Chief Executive Officer

28 April 2016

Statement of Corporate Governance

As a company whose shares are traded on AIM, we are not required to comply with all the requirements of the UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (the Code). However, the Board is committed to the highest standards of corporate governance in relation to its size and sets out below details of how it has applied certain provisions of the Code.

The Board of Directors of Inspiration Healthcare Group plc is made of up three executive directors and three independent non-executive directors. Details of the Board members are on pages 12 to 13. The Board is chaired by Mark Abrahams who has held this post for 15 years, including time served as Chairman of Inditherm plc. There is a clear distinction between the role of the Chairman of the Board and the Chief Executive Officer of the Group.

The Board is responsible for ensuring that good corporate governance is applied across the Group. Board meetings are typically held monthly, with an agenda focussing on aspects of the business that need attention to reduce risk and improve growth. A fundamental part of every Board meeting is the consideration of Health and Safety matters.

The balance between executives and non-executive directors is seen as essential. The non-executive directors are considered by the Board to be independent of management and free from any relationship which could materially affect their independent judgement, save as disclosed later in this section. The non-executive directors of the Group bring a wealth of experience from different industries which is seen as a positive way of ensuring that best business practices are adopted within the organisation. The non-executives also recognise the need for the Group to be dynamic and entrepreneurial at its current size.

If required, the directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Group.

Due to the current size of the Group the roles of Group Finance Director and Company Secretary are carried out by one person.

Board Committees

There are three committees that meet independently of Board meetings.

Audit Committee:

The Audit Committee has two members, Robert Beveridge (Chairman) and Brook Nolson. Executive Directors and external auditors can attend audit committee meetings by invitation. The Committee meets as required but at least twice a year. The Committee reviews the content of financial reports as well as examining internal controls, risks and independence of auditors including monitoring the level of non-audit fees.

Remuneration Committee:

The report of the Remuneration Committee is set out on pages 29 to 35. The Remuneration Committee has two members, Brook Nolson (Chairman) and Robert Beveridge. The Committee is responsible for setting the remuneration packages for Executive Directors as well as approving, where appropriate, the remuneration of senior staff. The Committee sets incentive schemes for the Directors to align their interests with those of the shareholders and to encourage the strategic development of the business.

Board Committees (continued)

Nominations committee

The Nominations Committee has four members, Mark Abrahams (Chairman), Robert Beveridge, Brook Nolson and Neil Campbell. The Nominations Committee considers succession planning, reviews the structure, size and composition of the Board and nominates candidates to fill Board vacancies. Where it is deemed necessary, new members of the Board are provided with appropriate training in respect of their roles and duties as a public company director.

Consulting Agreement – Brook Nolson

On 26 September 2013 Inspiration Healthcare Limited entered into an agreement with Deciduous Limited, a company of which Brook Nolson is a director, for the provision of business consultancy services and strategic advice. The amount paid in the year to 31 January 2016 was £65,000 (2015: £48,000). The agreement terminated on Admission, when Brook Nolson became a Non-executive Director of the Company.

In order to effect an orderly handover of services provided in relation to the installation of new business systems, a number of additional days support were considered by the other directors as necessary for which Deciduous Limited was paid an additional £8,000 in total during July and August 2015. This now completes the assignment and the obligations under the agreement.

Consulting Agreement – John Markham

John Markham served as a Non-executive Director of Inditherm plc up to the completion of the reverse acquisition on 24 June 2015.

The annual remuneration under this agreement was £8,000 paid in 12 equal monthly instalments. In accordance with the terms of this agreement three months written notice to terminate this agreement was served on 9 November 2015 and the last monthly payment was made in January 2016.

Shareholder Relations

Relationships with our shareholders are important to us and we seek to have good relations. Communication, in our early stage of development, is through our Interim and Annual Reports along with Regulatory News Service announcements where appropriate. Additionally we use the RNS Reach service for important news and our website for more general news. The Chief Executive Officer supported by the other Executives meet shareholders and other investors/potential investors from time to time including at the AGM.

As the Group grows a more proactive shareholder engagement programme will be developed. Robert Beveridge has been identified as the Company's Senior Independent Director. He is available to shareholders who wish to raise any concerns that they have been unable to resolve through other channels and to attend meetings between management and major investors.

The notice of the AGM will be sent to shareholders at least 21 days before the Meeting. At the forthcoming AGM, the Company will indicate the level of proxy voting and members of the Board will be available to answer questions.

Internal Control

The system of internal control is structured around an assessment of prioritisation of the various risks to the business. The control environment is designed to address particularly those risks that the Board considers to be material to the business, in safeguarding the assets against unauthorised use or disposition and maintaining proper accounting records which produce reliable financial and management information.

The Board has reviewed the effectiveness of the system of internal control for the accounting year and the year to the date of approval of the financial statements.

The key features of the Group's systems of internal control are as follows:

- An ongoing process of risk assessment to identify, evaluate and manage business risks
- Management structure with clearly defined responsibilities and authority limits
- A comprehensive system of reporting financial results to the Board
- Quality control systems certified under ISO 9001 and ISO 13485
- Appraisal and authorisation of capital expenditure
- Clearly defined authority levels for the commitment of expenditure
- Dual signatories on all bank accounts

Due to the size of the Group there are inherent control limitations. The Group does not currently operate an internal audit function. At the Audit Committee meetings, the Group Finance Director presents a formal report on internal controls and, where appropriate, a programme of work to ensure systems and processes are maintained in an appropriate manner for the operations.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue to trade as a going concern.

MARK ABRAHAMS
Chairman

28 April 2016

Remuneration Report

This report covers the year from 1 February 2015 to 31 January 2016 for Inspiration Healthcare Group plc which, in accordance with the provisions of IFRS 3, represents 12 months of remuneration paid to Directors of Inspiration Healthcare Limited for the period from 1 February 2015 to 23 June 2015 and Inspiration Healthcare Group plc from 24 June 2015 to 31 January 2016.

Responsibilities

The Remuneration Committee was formed on 24 June 2015 and has 2 members, Brook Nolson (Chairman) and Robert Beveridge. The Committee is responsible for setting the remuneration packages for Executive Directors as well as approving, where appropriate, the remuneration of senior staff. The Committee sets incentive schemes for the Executive Directors to align their interests with those of the shareholders and to encourage the strategic development of the business.

Directors' Service Contracts

The details of the service contracts in relation to the Executive Directors and letters of appointment in relation to the Chairman and Non-executive directors are:

		Unexpired term at 28 April 2016	Notice period
Mark Abrahams	Chairman	35 months	6 months
Neil Campbell	Chief Executive Officer	6 months	6 months
Toby Foster	Group Sales Director	6 months	6 months
Ian D Smith	Group Finance Director	6 months	6 months
Robert Beveridge	Non-executive	27 months	6 months
Brook Nolson	Non-executive	25 months	6 months

The Non-executive Directors, including the Chairman, each have a letter of appointment for a three year term. Under the terms of these letters either party can serve 6 months written notice to terminate the arrangement and the maximum compensation payable in the event that appropriate notice is not given will be the equivalent of 6 months of the director's fees.

The Executive Directors, including the Chief Executive Officer, each have a rolling 6 month contract. There are no provisions in these contracts for compensation if there is a change of control. The service contracts do not contain any provision for compensation on early termination other than the notice period. In the event of any early termination, the Committee would seek to mitigate cost to the Group whilst dealing fairly with each individual case.

Executive Remuneration Policy

The Committee endeavours to offer competitive remuneration packages which are designed to attract, retain and incentivise Executive Directors and senior executives with the experience and necessary skills to operate and develop the Group's business to their maximum potential, thereby delivering the highest level of return for the shareholders.

Executive Remuneration Policy (continued)

Consistent with this policy, benefits packages awarded to executives are intended to be competitive and comprise a mix of contractual and performance related remuneration designed to incentivise them, but not to detract from the goals of corporate governance.

The remuneration packages for the Executive Directors were entered into on 24 June 2015. The composition of each director's remuneration based on a maximum payment under the terms of an annual performance related bonus is as follows:

	Contractual entitlement	Performance related
Neil Campbell	50%	50%
Toby Foster	50%	50%
Ian D Smith	50%	50%

Remuneration packages are reviewed each year to ensure that they are in line with the Group's business objectives. No director participates in decisions about their own remuneration package.

The main components in determining pay are as follows:

Basic salary/fees and benefits

The basic annual salary is subject to an annual review, which takes into account the performance of the Group and the individual. Benefits comprise the provision of a vehicle allowance, private healthcare insurance and a death in service insurance scheme.

The annual basic salaries of the Executive Directors is as follows:

Neil Campbell	£120,000
Toby Foster	£100,000
Ian D Smith	£100,000

Annual performance related bonus

Demanding annual performance targets, which are consistent with both the short and long term objectives for the Group, are set for Executive Directors which must be achieved before the bonus is payable. The maximum potential payment for the annual bonus is capped at 100% of basic annual salary, the breakdown of which is two tiered, the first tier of 40%, recognises the performance of the executive team in delivering Group forecasts and objectives as set out in the business plan, the second, a further 60%, recognises an 'exceptional performance'. Revenue, EPS, Cash generated, Health & Safety, Staff Turnover, and new Market Development are considered within the performance measures. Additionally, an 'under performance clawback' has been introduced, this identifies areas where performance has under achieved irrespective of the results and deductions can equal as much as 100% of the earned bonus. All bonus calculations are excluding benefits in kind and pension contributions.

The Remuneration Committee have awarded bonuses to executives for the period which are accrued at the period end date and included on page 31 of the Remuneration Report. No bonuses were accrued or paid to executives in the prior year.

Executive Remuneration Policy (continued)

Pensions

Executive Directors receive pension contributions of 5% of basic salary to a stakeholder or money purchase scheme on a matched contribution basis.

Executive share options schemes

Share options are granted to Executive Directors to encourage them to deliver sustained, long term growth. Except in exceptional circumstances, the value of options granted in any year will not exceed one times basic salary and the total value of options outstanding will not exceed five times salary.

Directors' Detailed Emoluments

The emoluments of the directors of the parent company for the twelve month period in accordance with the basis of preparation were as follows:

	Salary £'000	Bonus £'000	Pension contributiion £'000	Benefits in kind £'000	2016 Total £'000	2015 Total £'000
Mark Abrahams[1]	21	–	–	–	21	–
Neil Campbell[2]	105	15	6	1	127	14
Toby Foster[2]	88	25	5	2	120	18
Ian D Smith[1]	65	10	3	1	79	–
Robert Beveridge[3]	12	–	–	–	12	–
Brook Nolson[1 and 4]	14	–	–	–	14	–
	305	50	14	4	373	32
Graham Walls[5]	41	–	2	–	43	42
Simon Motley[5]	14	–	3	–	17	13
Malcolm Oxley[5]	14	–	2	–	16	13
	374	50	21	4	449	100

Note 1 Directors of the newly formed Group from 24 June 2015. The remuneration included above is for the period from 24 June 2015 to 31 January 2016.

Note 2 Directors of Inspiration Healthcare Limited for the year and Directors of Inspiration Healthcare Group plc since 24 June 2015. The remuneration included above is for the year ended 31 January 2016.

Note 3 Director of Inspiration Healthcare Group plc from 3 August 2015. The remuneration included above is for the period from 3 August 2015 to 31 January 2016.

Note 4 In addition to emoluments as a director, Brook Nolson received payments under the terms of a consulting agreement, details of which are included on page 32.

Note 5 Directors and key management of Inspiration Healthcare Limited who ceased to be Directors of the Group on 23 June 2015. The remuneration included above is for the period from 1 February 2015 to 23 June 2015.

In addition to emoluments as a director, Graham Walls received payments of a further £42,000 under the terms of a consulting agreement in the previous year.

Contributions to a defined contribution pension scheme were paid on behalf of 5 directors to 23 June 2015 (2015: 4) and 3 directors in the period since the new Group was formed on 24 June 2015. No directors exercised share options during the current or previous financial period.

Consulting Agreement – Brook Nolson

On 26 September 2013 Inspiration Healthcare Limited entered into an agreement with Deciduous Limited, a company of which Brook Nolson is a director, for the provision of business consultancy services and strategic advice, the details of which are explained in the Statement of Corporate Governance. The company paid fees of £8,000 during the period which he served as a Director.

Chief Executive's Remuneration for past 5 years

The total remuneration of the persons holding the position of Chief Executive over the past 5 years was as follows:

	24 June 2015 to 31 January 2016 £'000	**1 February 2015 to 23 June 2015 £'000**	1 January 2015 to 31 January 2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Salary	**77**	**46**	9	110	110	106	99
Bonus	**15**	**–**	–	–	–	–	6
Pension contribution	**4**	**2**	–	5	5	5	5
Benefits in kind	**–**	**6**	1	16	13	13	12
Total Remuneration	**96**	**54**	10	131	128	124	122

On 22 May 2015, Nick Bettles, Chief Executive Officer of Inditherm plc prior to the reverse acquisition entered into a settlement agreement with the Company with the effect of terminating his Directorship upon Admission on 24 June 2015 and his employment with the Group on 24 September 2015. Payments on termination (made after 24 June 2015) amounted to £113,000 including £30,000 for loss of office. His remuneration is shown above for the period from 1 February 2015 to 23 June 2015 and the preceding periods.

A new Chief Executive Officer (Neil Campbell) was appointed on 24 June 2015 and his remuneration is shown for the period 24 June 2015 to 31 January 2016.

2016 Annual Review

All of the executive directors entered in new service agreements with the Group on 24 June 2015. Full details were disclosed in the Admission document which is available on the Group's website.

Interests in Share Options

Details of options held by directors at 31 January 2016 are set out below:

Share Incentive Plan

	Date of grant	**Option* price**	**2016 Number**	2015* Number
Ian D Smith	18/01/2012	50p	**35,000**	35,000
Ian D Smith	27/05/2008	100p	**20,000**	20,000
Nick D Bettles	18/01/2012	50p	–	90,000
Nick D Bettles	27/05/2008	100p	–	40,000

*Upon completion of the reverse acquisition on 24 June 2015 the shares of Inspiration Healthcare Group plc (previously Inditherm plc) were consolidated in the ratio of 10 old ordinary shares for 1 new ordinary share. See note 21 for further details.

At the time of the reverse acquisition existing option holders were able to carry forward options granted until the expiry date. The original scheme was closed to new members on 23 June 2015 and the Board do not intend to grant further options under the existing scheme.

All share options satisfy the conditions and have been registered with Her Majesty's Revenue and Customs (HMRC) for Enterprise Management Incentive relief.

Options issued to Nick D Bettles lapsed when he left employment on 24 September 2015.

The comparative number of share options in issue at 31 January 2015 relates to Inditherm plc.

Share Price during the Year

Adjusted for the impact of the share consolidation on 24 June 2015, where ten old ordinary shares were replaced with 1 new ordinary share, the range of market prices during the period 1 February 2015 to 31 January 2016 was 25p to 50p and the market price of the Company's shares at 31 January 2016 was 36.5p.

Share Scheme 2015

As part of its strategy for executive and key employee remuneration, the Company established on re-admission to AIM, a new Share Option Scheme under which share options may be granted to officers and employees or members of the Group. Under the rules of the new Share Option Scheme, the Company may grant both options that qualify as enterprise management incentives under schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 and unapproved options over Ordinary Shares to any employee of the Group and any of its subsidiaries (including Executive Directors), subject to various scheme and individual limits.

No option may be granted under the Share Option Scheme if, as a result, the aggregate nominal value of ordinary shares in the capital of the Company issued or issuable pursuant to options granted during the previous ten years under the Share Option Scheme or any other discretionary employees' share scheme adopted by the Company would exceed 5 per cent of the ordinary share capital of the Company in issue on that date. The Remuneration Committee has the discretion to exceed this five per cent, in exceptional circumstances up to a maximum of ten per cent.

After an initial three-year qualification period options are exercisable at any time up to the tenth anniversary of the date of grant subject to a performance criterion that requires the company to have made an Operating Profit (before exceptional items) in the audited financial statements for the preceding 12 month period prior to the exercise of the options. There are also provisions, which may allow exercise of the Options in the event of a change of control, subject to the agreement of the Remuneration Committee.

No options have been granted under the new Share Option Scheme as at the date of signing these financial statements and there are no immediate plans to do so.

Directors' interests in shares

The director's interests in the 10p Ordinary Shares of the Company at the end of the period were:

	28 April 2016 Number	**31 January 2016 Number**	2015 Number*
Mark Abrahams	**155,154**	**155,154**	30,154
Neil Campbell	**5,718,089**	**5,718,089**	–
Toby Foster	**5,718,089**	**5,718,089**	–
Ian D Smith	**5,444**	**5,444**	5,444

*The effect of the share consolidation was to consolidate every 10 Ordinary Shares into 1 Ordinary share. See note 21 for further details. The comparative number of shares at 31 January 2015 relates to Inditherm plc.

BROOK NOLSON

Chairman, Remuneration Committee

28 April 2016

Amplitude integrated EEG (aEEG) to monitor brain activity is the most commonly used digital trend for newborns and has been shown to reduce the total seizure duration in neonates.

American Clinical Neurophysiology Society's Guideline on Continuous EEG Monitoring

Research Driven

Unique CFM enables real-time bedside monitoring and interpretation of an infant's brain activity allowing clinicians to determine the best course of treatment.

Unique CFM

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the Report of the Directors is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

IAN D SMITH

Group Finance Director and Company Secretary

28 April 2016

Report of the Directors

for the period ended 31 January 2016

The Directors present their report on the Group and Company, together with the audited Consolidated Financial Statements of the Group for the year ended 31 January 2016 and the audited Financial Statements of the Company for the thirteen month period ended 31 January 2016.

Inspiration Healthcare Group plc is incorporated under the laws of England and Wales as a public limited company and its registered office and principal place of business is Houndhill Park, Bolton Road, Wath upon Dearne, Rotherham, S63 7LG. The Company's Ordinary Shares are admitted to and traded on AIM, a market operated by the London Stock Exchange.

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company and Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of the reports and should be treated with caution due to the inherent uncertainties associated with these statements.

Results and dividends

The results of the Group are set out in detail on page 43. The results of the Company are not required to be presented separately under section 408 of the Companies Act 2006.

At the time of the Group's re-admission to AIM in June 2015, the Board proposed to reinvest earnings in financing the growth of the Group's business. Neil Campbell and Toby Foster received dividends from Inspiration Healthcare Limited during the periods prior to the reverse acquisition and becoming directors of Inspiration Healthcare Group plc. For information relating to dividends prior to the reverse acquisition (refer to note 10).

Business review and future developments

Details of the business activities and acquisitions made during the period can be found in the Strategic Report on pages 15 to 22 and in note 2 to the Consolidated Financial Statements respectively.

Political donations

The Group made no political donations during the period (2015: £nil).

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and note 20 to the Consolidated Financial Statements.

Capital structure

Details of the Company's share capital, together with details of the movements therein, are set out in note 21 to the Consolidated Financial Statements. The Company has one class of Ordinary Share which carry no right to fixed income.

Research and development

The Group continues to invest in research and development, in order to extend its product offerings and improve the effectiveness of its technology. During the year the Group incurred costs totalling £394,000 (2015: £246,000) gross and received grant income of £295,000 (2015: £nil) leaving net costs of £99,000 (2015: £246,000).

Internal costs and external costs are expensed in the Consolidated Statement of Comprehensive Income. External costs incurred on specific development projects that are expected to result in commercially and economically viable products are capitalised and expensed over a period of up to three years.

The Directors of the Company who served during the period were:

Director	Position
M S Abrahams	Non-executive Chairman
N J Campbell	Chief Executive Officer (appointed 23 June 2015)
T Foster	Group Sales Director (appointed 23 June 2015)
I D Smith	Group Finance Director
B Nolson	Non-executive (appointed 23 June 2015)
R J Beveridge	Non-executive (appointed 3 August 2015)
N D Bettles	Chief Executive Officer (resigned 23 June 2015)
J H Markham	Non-executive (resigned 23 June 2015)

Further information relating to the Board is detailed on pages 12 to 13.

Directors interests in shares and contracts

Directors' interests in shares of the Company at 31 January 2016 and 31 January 2015 and any changes subsequent to 31 January 2016 are disclosed in the Remuneration Report on page 35.

Directors' interests in contracts of significance to which the Group was a party during the financial period are disclosed in note 26.

Indemnification of directors

The Directors' Contracts of Employment and Letters of Appointment do not indemnify Directors. The Group provides Directors and Officers Insurance cover for £5,000,000 and is contractually committed to provide cover for the period of service and six years thereafter.

Report of the Directors

for the period ended 31 January 2016 (continued)

Substantial interests

At 28 April 2016 the Company had been notified of the following interests which amounted to 3% or more of the issued capital of the Company.

Shareholder	Number of shares	Percentage holding
N J Campbell	5,718,089	18.6%
T Foster	5,718,089	18.6%
S G Motley	5,718,089	18.6%
M J Oxley	5,718,089	18.6%
W G Walls	1,558,934	5.1%
D G Steward	1,505,000	4.9%

Annual General Meeting

The Annual General Meeting ('AGM') will be held the offices of Gordons LLP, Riverside West, Whitehall Road, Leeds, LS1 4AW, United Kingdom on Wednesday 22 June 2016 at 12.00 pm. The notice of the AGM on pages 95 to 97 contains the full details of the business to be conducted and the resolutions to be proposed.

Re-appointment of independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution to re-appoint them is proposed for consideration at the Annual General Meeting.

By order of the Board

IAN D SMITH

Company Secretary

28 April 2016

Independent Auditors' Report to the Members of Inspiration Healthcare Group plc

Report on the Group financial statements

Our opinion

In our opinion, Inspiration Healthcare Group plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 January 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the consolidated statement of financial position as at 31 January 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of Inspiration Healthcare Group plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of Inspiration Healthcare Group plc for the period ended 31 January 2016.

ARIF AHMAD (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

28 April 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2016

	Notes	**2016 £'000**	2015 £'000
Revenue	3	**12,279**	9,538
Cost of sales		**(6,764)**	(5,507)
Gross profit		**5,515**	4,031
Operating expenses		**(5,664)**	(3,053)
Other operating income		**295**	–
Operating profit	5	**146**	978
Analysed as:			
Operating profit before impairment of goodwill and intangible assets and exceptional items		**1,305**	978
Impairment of goodwill and intangible assets	11	**(517)**	–
Exceptional items	6	**(642)**	–
Net finance income	7	**2**	2
Profit before tax		**148**	980
Income tax expense	8	**(136)**	(229)
Total comprehensive income for the year attributable to owners of the parent company		**12**	751
Earnings per share, attributable to owners of the parent company– basic and diluted	9	**0.04p**	2.94p

All recognised gains and losses are included in the Consolidated Statement of Comprehensive Income, as such there is no other comprehensive income.

The notes on pages 47 to 76 are an integral part of these consolidated financial statements.

Neil Campbell

Director

Ian D Smith

Director

Consolidated Statement of Financial Position

as at 31 January 2016

	Notes	31 January 2016 £'000	31 January 2015 £'000
Assets			
Non-current assets			
Intangible assets	11	**242**	136
Property, plant and equipment	12	**166**	90
Deferred tax asset	19	**45**	–
Investments	13	**100**	–
		553	226
Current assets			
Inventories	14	**780**	664
Trade and other receivables	15	**2,147**	2,143
Cash and cash equivalents		**2,319**	342
		5,246	3,149
Total assets		**5,799**	3,375
Liabilities			
Current liabilities			
Trade and other payables	17	**(2,502)**	(1,559)
Obligations under finance leases	22	**(17)**	–
Deferred income	18	**(276)**	(251)
		(2,795)	(1,810)
Non-current liabilities			
Deferred income	18	**(136)**	–
Obligations under finance leases	22	**(16)**	–
Deferred tax liability	19	**(39)**	(25)
		(191)	(25)
Total liabilities		**(2,986)**	(1,835)
Net assets		**2,813**	1,540
Shareholders' equity			
Called up share capital	21	**3,067**	511
Share premium account	21	**9,929**	9,929
Merger reserve	21	**4,600**	–
Reverse acquisition reserve	2	**(16,164)**	(10,440)
Retained earnings		**1,381**	1,540
Total equity attributable to owners of the parent company		**2,813**	1,540

The notes on pages 47 to 76 are an integral part of these consolidated financial statements.

The Group financial statements on pages 43 to 76 were approved by the Board of Directors on 28 April 2016 and signed on its behalf by:

Neil Campbell
Director

Ian D Smith
Director

Consolidated Statement of Changes in Shareholders' Equity

	Issued share capital £'000	Share premium account £'000	Merger reserve £'000	Reverse Acquisition reserve £'000	Retained earnings £'000	Total £'000
At 31 January 2014	511	9,929	–	(10,440)	1,197	1,197
Profit for the year and total comprehensive income	–	–	–	–	751	751
Dividends paid	–	–	–	–	(408)	(408)
At 31 January 2015	511	9,929	–	(10,440)	1,540	1,540
Profit for the year and total comprehensive income	–	–	–	–	12	12
Dividends paid	–	–	–	–	(171)	(171)
Arising on reverse acquisition	–	–	–	(5,724)	–	(5,724)
Shares issued as consideration	2,556	–	4,600	–	–	7,156
At 31 January 2016	**3,067**	**9,929**	**4,600**	**(16,164)**	**1,381**	**2,813**

The notes on pages 47 to 76 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 January 2016

	12 months 2016 £'000	12 months 2015 £'000
Operating profit for the financial year	**146**	978
Impairment of goodwill	**378**	–
Impairment of intangible assets	**139**	–
Depreciation and amortisation	**178**	67
Loss on disposal of intangible asset	**6**	–
Net finance income	**2**	2
Decrease/(increase) in inventories	**14**	(185)
Decrease/(increase) in trade and other receivables	**379**	(979)
Increase in trade and other payables	**579**	456
(Decrease)/increase in deferred income	**(26)**	98
Taxation paid	**(172)**	(123)
Net cash inflow from operating activities	**1,623**	314
Cash flows from investing activities		
Interest paid	**(1)**	–
Purchase of property, plant and equipment	**(132)**	(120)
Purchase of intangible assets	**(169)**	–
Cash and cash equivalents acquired under reverse acquisition (see note 2)	**894**	–
Acquisition of investment (see note 13)	**(100)**	–
Net cash generated from/(used in) investing activities	**492**	(120)
Cash flows from financing activities		
Finance leases	**33**	–
Dividends paid prior to reverse acquisition	**(171)**	(408)
Net cash used in financing activities	**(138)**	(408)
Net increase/(decrease) in cash and cash equivalents	**1,977**	(214)
Cash and cash equivalents at the beginning of the year	**342**	556
Cash and cash equivalents at the end of the year	**2,319**	342

Notes forming part of the Financial Statements

for the year ended 31 January 2016

1 Accounting Policies

Reporting entity

Inspiration Healthcare Group plc (previously Inditherm plc) (the Company) is a public limited company incorporated in England and Wales (registration number 3587944) and domiciled in England. The Company's registered address is Houndhill Park, Bolton Road, Wath-upon-Dearne, Rotherham S63 7LG. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange plc.

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs'), issued by the International Accounting Standards Board (IASB), including interpretations by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements are prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through operating profit or loss and for share based payments which are measured at fair value.

On 24 June 2015 Inspiration Healthcare Group plc (the Company) (previously Inditherm plc), acquired the entire issued ordinary share capital of Inspiration Healthcare Limited and became the legal parent of Inspiration Healthcare Limited.

The accounting policy adopted by the Directors applies the principles of IFRS 3 (Revised) 'Business Combinations' in identifying the accounting parent as Inspiration Healthcare Limited and the presentation of the Group consolidated statements of the Company (the legal parent) as a continuation of financial statements of the accounting parent or legal subsidiary (Inspiration Healthcare Limited). This policy reflects the commercial substance of this transaction as follows:

- The original shareholders of the legal subsidiary undertaking were the most significant shareholders post initial public offering, owning 83.3% of the issued share capital; and the deemed consideration paid as part of the initial public offering returned equity to the original shareholders of the legal subsidiary undertaking and as a consequence diluted their shareholding.
- The assets and liabilities of the legal subsidiary Inspiration Healthcare Limited are recognised and measured in the Group financial statements at the pre-combination carrying amounts without restatement to fair value.
- The retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other equity balances of Inspiration Healthcare Limited immediately before the business combination.
- The results of the year from 1 February 2015 to the date of the business combination are those of Inspiration Healthcare Limited.
- The equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the business combination and adjusted in accordance with IFRS 3.

The consolidated financial statements cover the twelve months ended 31 January 2016. The financial statements for the comparative twelve months ended 31 January 2015 represent the substance of the reverse acquisition and are those of Inspiration Healthcare Limited.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

1 Accounting Policies (continued)

Basis of consolidation

The financial statements of the Group consolidate the financial statements of Inspiration Healthcare Group plc (previously Inditherm plc) and its subsidiary undertakings (together referred to as the 'Group') up to 31 January 2016. This encompasses Inspiration Healthcare Group plc (previously Inditherm plc) for the period from 24 June 2015 to 31 January 2016 and Inspiration Healthcare Limited and its subsidiaries for the twelve months from 1 February 2015 to 31 January 2016.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra group transactions and balances are eliminated in preparing the consolidated financial statements. The accounting policies of new subsidiaries are changed when necessary to align them with the policies adopted by the Group.

Business combinations

The acquisition method of accounting is used in accounting for the acquisition of businesses. In accordance with IFRS 3 'Business Combinations' the assets and liabilities of the acquired entity are measured at fair value. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within twelve months of the acquisition date and are effected from the acquisition date.

Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair value of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Acquisition related costs are expensed as incurred.

As a result of IFRS 10 'Consolidated Financial Statements' the Group changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the Group's investees were required.

As a result of IFRS 12 'Disclosure of interests in other entities', the Group has expanded disclosures about its interests in subsidiaries (see note 6 of the Company Financial Statements).

Going concern basis

On the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and, therefore, consider it appropriate to prepare the financial statements on the going concern basis.

1 Accounting Policies (continued)

Critical accounting estimates and judgements

The Group is required to make estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. Accounting estimates and judgements have been required for the production of these financial statements.

The following are those that are deemed to require the most complex judgements about matters that have the most significant effect on the amounts recognised in the financial statements.

- Warranty provisions

  The performance of products is warranted against clearly defined performance specifications established by reference to the technical and development testing carried out at the manufacturing facility. The estimated cost of the work to be performed under warranty on items sold by the Group would be provided for if management were aware of any field issues that needed rectification. At 31 January 2016 no provision is required (2015: £nil) and management are not aware of any field issues that would require a provision to be made for products supplied for distribution outside of the manufacturers warranties.

- Allowances against the valuation of inventories

  Where inventory has become obsolete or is slow moving a provision is made to write the value of stock down to management's estimate of net realisable value. Slow moving stock is identified by reference to historic usage and sales projections. When products are made obsolete, the appropriate components and sub-components are identified at the time and are fully provided against.

- Deferred taxation

  Management must judge whether future profitability is likely in making the decision whether or not to recognise a deferred tax asset. Note 19 explains the potential deferred tax assets which have not been recognised due to the uncertainty of the timing of utilising tax losses.

- Intangible assets

  The determination of the fair value of assets and liabilities including goodwill arising on the acquisition of businesses, the acquisition of industry-specific knowledge, software technology, branding and customer relationships whether arising from separate purchases or from the acquisition as part of business combinations, and development expenditure which is expected to generate future economic benefits, are based to a considerable extent, on management's judgement.

  The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the asset exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible asset.

  The discount rate takes account of the current market conditions and this has been applied as a pre-tax discount factor to obtain current value. Refer to note 11 for further details.

  The estimated useful life principally reflects management's view of the average economic life of each asset and is assessed by reference to historical data and future expectations, any reduction in the estimated useful life would lead to an increase in the annual amortisation charge.

  Capitalisation of development costs requires detailed analysis of the technical feasibility and commercial viability of the project. The Board regularly reviews this judgement in respect of relevant development projects. Estimates are required as to development cost carrying values and impairment charges. Amortisation rates are based on estimates of useful lives and residual values of the assets involved.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

1 Accounting Policies (continued)

Critical accounting estimates and judgements (continued)

- Impairment reviews

  Impairment testing is an area involving management's judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

  - the selection of discount rates to reflect the risks involved;
  - growth in operating profit;
  - depreciation and amortisation; and
  - long term growth rates.

  The Group prepares and approves a detailed annual budget and three year business plans which are used in the value of these calculations.

  See note 11 for details of how these estimates and judgements have been applied.

  Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

Property, plant and equipment

Items of property, plant and equipment are measured at cost or the fair value at the date of acquisition less accumulated depreciation and any impairment. Costs include expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided to write off the cost, less estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives. The assets residual values and useful economic lives are reviewed, and adjusted as appropriate, at each year end date. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The following rates are applied:

Leasehold improvements	Over the term of the lease
Fixtures and fittings	10% - 25% per annum
Motor vehicles	25% per annum
Plant, machinery and office equipment	15% - 33% per annum

Leased assets

Leases or hire purchase agreements under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Obligations under finance leases are included in liabilities net of the finance charge allocated to future years. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income as a finance expense so as to produce a constant periodic rate of charge on the net obligations outstanding at each year end. Other leases are operating leases and the leased asset is not recognised on the Consolidated Statement of Financial Position.

Assets acquired by finance lease are depreciated over the lease term or their useful lives.

Payments made under operating leases, net of any incentives received from the lessor, are recognised in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease.

1 Accounting Policies (continued)

Intangible assets and goodwill

Intangible assets are recognised if it is possible to demonstrate that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. All intangible assets recognised are considered to have finite lives (unless otherwise stated) and are amortised on a straight line basis over the period over which the Group expects to benefit from these assets, and included with administrative expenses. Provision is made for any impairment in the carrying amount of the intangible asset if applicable.

Intellectual property

Purchased intellectual property rights are capitalised and amortised over management's estimate of their useful economic life or term of the relevant contract up to a maximum of 10 years.

Goodwill

Goodwill arises when the fair value of the consideration for the business exceeds the fair value of the net assets acquired. Intangible assets are capitalised separately from goodwill as part of a business combination, only if the value can be measured reliably on initial recognition and if the future economic benefits are expected to flow to the Group. Goodwill is not amortised but is tested annually for impairment. Goodwill is stated at fair value less any accumulated impairment losses.

Acquisition related intangible assets

Net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition-related intangible assets. In addition to other assets, liabilities and contingent liabilities purchased. These are amortised over their useful lives which are individually assessed.

Product development costs

Where the criteria for capitalisation in IAS 38 'Intangible assets' are met, costs incurred are capitalised and amortised over their useful economic lives which is initially considered to be 3 years from the point the products are launched to market. The capitalised values are reviewed against the discounted future economic value, and adjusted as appropriate, at each year end date.

All internal costs of product development are written off in the year in which they are incurred.

Research and development costs

Research expenditure is written off to the Consolidated Statement of Comprehensive Income in the year in which it is incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- the technical and commercial feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the developed asset;
- its future economic benefits are probable;
- the availability of adequate technical, financial and other resources to complete the asset; and
- the ability to measure reliably the expenditure attributable to the asset during development.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

1 Accounting Policies (continued)

Intangible assets and goodwill (continued)

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in operating expenses. During the period of development, the asset is tested for impairment annually.

Impairment

Intangible assets and goodwill are considered to be impaired if objective evidence suggests that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each year end date. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

Calculation of recoverable amount

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognised whenever the carrying amount of an intangible asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition on a first in first out basis.

Net realisable value is based on estimated selling price less additional costs to completion or disposal. Allowance is made for obsolete, defective and slow moving items based on estimated future usage.

Recognition and valuation of financial assets and liabilities

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts which are repayable on demand.

Investments

Investments held as non-current and current assets are stated at cost less provision for any impairment in value.

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. An impairment is made when it is likely that the balance will not be recovered in full. The recoverable amount is calculated as the present value of estimated future cash flows. Estimated future cash flows are not discounted due to the relatively short period of time between recognition of trade receivables and receipt of cash.

1 Accounting Policies (continued)

Recognition and valuation of financial assets and liabilities (continued)

Trade and other payables

The value of trade payables is the value that would be payable to settle the liability at the year end date.

Provisions

Provisions for liabilities are made where the timing or amount of settlement is uncertain. A provision is recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not discounted on the grounds of materiality as permitted under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are retranslated to Sterling at the foreign exchange rate ruling at that date. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Consolidated Statement of Comprehensive Income in the year in which they arise.

Employee benefits

Defined contribution pension plans

The costs of contributing to defined contribution stakeholder pension scheme and employees' personal pension schemes are charged to the Consolidated Statement of Comprehensive Income in the year in which they relate. The Group has no further payment obligations once the contributions have been paid.

Share-based incentives

The fair value as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured by using the Black-Scholes options pricing model taking into account the terms and conditions upon which the options were granted.

Grants

Revenue based grants are credited as other operating income to the Consolidated Statement of Comprehensive Income against related expenditure while grants of a capital nature are treated as deferred income and are transferred to the Consolidated Statement of Comprehensive Income over the expected useful lives of the relevant assets.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

1 Accounting Policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue is recognised when title of the goods passes to the customer or when the services have been provided. The revenue on rental, service and maintenance contracts and licence fees is assessed at the commencement of the contract, and provided the outcome of the contract can be assessed with reasonable certainty, the income is recognised over the life of the contract on a straight-line apportioned basis.

Provisions for costs are charged to the Consolidated Statement of Comprehensive Income when incurred. Due to uncertainty, no provision is made for future costs on these contracts. Provision is made in full for any losses as soon as they can be foreseen. Any provisions for foreseeable losses in excess of contract balances are included in current liabilities.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All segments' operating results are reviewed regularly by the Group's Board of Directors. The Group's Chief Operating Decision Maker is considered to be the Board.

Exceptional items

Items that are considered significant by virtue of their size or their nature, or that are non-recurring, are disclosed on the face of the Consolidated Statement of Comprehensive Income as exceptional items to enable a full understanding of the underlying performance of the Group.

Taxation

Tax on the profit or loss for the year comprises the current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items directly recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end date and any adjustment in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill
- the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected amount of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the year end date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised within a reasonable future timescales.

1 Accounting Policies (continued)New standard and interpretations not yet endorsed and not yet effective

New standards, amendments and interpretations

There are no accounting standards and interpretations, issued by the International Accounting Standards Board ('IASB') or IFRIC (as endorsed by the EU), that are effective or endorsed but not yet effective for the first time in the current financial year.

New standards and interpretations not yet endorsed and not yet effective

The IASB and IFRIC have also issued the following standards and interpretations that are yet to be endorsed with an effective date after the date of these financial statements.

- IFRS 10 (Amendment) Consolidated Financial Statements – effective 1 January 2016
- IFRS 12 (Amendment) Disclosure of Interests in Other Entities – effective 1 January 2016
- IAS 28 (Amendment) Investments in Associates and Joint Ventures – effective 1 January 2016
- IAS 12 (Amendment) Recognition of Deferred Tax Assets for Unrealised Losses – effective 1 January 2017
- IFRS 9 Financial Instruments – effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018
- IFRS 16 Leases – effective 1 January 2019

These standards will be adopted by the Group in future accounting periods. The directors do not anticipate that the adoption of any of these standards and interpretations will have a material impact on the Group's financial statements, except for IFRS 15 and IFRS 16 where the impact has not yet been assessed.

2 Reverse acquisition accounting

On 24 June 2015, the Company, by way of a share exchange, acquired the entire issued ordinary share capital of Inspiration Healthcare Limited through issuing 25,556,290 ordinary shares of 10p to the shareholders of Inspiration Healthcare Limited.

The acquisition of Inspiration Healthcare Limited by Inspiration Healthcare Group plc (previously Inditherm plc) is deemed to be a reverse acquisition under the provisions of IFRS 3 (Revised) 'Business Combinations'.

In accounting for a reverse acquisition (rather than an acquisition) the combined financial statements are deemed to be a continuation of the books of the legal acquiree (Inspiration Healthcare Limited) rather than a continuation of those of the legal acquirer (Inspiration Healthcare Group plc, previously Inditherm plc).

The assets and liabilities of Inspiration Healthcare Limited are recognised and measured in the Group financial statements at the pre-combination carrying amounts, without restatement to fair value and no goodwill arises in relation to them.

Conversely, the assets of Inspiration Healthcare Group plc (previously Inditherm plc) are consolidated at their fair values.

The overall effect is that the consolidated financial statements are prepared from an Inspiration Healthcare Limited perspective rather than Inspiration Healthcare Group plc, in summary this means:

- The comparative consolidated financial information is that of Inspiration Healthcare Limited rather than that of Inspiration Healthcare Group plc (previously Inditherm plc).
- The results for the year and consolidated cumulative profit and loss reserves are those of Inspiration Healthcare Limited plus the post-acquisition results of Inspiration Healthcare Group plc (previously Inditherm plc).
- A reverse acquisition reserve of £16,164,000 has been created.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

2 Reverse acquisition accounting (continued)

- The share capital, share premium account and merger reserve are that of Inspiration Healthcare Group plc (previously Inditherm plc).
- The cost of the combination has been determined from the perspective of Inspiration Healthcare Limited.

Goodwill arises on the reverse acquisition when comparing the deemed fair value consideration of Inspiration Healthcare Limited acquiring the shares of Inspiration Healthcare Group plc (previously Inditherm plc). The fair value of the consideration is the market capitalisation of Inspiration Healthcare Group plc (previously Inditherm plc) at acquisition based on the average share price over the five days preceding the date of the transaction being proposed.

	Book value £'000	Adjustment £'000	Fair Value £'000	Recognised amount £'000
Fair value of consideration				**1,431**
Net assets acquired:				
Intangible assets	**3**	**139**	**142**	
Tangible assets	**33**	**–**	**33**	
Inventories	**157**	**–**	**157**	
Trade and other receivables	**267**	**–**	**267**	
Current tax asset	**18**	**–**	**18**	
Trade and other payables	**(270)**	**–**	**(270)**	
Deferred income	**(188)**	**–**	**(188)**	
Cash and bank balances	**894**	**–**	**894**	
	914	**139**	**1,053**	**1,053**
Goodwill arising on reverse acquisition				**378**

The acquisition consideration, net assets and goodwill are based upon the reverse acquisition of Inspiration Healthcare Group plc (previously Inditherm plc) by Inspiration Healthcare Limited. The fair value of the consideration is the market capitalisation of Inspiration Healthcare Group plc (previously Inditherm plc) at acquisition. The value of the consideration shares was £7,156,000 based upon the market price of shares on re-admission to trading on AIM for 28p per share.

Transaction costs of equity transactions relating to the issue and re-admission of the Company's shares are accounted for as a deduction from equity where they relate to the issue of new shares and listing costs are charged to the Consolidated Statement of Comprehensive Income.

The fair value of the net assets acquired and shown in the table above was £1,053,000. The fair value of the consideration was £1,431,000 resulting in goodwill on reverse acquisition of £378,000. In addition, the fair value of intellectual property arising on reverse acquisition was £139,000. Refer to note 11 for further details on the recognition of the fair value adjustments.

3 Segmental analysis

Inspiration Healthcare Group plc's activities are organised into four segments: three trading segments, being Critical Care, Operating Theatre and Home Healthcare; and Central and Unallocated costs which are not allocated to trading segments.

There is no inter-segmental trading.

The Group's operations are based in the United Kingdom and it operates in a worldwide market.

The Group's Chief Operating Decision Maker is the Board of Directors.

The revenue segments are defined in the Operating and Financial Review on pages 23 to 25.

Central and Unallocated costs

This segment includes the costs of the Board of Directors, costs attributable to the business' status as a public limited company on the AIM market, together with shared support functions such as accounting and sales administration. An allocation of these costs to the three trading segments has not been done because it is the Board's opinion that it would be too subjective and could lead to distorted decision making.

Segmental information for the year's ended 31 January 2016 and 31 January 2015 is as follows:

2016	**Critical Care £'000**	**Operating Theatre £'000**	**Home Healthcare £'000**	**Central and unallocated costs £'000**	**Total £'000**
Revenue	**8,792**	**1,342**	**2,145**	**–**	**12,279**
Depreciation and amortisation	**(48)**	**(5)**	**(1)**	**(124)**	**(178)**
Operating profit	**2,372**	**380**	**694**	**(3,300)**	**146**
Analysed as:					
Before impairment of goodwill and intangible assets and exceptional items	**2,372**	**380**	**694**	**(2,141)**	**1,305**
Impairment of goodwill and intangible assets	**–**	**–**	**–**	**(517)**	**(517)**
Exceptional items	**–**	**–**	**–**	**(642)**	**(642)**
Trade receivables	**1,225**	**201**	**297**	**–**	**1,723**

2015	Critical Care £'000	Operating Theatre £'000	Home Healthcare £'000	Central and unallocated costs £'000	Total £'000
Revenue	7,253	737	1,548	–	9,538
Depreciation and amortisation	(33)	–	–	(34)	(67)
Operating profit	2,092	116	386	(1,616)	978
Analysed as:					
Before impairment of goodwill and intangible assets and exceptional items	2,092	116	386	(1,616)	978
Impairment of goodwill and intangible assets	–	–	–	–	–
Exceptional items	–	–	–	–	–
Trade receivables	1,697	28	299	–	2,024

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

3 Segmental analysis (continued)

Geographical analysis of revenue for the years ended 31 January 2016 and 31 January 2015 is as follows:

2016	**Critical Care £'000**	**Operating Theatre £'000**	**Home Healthcare £'000**	**Total £'000**
UK	**5,107**	**1,157**	**2,121**	**8,385**
Europe	**2,229**	**87**	**11**	**2,327**
Asia Pacific	**316**	**62**	**8**	**386**
Middle East & Africa	**816**	**25**	**3**	**844**
Americas	**324**	**11**	**2**	**337**
Total	**8,792**	**1,342**	**2,145**	**12,279**

2015	Critical Care £'000	Operating Theatre £'000	Home Healthcare £'000	Total £'000
UK	4,378	736	1,548	6,662
Europe	1,785	1	–	1,786
Asia Pacific	323	–	–	323
Middle East & Africa	534	–	–	534
Americas	233	–	–	233
Total	7,253	737	1,548	9,538

Significant categories of revenue

	12 months 2016 £'000	12 months 2015 £'000
Goods sold	**10,586**	7,886
Services	**1,693**	1,652
	12,279	9,538

No single customer accounted for more than 10% of revenue.

No analysis of the Consolidated Statement of Financial Position has been included as this information is not reported on internally.

Reconciliation of segmental operating profit and profit for the year attributable to the owners of the parent company:

	12 months 2016 £'000	12 months 2015 £'000
Operating profit	**146**	978
Net finance income	**2**	2
Taxation charge	**(136)**	(229)
Profit for the year attributable to the owners of the parent company	**12**	751

3 Segmental analysis (continued)

Reconciliation of segmental trade receivables to total net assets:

	31 January 2016 £'000	31 January 2015 £'000
Trade receivables (see note 15)	**1,723**	2,024
Prepayments and accrued income	**185**	108
Other receivables	**123**	11
UK corporation tax recoverable	**116**	–
Intangible assets	**242**	136
Property, plant and equipment	**166**	90
Deferred tax asset	**45**	–
Investments	**100**	–
Inventories	**780**	664
Cash and cash equivalents	**2,319**	342
Trade and other payables	**(2,218)**	(1,368)
Obligations under finance leases	**(33)**	–
Deferred income	**(412)**	(251)
UK corporation tax payable	**(284)**	(191)
Deferred tax liability	**(39)**	(25)
Net assets	**2,813**	1,540

4 Employees

	12 months 2016 £'000	12 months 2015 £'000
Aggregate employee costs are as follows:		
Wages and salaries	**2,245**	1,330
Social security costs	**250**	153
Pension costs – defined contribution schemes	**53**	36
Total	**2,548**	1,519

Employee costs include the costs of the executive directors but not the non-executive directors.

Monthly average number of persons employed (including executive directors and excluding agency staff) analysed by category:

	12 months 2016 £'000	12 months 2015 £'000
Management and Administration	**14**	9
Sales	**27**	22
Development and Quality	**8**	7
Production	**11**	2
Total	**60**	40

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

4 Employees (continued)

Key management emoluments (including executive Directors) emoluments

	12 months 2016 £'000	12 months 2015 £'000
Aggregate emoluments paid to:		
Emoluments of the directors and key management personnel	**556**	122
Contributions to defined contribution pension scheme on their behalf	**31**	24
	587	146
Emoluments of highest paid director	**126**	92
Contributions to defined contribution pension scheme	**6**	–
	132	92
Dividends paid to directors	**171**	408

Number of directors for whom retirement benefits are accruing under defined contribution pension schemes during the year 4 (2015: 4).

No directors exercised share options during the year (2015: none).

Refer to note 10 for further details of dividends paid to Directors during the year but prior to their appointment as Directors on completion of the reverse acquisition.

In addition to the above emoluments Brook Nolson received £65,000 (2015: £48,000) under the terms of a consulting agreement. Details of the agreement are disclosed in the Remuneration Report on page 32.

5 Operating profit

	12 months 2016 £'000	12 months 2015 £'000
Operating profit has been arrived at after charging/(crediting:		
Depreciation of property, plant and equipment		
– owned assets	**101**	34
– leased assets	**17**	–
Amortisation of intangible fixed assets	**60**	32
Impairment of goodwill	**378**	–
Impairment of intellectual property	**139**	–
Loss on disposal of intangible assets	**6**	–
Foreign exchange losses	**8**	21
Impairment of trade receivables	**13**	(16)
Inventories recognised as an expense	**6,355**	5,289
Operating lease rentals for land and buildings	**90**	47
Other operating lease rentals	**76**	67
Auditors' remuneration		
For audit services – statutory	**55**	21
For non-audit services – taxation compliance services	**–**	4

6 Exceptional items

	12 months 2016 £'000	12 months 2015 £'000
Professional fees in relation to the reverse acquisition	**472**	–
Severance costs on re-organisation	**170**	–
Total exceptional items	**642**	–

The Group presents certain items as non-recurring and significant. These relate to items which, in management's judgement, need to be disclosed by virtue of their size and incidence in order to obtain a more meaningful understanding of the financial information.

The exceptional items reported relate to the reverse acquisition transaction and re-organisation costs of £642,000. The Group incurred a total cost during the process of reverse acquisition and subsequent restructuring of £873,000. The amounts in the consolidated results of the Group reflect that £231,000 of these were incurred by Inspiration Healthcare Group plc prior to the date when the transaction became unconditional on 24 June 2015.

Professional fees of £472,000 include brokerage, legal fees, accounting and taxation advice, stamp duty and public relations fees. Severance costs of £170,000 include payments for loss of office and redundancy. All amounts were paid before the end of the financial year.

7 Finance income

	12 months 2016 £'000	12 months 2015 £'000
Bank interest receivable	**3**	2
Finance lease interest payable	**(1)**	–
Net finance income	**2**	2

8 Taxation

(a) Analysis of tax charge for the year

	12 months 2016 £'000	12 months 2015 £'000
Domestic current year tax		
UK corporation tax –		
current year	**268**	191
prior year adjustment	**–**	20
UK corporation tax credit –		
current year	**(20)**	–
prior year adjustment	**(81)**	–
Total current tax	**167**	211
Deferred tax (see note 19)		
origination and reversal of temporary timing differences	**(29)**	18
prior year adjustment	**(2)**	–
Total deferred tax	**(31)**	18
Tax on profit on ordinary activities	**136**	229

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

8 Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK 20.16% (2015: 21%) as explained below:

	12 months 2016 £'000	12 months 2015 £'000
Profit on ordinary activities before taxation	**148**	980
Tax using the UK corporation tax rate of 20.16% (2015: 21%)	**30**	206
Effects of:		
Non-deductible expenses	**282**	3
Chargeable losses	**(57)**	–
Loss utilised on research and development claim	**28**	
Additional deduction for research and development	**(19)**	–
Adjustment to restate opening deferred tax and difference in rates	**153**	
Trading losses for which no deferred tax has been recognised	**(107)**	–
Adjustments to tax charge from pre reverse acquisition earnings	**(73)**	–
Adjustments to tax charge in respect of prior years	**–**	20
	237	229
Research and development tax credit -		
current year	**(20)**	–
prior year	**(81)**	–
Total tax charge/(credit)	**136**	229

The research and development tax credit is effectively at an enhanced rate to the expenditure at the expected rate of corporation tax of 130% on expenditure incurred after 1 April 2015. The previous enhanced rate was 125%.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

A further change to the UK corporation tax was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had been applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by £2,000 and reduce the deferred tax liability by £2,000 and there would be no effect on the income tax expense.

(c) Factors that may affect future tax charges

The group has gross unused losses estimated at £7,596,000. Brought forward losses transferred to the Group due to the reverse acquisition amount to £7,373,000 available for relief against future trading profits.

9 Earnings per ordinary share

Basic earnings per share for the year is calculated by dividing the profit attributable to ordinary shareholders for the year after tax by the weighted average number of shares in issue. Basic diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares.

	12 months 2016 £'000	12 months 2015 £'000
Profit		
Profit attributable to equity holders of the company	**12**	751
Impairment of goodwill and intangible assets	**517**	–
Exceptional items	**642**	–
Numerator for adjusted earnings per share calculation	**1,171**	751

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

	12 months 2016 £'000	12 months 2015 £'000
Shares		
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**28,665,055**	25,556,290
Dilutive effect of potential Ordinary share: share options	**55,000**	–
Diluted weighted number of shares in issue during the year for the purposes of diluted earnings per share	**28,720,055**	25,556,290

The basic and diluted earnings per share and adjusted basic and diluted earnings per share for the year are as follows:

	12 months Basic 2016 pence	**12 months Diluted 2016 pence**	12 months Basic and Diluted 2015 pence
Earnings per share	**0.04**	**0.04**	2.94
Adjusted earnings per share	**4.09**	**4.08**	2.94

An adjusted earnings per share and an adjusted diluted earnings per share have also been calculated as in the opinion of the Directors this will allow shareholders to gain a clearer understanding of the trading performance of the Group. These adjusted earnings per share exclude:

- Re-organisation and other significant non-recurring costs
- Impairment of goodwill and intangible assets
- The taxation effect at the appropriate rate on adjustments

10 Dividends

At the time of the Group's admission to AIM in June 2015, the Board proposed to reinvest earnings in financing the growth of the Group's business. Neil Campbell and Toby Foster received dividends from Inspiration Healthcare Limited during the years prior to the reverse acquisition and becoming directors of Inspiration Healthcare Group plc. There are no immediate plans to pay dividends for Inspiration Healthcare Group plc.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

11 Intangible assets

	Development costs £'000	Intellectual property £'000	Software costs £'000	Goodwill £'000	Total £'000
Cost					
At 1 February 2014	–	395	–	–	395
Capitalised in the year	–	–	59	–	59
At 1 February 2015	**–**	**395**	**59**	**–**	**454**
Arising on reverse acquisition	–	139	–	378	517
Additions on reverse acquisition	129	136	–	–	265
Capitalised in the year	–	1	168	–	169
Disposals in year	–	(10)	–	–	(10)
At 31 January 2016	**129**	**661**	**227**	**378**	**1,395**
Amortisation					
At 1 February 2014	–	286	–	–	286
Charge in the year	–	32	–	–	32
At 1 February 2015	**–**	**318**	**–**	**–**	**318**
Additions on reverse acquisition	126	136	–	–	262
Impairment of intangible assets	–	139	–	378	517
Charge in the year	1	33	26	–	60
Disposals in year	–	(4)	–	–	(4)
At 31 January 2016	**127**	**622**	**26**	**378**	**1,153**
Net book value					
At 31 January 2016	**2**	**39**	**201**	**–**	**242**
At 31 January 2015	–	77	59	–	136
At 31 January 2014	–	109	–	–	109

Intangible assets are amortised on a straight line basis and the amortisation is included within operating expenses in the Consolidated Statement of Comprehensive Income.

The development costs and intellectual property additions on reverse acquisition were purchased as part of the reverse acquisition of Inspiration Healthcare Limited in June 2015. They are considered to have finite useful lives and are amortised on a straight line basis over their estimated useful lives of 3 years for development costs and 10 years for intellectual property. The acquisition value approximated the fair value of the intangible assets acquired.

Goodwill and acquisition related intellectual property recognised have arisen from the reverse acquisition of Inspiration Healthcare Limited in June 2015. The intangible assets and liabilities of the Group have been measured at their reverse acquisition date fair values as required by IFRS 13 “Fair Value Measurement”.

Intellectual property of £139,000 was separately identified and recognised on reverse acquisition following an independent valuation using the relief from royalty approach. The royalty rate was determined at 2.5% by comparing similar market transactions. The discount factor applied in the calculation of the net present value of future cash flows was 16.0%, comprising the weighted average cost of capital of 14% with a margin of 2%.

11 Intangible fixed assets (continued)

Goodwill reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the Group structure. The goodwill is the balance of the total consideration less fair value of assets acquired and identified. In accordance with IFRS 3 the Group considers that, on reverse acquisition, there are future economic benefits arising from other assets that are not individually identified and recognised. The deemed consideration payable on reverse acquisition was £1,431,000 (see note 2). The Group has recognised goodwill of £378,000 as an intangible asset.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from that business combination.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rate used for future cash flows and the anticipated future changes in revenue, direct costs and indirect costs of the Group. The assumptions used reflect the past experience of management and future expectations.

The carrying value of the intellectual property and goodwill arising on reverse acquisition have been reviewed for impairment and fully impaired in the year.

12 Property, plant and equipment

	Improvements to property £'000	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 February 2014	5	32	99	23	159
Additions in the year	–	–	119	–	119
Transfer in the year	–	–	(59)	–	(59)
At 1 February 2015	**5**	**32**	**159**	**23**	**219**
Additions on reverse acquisition	–	237	198	10	445
Reclassification	–	–	503	–	503
Additions in the year	–	–	132	–	132
Disposals in year	–	–	(14)	–	(14)
At 31 January 2016	**5**	**269**	**978**	**33**	**1,285**
Depreciation					
At 1 February 2014	3	18	69	5	95
Charge in the year	–	5	23	6	34
At 1 February 2015	**3**	**23**	**92**	**11**	**129**
Additions on reverse acquisition	–	234	168	10	412
Reclassification	–	–	474	–	474
Charge in the year	1	3	108	6	118
Disposals in year	–	–	(14)	–	(14)
At 31 January 2016	**4**	**260**	**828**	**27**	**1,119**
Net book value					
At 31 January 2016	**1**	**9**	**150**	**6**	**166**
At 31 January 2015	2	9	67	12	90
At 31 January 2014	2	14	30	18	64

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

12 Property, plant and equipment (continued)

Depreciation charged for the financial year is included within cost of sales and operating expenses in the Consolidated Statement of Comprehensive Income.

The reclassification in the year comprises a transfer of demonstration inventory at an opening balance cost of £503,000 and accumulated depreciation of £474,000.

Plant, machinery and office equipment includes leased assets of £50,000 (2015: £nil) with a net book value of £33,000 (2015: £nil). The related depreciation charge for the year was £17,000 (2015: £nil). The obligations under finance leases are secured on lease equipment (see note 22).

13 Investments

	£'000
Cost at 1 February 2015	–
Additions	100
Cost at 31 January 2016	**100**
Net Book Value	
At 31 January 2016	**100**
At 31 January 2015	–

The Group is an investor in Neuroprotexeon Limited, a drug device technology company which is pioneering the use of the inert gas, Xenon, as a neuro-protectant.

During the year the Group has invested £100,000 in aggregate in return for a holding of 12.8% (11.3% on a fully diluted basis taking into account share options and loan conversion rights of other investors) at 31 January 2016. The Group also holds 50,000 options to purchase ordinary shares at an exercise price of £1.05 per share.

The Group has the right, amongst other conditions, to appoint a director. Neil Campbell is currently appointed as a Non-executive Director of Neuroprotexeon Limited as the Group's representative. All non-executive director fees to be paid by Neuroprotexeon Limited will be invoiced by the Group in due course. The Group will also provide intellectual property and technology to aid research.

The cost of the investment is deemed to be the fair value.

An impairment review was carried out by the directors at 31 January 2016 and no impairment is considered necessary.

14 Inventories

	31 January 2016 £'000	31 January 2015 £'000
Raw materials	**151**	–
Work in progress	**4**	–
Finished goods	**625**	664
	780	664

Inventories are presented net of provisions to write down the values to management's estimate of net realisable value.

The amount charged to the Consolidated Statement of Comprehensive Income in respect of the writing down of inventories was £83,000 (2015: £nil). The amount credited to the Statement of Comprehensive Income in respect of reversals of write-downs was £55,000 (2015: £35,000).

14 Inventories (continued)

Inventories recognised as an expense:

	31 January 2016 £'000	31 January 2015 £'000
Opening inventories	**664**	479
Acquired on reverse acquisition	**157**	–
Purchases	**6,258**	5,443
Increase in stock provisions	**56**	31
Closing inventories	**(780)**	(664)
Expensed during the year	**6,355**	5,289

15 Trade and other receivables

	31 January 2016 £'000	31 January 2015 £'000
Gross trade receivables	**1,781**	2,031
Provision for doubtful debts	**(58)**	(7)
Net trade receivables	**1,723**	2,024
UK corporation tax receivable (see note 16)	**116**	–
Other taxes and social security	**61**	–
Other debtors	**62**	11
Prepayments and accrued income	**185**	108
	2,147	2,143

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and are generally due for settlement within 30 days. Other receivables are generally due for settlement within three to twelve months. Trade and other receivables are therefore all classified as current. Trade and other receivables are non-interest bearing and receivable under normal commercial terms. The directors consider that the carrying value of trade and other receivables approximates their fair value. Specific provisions are made against doubtful debts taking the value based on the most likely outcome. Trade receivables includes specific provisions at 31 January 2016 of £58,000 (2015: £7,000).

At 31 January 2016 the trade receivables which were past due but not impaired were £610,000 (2015: £898,000). These receivable balances have not been impaired because the balances have been acknowledged as payable by the customers or have been paid since the year end. The ageing of these receivables is as follows:

	31 January 2016 £'000	31 January 2015 £'000
Up to three months	**587**	775
Between four and twelve months	**23**	123
	610	898

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

15 Trade and other receivables (continued)

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2015: £nil).

Receivables that are neither past due or impaired are within credit limits for the respective customer and having made reasonable enquiries the directors are not aware of any reasons that indicate the amounts due are disputed or not collectable.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable shown above. The Group does not insure receivables or hold any collateral as security.

The carrying amounts of the Group's receivables are denominated in the following currencies:

	31 January 2016 £'000	31 January 2015 £'000
Pounds sterling	**1,752**	1,761
Euro	**329**	318
US Dollars	**66**	64
	2,147	2,143

16 Current tax liability

The following are the major current tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	31 January 2016 £'000	31 January 2015 £'000
UK corporation tax receivable (see note 15)	**116**	–
UK corporation tax payable (see note 17)	**(284)**	(191)
UK current tax net liability	**(168)**	(191)

At the year end date the Group has recognised a receivable in respect of potential research and development tax claims of £116,000 (2015: £nil). During the current year the Group received £18,000 in respect of research and development tax claims, that were acquired as part of the reverse acquisition.

17 Trade and other payables

	31 January 2016 £'000	31 January 2015 £'000
Trade payables	**1,405**	922
Directors current accounts	**–**	76
UK corporation tax payable (see note 16)	**284**	191
Other taxes and social security	**261**	211
Other payables	**7**	1
Accruals	**545**	158
	2,502	1,559

The fair value of trade and other payables approximates to book value at 31 January 2016. Trade payables are non-interest bearing and the average credit period taken for trade purchases is 53 days (2015: 49 days). Accruals are normally settled monthly throughout the financial year.

Security has been provided over the Group's banking facilities by way of a fixed and floating charge over all of the Group assets.

18 Deferred income

Deferred income arises on medical rental, managed service, service or maintenance contracts and the accounting policy is explained in note 1.

The profile of when this income will be recognised in the Consolidated Statement of Comprehensive Income is as follows:

	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
31 January 2016	**276**	**69**	**50**	**15**	**2**	**412**
31 January 2015	251	–	–	–	–	251

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

19 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

Note that the effective future tax rate is 18% (2015: 20%).

Deferred tax assets

	31 January 2016 £'000	31 January 2015 £'000
Liability at beginning of year	**(25)**	(7)
Credit/(charge) to the profit and loss for the year	**31**	(18)
Net asset/(liability) at end of year	**6**	(25)

The elements of deferred taxation provided for are as follows:

	31 January 2016 £'000	31 January 2015 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**44**	–
Short term timing differences	**1**	–
Deferred tax asset	**45**	–

	31 January 2016 £'000	31 January 2015 £'000
Accelerated capital allowances	**(39)**	(25)
Deferred tax liability	**(39)**	(25)

At the year end date the Group had gross unused losses of £7,596,000 (2015: £nil) potentially available to offset against future profits. Brought forward losses transferred to the Group due to the reverse acquisition amount to £7,373,000. No deferred tax has been recognised in respect of these losses due to the unpredictability of future profit streams.

The amounts not provided for are as follows:

	31 January 2016 £'000	31 January 2015 £'000
Unused tax losses	**1,367,000**	–

The Group may also benefit from a taxable deduction when the outstanding share options are exercised. Such a benefit would create an additional tax deductible expense. The Directors have not provided for the potential deferred tax credit that might arise as its realisation is considered too uncertain to be recognised in the Consolidated Statement of Financial Position.

20 Financial risk management and financial instruments

The Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations.

The policies to address the risks associated with the Group's financial instruments are reviewed and approved by the Board. The main risks arising from the Group's financial instruments are liquidity risk and credit risk. A summary of the risks is set out below and also referred to in the Strategic Report on pages 15 to 22.

Classes of financial assets and liabilities

	At 31 January 2016 £'000	At 31 January 2015 £'000
Assets		
Cash and cash equivalents	**2,319**	342
Trade and other receivables	**2,147**	2,143
Liabilities		
Trade and other payables	**2,502**	1,559

All the above are due or mature in under three months.

The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

Credit risk

Credit risk principally arises on cash deposits and trade receivables.

The Group monitors defaults of customers and other counterparties and incorporates this information into credit risk controls. Ongoing credit evaluation is performed on the financial condition of accounts receivable taking into account independent ratings (where available), its financial position, past experience and other factors. Any single counterparty or any group of counterparties having similar characteristics, with the exception of the NHS, which could be viewed as one organisation but is financially organised through a number of trusts and the credit risk may be viewed as ultimately the UK Government.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The carrying value of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk for liquid funds and other short term financial assets relates to the banking institutions holding such funds and assets on behalf of the Group and may therefore be higher in conditions of general banking uncertainty. The counterparties are considered to be reputable banks with high quality external risk ratings.

Liquidity risk

In the normal course of business the Group is exposed to liquidity risk. The Group's objective is to ensure that sufficient resources are available to fund short term working capital and longer term strategic requirements. This is achieved through the use of an appropriate mix of short, medium and long term deposits and investments.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

20 Financial risk management and financial instruments (continued)

Liquidity risk (continued)

The Group manages its liquidity needs by monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis. Long term liquidity needs are monitored monthly.

The Group maintains cash and cash equivalents to meet its liquidity requirements for up to a 90 days period.

At 31 January 2016 and 31 January 2015, the Group's liabilities had contractual maturities which are summarised as follows:

2016	**Carrying amount £'000**	**Total £'000**	**1 year or less £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**
Obligations under finance leases	**(33)**	**(33)**	**(17)**	**(16)**	**–**
Trade payables	**(1,405)**	**(1,405)**	**(1,405)**	**–**	**–**
Cash and cash equivalents	**2,319**	**2,319**	**2,319**	**–**	**–**
2015					
Obligations under finance leases	–	–	–	–	–
Trade payables	(922)	(922)	(922)	–	–
Cash and cash equivalents	342	342	342	–	–

The above contractual maturity of the Group's financial liabilities reflects the gross cash flows, which may differ from the carrying values of the liabilities at the year end date.

Interest rate risk

The Group does not believe that its financial stability is threatened because of an exposure to interest rate risk and consequently does not hedge against it. The Board keeps this risk under regular review.

Foreign currency risk

It is recognised that the Group has exposure to foreign currency risks, however, the Board consider this to be an acceptable level of risk which does not threaten the financial stability of the Group. The Board keeps this risk under regular review.

Capital risk

The Group establishes credit limits for all financial instruments taking into account independent ratings, past experience and other factors. The Group's investment policy is to invest in fixed rate/low risk investments where the capital element is not at risk to market changes. The capital risk of cash deposits is further reduced by spreading investment across a number of banks.

21 Share capital

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
At 1 February 2015	51,112,581	511	9,929	–	10,440
Effect of share consolidation	(46,001,323)	–	–	–	–
At 23 June 2015	**5,111,258**	**511**	**9,929**	**–**	**10,440**
Issue of consideration shares	25,556,290	2,556	–	4,600	7,156
At 31 January 2016	**30,667,548**	**3,067**	**9,929**	**4,600**	**17,596**

The effect of the share consolidation was to consolidate every 10 Ordinary Shares into 1 Ordinary share and increase the par value of each Ordinary Share from 1 pence to 10 pence. On 24 June 2015, the Company announced that all the conditions to acquire the entire issued share capital of Inspiration Healthcare Limited had been satisfied and 25,556,290 Ordinary Shares were issued as consideration.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

For the purpose of preparing the consolidated financial statements of the Group, the Share Capital represents the nominal value of the issued share capital of 10p per share. Share Premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of share issues. The Merger reserve relates to the reverse acquisition between Inspiration Healthcare Group plc and Inspiration Healthcare Limited on 24 June 2015.

22 Commitments

(a) Capital commitments

There were no capital commitments at the end of the financial year (2015: £nil).

(b) Finance lease

The Group has a finance lease for the purchase of 2 Novalung iLA Active Consoles. Commitments under finance leases are as follows:

	31 January 2016 £'000	31 January 2015 £'000
Minimum payments within one year	**17**	–
Minimum payments after one year but not more than five years	**16**	–
	33	–
Present value of minimum lease payments	**33**	–

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

22 Commitments (continued)

(c) Operating leases

The Group has annual commitments under non-cancellable operating leases relating primarily to land and buildings, motor vehicles and office equipment. Land and buildings have been considered separately for lease classification. Land and buildings amounts relate to leasehold properties at the Earl Shilton site, Wath-upon-Dearne, Albourne and Newtownards. During the year £166,000 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (2015: £114,000).

Future aggregate minimum lease payments under non-cancellable operating leases at the end of the year are as follows:

	Land and buildings		**Other**	
	31 January 2016 £'000	31 January 2015 £'000	**31 January 2016 £'000**	31 January 2015 £'000
Within 1 year	**112**	40	**53**	50
In the second to fifth years inclusive	**47**	53	**31**	40
After five years	**–**	–	**3**	–
	159	93	**87**	90

23 Share based payments

The Group operates approved share option schemes.

The Group previously operated a Share Incentive Plan. Options previously granted under this scheme are exercisable subject to certain performance criteria being met until the expiry date. This scheme is closed to new members and no further options will be granted under the scheme. The Group established, on Re-Admission to AIM, a new Share Option Scheme, details of all existing schemes are included below.

The fair value is calculated at the grant date and ultimately expensed in the Consolidated Statement of Comprehensive Income over the vesting period of three years, based on the best available estimate of the number of share options expected to vest, with a corresponding credit to reserves. Upon exercise of the share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

There have been no options granted during the course of the financial year under review.

Details of the share options outstanding at 31 January 2016 and movements during the year by exercise price is shown below:

Exercise price*	First exercise date	Last exercised date	Restated*at 31 January 2015	Granted	Exercised	Lapsed	**At 31 January 2016**
50p	Jan 2015	Jan 2022	125,000	–	–	(90,000)	**35,000**
100p	May 2011	May 2018	60,000	–	–	(40,000)	**20,000**
			185,000	–	–	(130,000)	**55,000**

*The effect of the share consolidation was to consolidate every 10 Ordinary Shares into 1 Ordinary share. See note 21 for further details.

23 Share based payments (continued)

There were 55,000 (2015: 185,000 (restated)) options exercisable at the year end date subject to a performance criterion being met.

The options outstanding at the year end have a weighted average exercise price of 68p (2015: 66p (restated)) and a weighted average contractual life of 7.8 years (2015: 5.9 years).

The fair value of the share options granted was determined by the Black-Scholes pricing model. The key assumptions used were the share price at the date of issue, the strike price of the options, life of the options, historic volatility and benchmarking other AIM listed companies.

The expense recognised in the year from equity settled share based payments was £nil (2015: £nil). There were no cash settled share based payment transactions.

24 Contingent liabilities

Included within cash and cash equivalents is a deposit for £250,000 that is used as collateral for bank facilities provided by HSBC Bank plc.

Bank facilities provided by HSBC Bank plc include a bank guarantee issued to Highbridge (Houndhill) Industries Limited for £143,000, being a rolling two year rent on the manufacturing facility at Rotherham. The Group entered into 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 years 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.

25 Pension schemes

The Group made contributions in respect of defined contribution pension arrangements of £53,000 (2015: £36,000). At the year end £7,000 (2015: £1,000) of contributions were payable to the schemes.

26 Related party transactions

Neuroprotexeon Limited

At the year end date the Group held 12.8% (2015: 17.5%) of the issued ordinary share capital of Neuroprotexeon Limited. The Group also holds 50,000 options to purchase ordinary shares at an exercise price of £1.05 per share. Further information relating to the investment is disclosed in note 13.

The investment agreement provides the Group with the right to appoint a director. Neil Campbell is currently appointed as a Non-executive Director of Neuroprotexeon Limited as the Group's representative.

Key management

Directors control 37.4% of the voting shares of the legal parent company. Directors interests in shares are disclosed in the Remuneration Report on page 35.

Key management comprise the group's executive and non-executive directors. Remuneration of executive and non-executive directors is set out in note 4 and the Remuneration Report on page 31.

For the period from 1 February 2014 to 23 June 2015 the Directors of Inspiration Healthcare Limited operated Directors current and loan accounts. The accounts were settled and closed prior to the reverse acquisition. The amount outstanding at 31 January 2015 was £76,000.

Notes forming part of the Financial Statements

for the year ended 31 January 2016 (continued)

26 Related party transactions (continued)

Brook Nolson

On 26 September 2013 Inspiration Healthcare Limited entered into an agreement with Deciduous Limited, a company of which Brook Nolson is a director, for the provision of business consultancy services and strategic advice. The amount paid in the year to 31 January 2016 was £65,000 (2015: £48,000). The agreement was terminated on Admission, when Brook Nolson became a Non-executive Director of the Company.

In order to effect an orderly handover of services provided in relation to the installation of new business systems a number of additional days support were considered by the other directors as necessary for which Deciduous Limited was paid an additional £8,000 during July and August 2015. This now completes the assignment and the obligations under the agreement.

Lease of Leicestershire facility

Inspiration Healthcare Limited entered into a lease in respect of Gildor House in Earl Shilton, 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.

27 Ultimate parent undertaking

Inspiration Healthcare Group plc is the ultimate parent undertaking.

Independent Auditors' Report to the Members of Inspiration Healthcare Group plc (Company)

Report on the Company financial statements

Our opinion

In our opinion, Inspiration Healthcare Group plc's Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 January 2016 and of its cash flows for the 13 month period (the 'period') then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the Company balance sheet as at 31 January 2016;
- the Company cash flow statement for the period then ended;
- the Company statement of changes in shareholders' equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law, and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of Inspiration Healthcare Group plc (Company)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Inspiration Healthcare Group plc for the year ended 31 January 2016.

Arif Ahmad (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
28 April 2016

Company Balance Sheet

as at 31 January 2016

	Notes	31 January 2016 £'000	31 December 2014 £'000
Assets			
Non-current assets			
Intangible assets	4	**28**	3
Property, plant and equipment	5	**46**	36
Investments	6	**7,156**	–
Deferred tax asset	11	**45**	–
		7,275	39
Current assets			
Inventories	7	**195**	189
Trade and other receivables	8	**306**	320
Cash and cash equivalents		**760**	1,165
		1,261	1,674
Total assets		**8,536**	1,713
Liabilities			
Current liabilities			
Trade and other payables	9	**(1,069)**	(220)
Deferred income	10	**(48)**	(87)
		(1,117)	(307)
Non-current liabilities			
Deferred income	10	**(131)**	(124)
Total liabilities		**(1,248)**	(431)
Net assets		**7,288**	1,282
Capital and reserves			
Called up share capital	12	**3,067**	511
Share premium account	12	**14,529**	9,929
Share based payment reserve		**155**	155
Retained earnings		**(10,463)**	(9,313)
Shareholders' funds		**7,288**	1,282

The notes on pages 82 to 91 are an integral part of these financial statements.

The financial statements on pages 79 to 91 were approved by the Board of Directors on 28 April 2016 and signed on its behalf by:

Neil Campbell
Director

Ian D Smith
Director

Company Statement of Changes in Shareholders' Equity

	Issued share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 31 December 2013	511	9,929	148	(8,938)	1,650
Credit for share based payments	–	–	7	–	7
Loss for the period	–	–	–	(375)	(375)
At 31 December 2014	**511**	**9,929**	**155**	**(9,313)**	**1,282**
Loss for the period	–	–	–	(368)	(368)
Shares issued as consideration	2,556	4,600	–	–	7,156
At 23 June 2015	3,067	14,529	155	(9,681)	8,070
Loss for the period	–	–	–	(782)	(782)
At 31 January 2016	**3,067**	**14,529**	**155**	**(10,463)**	**7,288**

The notes on pages 82 to 91 are an integral part of these financial statements.

Company Cash Flow Statement

for the period ended 31 January 2016

	13 months to 31 January 2016 £'000	12 months to 31 December 2014 £'000
Operating loss	**(1,218)**	(399)
Share based payments	**–**	7
Depreciation and amortisation	**22**	22
(Increase)/decrease in inventories	**(6)**	30
(Increase)decrease in trade and other receivables	**(2)**	65
Increase/(decrease) in trade and other payables	**850**	(148)
Decrease in deferred income	**(32)**	(50)
Taxation received	**36**	12
Net cash outflow from operating activities	**(350)**	(461)
Cash flow from investing activities		
Interest received	**2**	4
Purchase of property, plant and equipment	**(31)**	(10)
Purchase of intangible assets	**(26)**	–
Capitalised development costs	**–**	(3)
Net cash used in investing activities	**(55)**	(9)
Net decrease in cash and cash equivalents	**(405)**	(470)
Cash and cash equivalents at the beginning of the period	**1,165**	1,635
Cash and cash equivalents at the end of the period	**760**	1,165

Notes to the Company's Financial Statements

for the period ended 31 January 2016

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

Basis of preparation

The Company financial statements cover the period of 13 months from 1 January 2015 to 31 January 2016.

The Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs'), issued by the International Accounting Standards Board (IASB), including interpretations by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The Company financial statements are prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through operating profit or loss and for share based payments which are measured at fair value.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present a separate Profit and Loss account in these separate financial statements. The loss for the period is included in the Company Statement of Changes in Shareholders' Equity.

The accounting policies of the Company are the same as for the Group.

Going concern

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with FRC Going Concern and Liquidity Risk guidance (October 2009). It is considered appropriate to continue to prepare the financial statements on a going concern basis.

2 Exceptional items

	13 months to 31 January 2016 £'000	12 months to 31 December 2014 £'000
Professional fees in relation to the reverse acquisition	**548**	–
Severance costs on re-organisation	**172**	–
Total exceptional items	**720**	–

The Company presents certain items as non-recurring and significant. These relate to items which, in management's judgement, need to be disclosed by virtue of their size and incidence in order to obtain a more meaningful understanding of the financial information.

The exceptional items included in the Company's loss for the period relate to the reverse acquisition transaction and re-organisation costs of £720,000. The amounts in the results of the Company include £231,000 of costs incurred by the Company prior to the date when the transaction became unconditional on 24 June 2015.

Professional fees of £548,000 include brokerage, legal fees, accounting and taxation advice, stamp duty and public relations fees. Severance costs of £172,000 include payments for loss of office and redundancy. All amounts were paid before the end of the financial year.

3 Staff numbers and costs

Monthly average number of persons employed (including Executive Directors and excluding agency staff) analysed by category:

	13 months to 31 January 2016 £'000	12 months to 31 December 2014 £'000
Management and Administration	**6**	4
Sales	**5**	11
Development and Quality	**2**	2
Production	**9**	9
Total	**22**	26

Employee costs include the costs of the executive directors but not the non-executive directors.

The aggregate payroll costs of these persons were as follows:

	13 months to 31 January 2016 £'000	12 months to 31 December 2014 £'000
Wages and salaries	**965**	814
Social security costs	**90**	81
Pension costs – defined contribution scheme	**24**	17
Share based payments	**–**	7
Total	**1,079**	919

Key management (including Executive Directors) emoluments

	13 months to 31 January 2016 £'000	12 months to 31 December 2014 £'000
Aggregate emoluments paid to:		
Emoluments of the directors and key management personnel	**448**	288
Contributions to defined contribution pension scheme on their behalf	**16**	10
	464	298
Emoluments of highest paid director	**139**	126
Contributions to defined contribution pension scheme	**5**	5
	144	131

Payments for loss of office of £113,000 (2014: £nil) are included in severance pay within exceptional items (see note 2).

Number of directors for whom retirement benefits are accruing under defined contribution pension schemes during the year 4 (2014: 2).

No directors exercised share options during the year (2014: none).

In addition to the above emoluments John Markham received £9,000 (2014: £8,000) under the terms of a consulting agreement.

Notes to the Company's Financial Statements

for the period ended 31 January 2016 (continued)

4 Intangible assets

	Development costs £'000	Intellectual property £'000	Software costs £'000	Total £'000
Cost				
At 1 January 2014	126	136	–	262
Capitalised in period	3	–	–	3
At 1 January 2015	**129**	**136**	**–**	**265**
Capitalised in period	–	–	26	26
At 31 January 2016	**129**	**136**	**26**	**291**
Amortisation				
At 1 January 2014	122	136	–	258
Charge in the period	4	–	–	4
At 1 January 2015	**126**	**136**	**–**	**262**
Charge in the period	1	–	–	1
At 31 January 2016	**127**	**136**	**–**	**263**
Net book value				
At 31 January 2016	**2**	**–**	**26**	**28**
At 31 December 2014	3	–	–	3
At 31 December 2013	4	–	–	4

Intangible assets are amortised on a straight line basis and the amortisation is included within operating expenses within the Group's Consolidated Statement of Comprehensive Income on page 43.

5 Property, plant and equipment

	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2014	234	186	10	430
Additions in the year	3	7	–	10
At 1 January 2015	**237**	**193**	**10**	**440**
Additions in the year	–	31	–	31
At 31 January 2016	**237**	**224**	**10**	**471**
Depreciation				
At 1 January 2014	232	144	10	386
Charge in the period	1	17	–	18
At 1 January 2015	**233**	**161**	**10**	**404**
Charge in the period	1	20	–	21
At 31 January 2016	**234**	**181**	**10**	**425**
Net book value				
At 31 January 2016	**3**	**43**	**–**	**46**
At 31 December 2014	4	32	–	36
At 31 December 2013	2	42	–	44

Depreciation charged for the financial period is included within cost of sales and operating expenses within the Group's Consolidated Statement of Comprehensive Income on page 43.

6 Investments

	£'000
Cost	
At 1 January 2015	–
Additions	7,156
At 31 January 2016	**7,156**
Net Book Value	
At 31 January 2016	**7,156**
At 31 December 2014	–

The additions relate to the shares issued as consideration for the reverse acquisition of Inspiration Healthcare Limited (see note 2 of the Group's financial statements).

Inspiration Healthcare Group plc has the following interests in wholly owned subsidiaries, joint ventures or associates registered and operating in England and Wales.

Name	Nature of business	Direct/ indirect ownership	% of total issued share capital	Class of share
Inspiration Healthcare Limited	Sale of medical and orthopaedic goods	Direct	100	Ordinary
Anaesthetic Services Systems Limited	Dormant	Indirect	100	Ordinary
Inspiration Homecare Limited	Dormant	Indirect	100	Ordinary
Inditherm Limited	Dormant	Indirect	100	Ordinary
Inditherm (Medical) Limited	Holding company for intellectual property rights	Direct	100	Ordinary
Inditherm (UK) Limited	Dormant	Direct	100	Ordinary
Inditherm Construction Limited	Dormant	Direct	100	Ordinary

7 Inventories

	31 January 2016 £'000	31 December 2014 £'000
Raw materials	**151**	134
Work in progress	**4**	3
Finished goods	**40**	52
	195	189

Inventories are presented net of provisions to write down the values to management's estimate of net realisable value.

Notes forming part of the Financial Statements

for the period ended 31 January 2016 (continued)

8 Trade and other receivables

	31 January 2016 £'000	31 December 2014 £'000
Gross trade receivable	**226**	229
Provision for bad debts	**(37)**	–
Net trade receivables	**189**	229
Other taxes and social security	**61**	–
UK corporation tax recoverable	**20**	36
Other debtors	**–**	7
Prepayments and accrued income	**36**	48
	306	320

At 31 January 2016 the trade receivables which were past due but not impaired were £47,000 (2014: £85,000). These receivable balances have not been impaired because the balances have been acknowledged as payable by the customers or have been paid since the year end. The ageing of these receivables is as follows:

	31 January 2016 £'000	31 December 2014 £'000
Up to three months	**43**	80
Between four and twelve months	**4**	5
	47	85

9 Trade and other payables

	31 January 2016 £'000	31 December 2014 £'000
Trade payables	**219**	109
Amounts due to subsidiary undertakings	**501**	–
Other taxes and social security	**35**	25
Other payables	**6**	4
Accruals	**308**	82
	1,069	220

The amounts due to subsidiaries of £501,000 (2014: £nil) are repayable on demand.

10 Deferred income

Deferred income arises on service or maintenance contracts and the accounting policy is explained in note 1 of the Group's financial statements.

The profile of when this income will be recognised in the Group's Consolidated Statement of Comprehensive Income on page 43 is as follows:

	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
2016	**48**	**64**	**50**	**15**	**2**	**179**
2014	87	53	50	18	3	211

11 Deferred tax

At the balance sheet date the Company had gross unused losses of £7,596,000 (2014: £7,373,000) available to offset against future profits. No deferred tax has been recognised in respect of these losses due to the unpredictability of future profit streams.

Note that the effective future tax rate is 18% (2014: 20%).

Deferred tax assets

	31 January 2016 £'000	31 December 2014 £'000
At beginning of year	**–**	–
Credit to the profit and loss for the year	**45**	–
At end of year	**45**	–

The elements of deferred taxation provided for are as follows:

	31 January 2016 £'000	31 December 2014 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**44**	–
Short term timing differences	**1**	–
Deferred tax asset	**45**	–

The amounts not provided for are as follows:

	31 January 2016 £'000	31 December 2014 £'000
Unused tax losses	**1,367**	1,472
Depreciation in excess of capital allowances	**–**	68
Unrecognised deferred tax asset	**1,367**	1,540

The Company may also benefit from a taxable deduction when the outstanding share options are exercised. Such a benefit would create an additional tax deductible expense. The Directors have not provided for the potential deferred tax credit that might arise as its realisation is considered too uncertain to be recognised in the Company's balance sheet.

Notes forming part of the Financial Statements

for the period ended 31 January 2016 (continued)

12 Share capital

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2015	51,112,581	511	9,929	10,440
Effect of share consolidation	(46,001,323)	–	–	–
At 23 June 2015	**5,111,258**	**511**	**9,929**	**10,440**
Issue of consideration shares	25,556,290	2,556	4,600	7,156
At 31 January 2016	**30,667,548**	**3,067**	**14,529**	**17,596**

The effect of the share consolidation was to consolidate every 10 Ordinary Shares into 1 Ordinary share and increase the par value of each Ordinary Share from 1 pence to 10 pence. On 24 June 2015, the Company announced that all the conditions to acquire the entire issued share capital of Inspiration Healthcare Limited had been satisfied and 25,556,290 Ordinary Shares were issued as consideration.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

For the purpose of preparing the financial statements of the Company, the Share Capital represents the nominal value of the issued share capital of 10p per share. Share Premium represents the excess over nominal value of the consideration received for equity shares net of expenses of the share issue.

13 Commitments under operating leases

The Company has annual commitments under non-cancellable operating leases relating primarily to land and buildings, motor vehicles and office equipment. Land and buildings have been considered separately for lease classification. Land and buildings amounts relate to a leasehold property at Wath-Upon-Dearne.

Future aggregate minimum lease payments under non-cancellable operating leases at the end of the period are as follows:

	Land and buildings		Other	
	31 January 2016 £'000	31 December 2014 £'000	**31 January 2016 £'000**	31 December 2014 £'000
Within 1 year	**72**	71	**14**	23
In the second to fifth years inclusive	**–**	72	**18**	35
After five years	**–**	–	**3**	–
	72	143	**35**	58

14 Capital commitments

At the financial period ended 31 January 2016, the Company had no capital expenditure commitments (2014: £nil).

15 Contingent liabilities

Included within cash and cash equivalents is a deposit for £250,000 that is used as collateral for bank facilities provided by HSBC Bank plc.

Bank facilities provided by HSBC Bank plc include a bank guarantee issued to Highbridge (Houndhill) Industries Limited for £143,000, being a rolling two year rent on the manufacturing facility at Rotherham. The Company entered into the lease on 11 March 2002 for an initial period of fifteen years, which ends on 10 March 2017.

During the normal course of business, the Company offers warranties against clearly defined performance specifications.

16 Pension schemes

The Company made contributions in respect of defined contribution pension arrangements of £24,000 (2014: £17,000). At the period end £6,000 (2014: £3,000) of contributions were payable by the Company.

Notes forming part of the Financial Statements

for the period ended 31 January 2016 (continued)

17 Share based payments

The Company operates approved share option schemes.

The Company previously operated a Share Incentive Plan. Options previously granted under this scheme are exercisable subject to certain performance criteria being met until the expiry date. This scheme is closed to new members and no further options will be granted under the scheme. The Company established, on Re-Admission to AIM, a new Share Option Scheme, details of all existing schemes are included below.

The fair value is calculated at the grant date and ultimately expensed in the profit and loss account over the vesting period of three years, based on the best available estimate of the number of share options expected to vest, with a corresponding credit to reserves. Upon exercise of the share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

There have been no options granted during the course of the financial period under review.

Details of the share options outstanding at 31 January 2016 and movements during the 13 month period by exercise price are shown below:

Exercise price*	First exercise date	Last exercised date	Restated* at 31 December 2014	Granted	Exercised	Lapsed	**At 31 January 2016**
50p	Jan 2015	Jan 2022	125,000	–	–	(90,000)	**35,000**
100p	May 2011	May 2018	60,000	–	–	(40,000)	**20,000**
			185,000	–	–	(130,000)	**55,000**

*The effect of the share consolidation was to consolidate every 10 Ordinary Shares into 1 Ordinary share. See note 12 for further details.

There were 55,000 (2014: 185,000 restated) options exercisable at the balance sheet date subject to a performance criterion being met.

The options outstanding at the period end have a weighted average exercise price of 68p (2014: 6.6p) and a weighted average contractual life of 7.8 years (2014: 5.9 years).

The fair value of the share options granted was determined by the Black-Scholes pricing model. The key assumptions used were the share price at the date of issue, the strike price of the options, life of the options, historic volatility and benchmarking other AIM listed companies.

The expense recognised in the period from equity settled share based payments was £nil (2014: £7,000). There were no cash settled share based payment transactions.

18 Related party transactions

Key management

Directors control 37.4% of the voting shares of the Company. Directors interests in shares at the end of the period are disclosed in the Remuneration Report of the Group consolidated financial statements on page 35.

Key management comprise the Group's executive and non-executive directors. Remuneration of Executive and Non-executive Directors for the period since the reverse acquisition is set out in note 4 of the Group's financial statements and the Remuneration Report on page 31. Remuneration of Executive and Non-executive Directors for the period from 1 January 2015 to 23 June 2015 representing the previous Group structure is set out below:

	Salary £'000	**Bonus £'000**	**Pension contribution £'000**	**Benefits in kind £'000**	**Period to 23 June 2015 Total £'000**	12 months 2014 Total £'000
Mark S Abrahams	**17**	–	–	–	**17**	35
Nick Bettles	**55**	–	**2**	**7**	**64**	131
Ian D Smith	**49**	–	**2**	**1**	**52**	109
John Markham*	**11**	–	–	–	**11**	23
	132	–	**4**	**8**	**144**	298

* Emoluments as a director, in addition John Markham received £9,000 (2014: £8,000) in his capacity as a consultant to the Company during the 13 months to 31 January 2016.

Contributions to a defined contribution pension scheme were paid on behalf of 2 directors during the period to 23 June 2015 (2014: 2). No directors exercised share options during the current or previous financial periods.

Transactions with subsidiaries

Amounts due from Inditherm (Medical) Limited at 31 January 2016 of £903,000 (2014: £903,000) have been provided for in full.

There were no other transactions with related parties.

19 Financial risk management

The Company's policies on the management of liquidity and credit rate risks are managed at Group level and are set out in note 20 in the Group's Financial Statements and also referred to in the Strategic Report on pages 15 to 22.

5.13m Live births in the EU in 2014.

Eurostat

Approximately 10% of newborns require some assistance to begin breathing at birth. Less than 1% require extensive resuscitative measures.

2010 American Heart Association Guidelines for Cardiopulmonary Resuscitation and Emergency Cardiovascular Care Science

Inspired

Inspire nCPAP gives respiratory support to babies who need help breathing during the first few weeks of life.

Inspire nCPAP

Other Shareholder Information

CAPITA ASSET SERVICES

The Company's registrars, Capita Asset Services, provide a number of services that, as a shareholder, might be useful to you:

Registrar's On-Line Service

By logging onto www.capitashareportal.com and following the prompts, shareholders can view and amend various details on their account. You will need to register to use this service for which purpose you will require your unique investor code, which can be found on your share certificate.

Share Dealing Services

Capita offers an on-line and telephone share dealing service which is available by logging on to www.capitadeal.com or telephoning 0371 664 0045 (calls are charged at the standard geographic rate and will vary by provider). Calls outside the United Kingdom are charged at the applicable international rate. Office hours are between 8 am – 4.30 pm, Monday to Friday (excluding public holidays in England and Wales). If you are an Irish shareholder, please dial lo-call 1890 946 375. For the on-line service, Capita's commission rates are 1.25% of the value of the deal (minimum charge £34.50) and for the telephone service, Capita's commission rates are 1.50% of the value of the deal (minimum charge £44.50).

Duplicate Share Register Accounts

If you are receiving more than one copy of our report, it could be your shares are registered in two or more accounts on our register of members. If that was not your intention, please contact Capita who will be pleased to merge your accounts.

Advisers

Company Secretary and Registered Office	Ian D Smith, Houndhill Park, Bolton Road, Wath-Upon-Dearne, S63 7LG
Company number	3587944
Independent Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Benson House, 33 Wellington Street, Leeds, LS1 4JP
Bankers	HSBC, Montgomery Road, Wath Upon Dearne, Rotherham, S63 7QW
	Royal Bank of Scotland Group plc, 896 Woodborough Road, Mapperley, Nottingham, NG3 5QR
Nominated adviser and broker	WH Ireland Limited, Royal House, 28 Sovereign Street, Leeds, LS1 4BJ
Legal advisers	Gordons LLP, Riverside West, Whitehall Road, Leeds, LS1 4AW
Registrars	Capita Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Notice of Annual General Meeting

Notice is given that the annual general meeting of Inspiration Healthcare Group plc ("the Company") will be held at the offices of Gordons LLP, Riverside West, Whitehall Road, Leeds, LS1 4AW at 12:00 p.m. on 22 June 2016 for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the financial statements of the Company for the financial year ended 31 January 2016 together with the directors' and auditors' reports on those financial statements.

2. To approve the Remuneration Report for the year ended 31 January 2016.

3. To reappoint Mark Simon Abrahams who retires by rotation as a director of the Company.

4. To reappoint Robert James Beveridge, who was appointed by the Board since the last annual general meeting of the Company, as director of the Company.

5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 will be proposed as special resolutions:

6. That the directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act"), in substitution for all existing authorities to the extent unused, to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £1,012,028, provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next annual general meeting or, if earlier, 22 June 2017, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the directors may allot shares or grant rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

7. That, subject to the passing of Resolution 6 above, the board of directors of the Company be empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred by Resolution 6 as set out in this Notice of Annual General Meeting as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £153,337. Such power shall expire on the conclusion of the next annual general meeting of the Company after the passing of this Resolution save that the Company may

Notice of Annual General Meeting

(continued)

before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

8. That the Company be generally and unconditionally authorised pursuant to Article 8(A) of the Articles of Association of the Company and section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares provided that:

8.1.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 4,600,130, representing 15% of the Company's issued ordinary share capital at the date of this notice;

8.1.2 the minimum price, exclusive of any expenses, which may be paid for an ordinary share is £0.10;

8.1.3 the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange AIM All-Share List for the five business days immediately preceding the date on which such share is contracted to be purchased;

8.1.4 the authority hereby conferred shall expire on the earlier of 22 June 2017 or the close of the next annual general meeting of the Company; and

8.1.5 the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

By order of the Board
Ian D Smith
Company Secretary
28 April 2016

Registered Office:
Houndhill Park
Bolton Road
Wath-upon-Dearne
Rotherham
S63 7LG

NOTES:

1. A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12:00pm on 20 June 2016. Appointment of a proxy does not preclude a shareholder from attending the Annual General Meeting (AGM) and voting in person.
2. A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarially) must be returned by one of the following methods:
   - in hard copy form by post, by (during normal business hours only) courier or by hand to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

   and in each case must be received by the Company not less than 48 hours before the time of the meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take that appropriate action on their behalf.

   In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed voting service provider(s)), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertified Securities Regulations 2001.
5. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast) Shareholders must be registered in the Register of Members of the Company at close of business on 20 June 2016 or, in the event of any adjournment, at close of business on the date which is two days (not including non-working days) before the time of the adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

inspiration-healthcare.com

Headquarters and Registered Office:

Inspiration Healthcare Group plc
Houndhill Park, Bolton Road, Rotherham, S63 7LG, United Kingdom
T +44 (0)1709 761000 **F** +44 (0)1709 761066 **E** info@inspiration-healthcare.com **W** inspiration-healthcare.com