Inspiration Healthcare Group plc

Annual Report & Financial Statements 2017

A breath of fresh air…

Our vision

To improve patient outcomes in critical care.

Our mission

To develop outcome-enhancing products for intensive care patients and to promote these globally.

We are passionate about improving patient outcomes through innovation, research and life-saving customer service.

Our values

As a company we strive to meet all of these values:

Patient focused

Outcome changing

Pioneering

Research driven

Operational highlights

Strategic review of ex-Inditherm operations completed

Inditherm product manufacturing outsourced and Rotherham factory closed

Distribution agreements renewed with Atom Medical and EPMC Pharma

Moved to a cloud based IT infrastructure

Post Year End

New corporate head office and R&D centre opened in Crawley, West Sussex

2017 Financial Highlights

Revenue up by 9.4%

£14.3m*

(16.7% on a statutory basis)

Domestic revenue up by

9.1%*

International revenue up by

9.9%*

Critical Care revenue up by

11.0%*

*as compared to the unaudited Proforma Consolidated Income Statements for the year ended 31 January 2016 ("Proforma") as set out in the Chairman's Report.

1 Strategic Report

Chairman's Report

Mark Abrahams
Non-executive Chairman

"It is pleasing that good sales growth was achieved both Domestically and Internationally, at 9.1% and 9.9%, respectively."

A year ago I introduced the first annual report of a newly merged Group, Inspiration Healthcare Group plc. This year I am delighted to report on the excellent progress that has been made across the Group in its first full year of trading.

The Group's revenue increased to £14.3 million for the year ended 31 January 2017 ("2017") (2016: £13.1 million), a rise of 9.4% over last year. The increase is measured against the 2016 revenue shown in the unaudited Proforma Consolidated Income Statement set out overleaf (and included in last year's annual report) as it is used for comparison by the Board, representing 12 months of trading of both Inspiration Healthcare Limited and Inditherm plc for 2016.

As a result of the reverse acquisition of Inditherm plc by Inspiration Healthcare Limited, the statutory basis for reporting results for the year ended 31 January 2016 ("2016") showed revenue of £12.3 million and thus reported revenue growth for 2017 is 16.7%.

Compared to the statutory results for 2016, the unaudited Proforma Consolidated Income Statement set out overleaf, includes an additional 20 weeks of Inditherm plc's results prior to the reverse acquisition which has the impact on 2016 of increasing revenue by £0.8 million and reducing the operating profit before impairment charges and exceptional items by £0.2 million.

Chairman's Report continued

Proforma Consolidated Income Statement unaudited

	Actual 2017 £'000	Proforma 2016 £'000
Revenue	**14,323**	13,096
Cost of sales	**(7,965)**	(7,118)
Gross profit	**6,358**	5,978
Operating expenses	**(5,913)**	(6,553)
Other income	**–**	295
Operating profit/(loss)	**445**	(280)
Analysed as:		
Operating profit before impairment of goodwill and intangible assets arising on acquisition and exceptional items	**1,163**	1,109
Impairment of goodwill and intangible assets	**–**	(517)
Exceptional items	**(718)**	(872)
Operating profit/(loss)	**445**	(280)
Net finance (expense)/income	**(1)**	3
Profit/(loss) on ordinary activities before	**444**	(276)
Income tax expense	**(132)**	(136)
Profit/(loss) for the year attributable to owners of the parent company	**312**	(412)
Earnings per share before impairment of goodwill and intangible assets arising on acquisition and exceptional items, attributable to the owners of the parent company during the period – basic and diluted	**3.4**	3.4

Adjusted earnings per share is 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.

It is pleasing that good sales growth was achieved both Domestically (UK and Ireland) and Internationally, at 9.1% and 9.9%, respectively (on a proforma basis). Sales continue to do well in the USA with our Tecotherm product and our Inspire nCPAP range continues to grow around the world using our distribution partners and strategic alliances.

The main fall-out from Brexit was the volatility of exchange rates which has impacted our cost of goods, particularly of distributed products. However, we have been able to take some actions to partly mitigate the impact: including selective price increases, renegotiating purchase prices as well as benefiting from currency movements on international sales. The net result for the Group has been a slight decline in gross margin.

Our 2017 Operating Profit (before exceptional items) at £1.2m was in line with expectations and reflects an increase on the 2016 Proforma Operating Income of 5%.

Chairman's Report continued

The first full year results as a combined entity reflect a continuation of the sales momentum from the privately held company and we expect this to continue throughout next year, albeit we face headwinds in our growth programme as a tougher regulatory environment will slow new product introductions.

Regulatory standards for Medical Device companies have continued to become more stringent over recent years. Patient safety is paramount and underpins everything we do. The exhaustive testing for verification and validation of innovative new products is necessary to ensure the safety of our products. The Group will be making further investments in Regulatory Affairs and R&D resources to increase our capacity to meet the heightened regulatory requirements and minimise any impact on speed to market of new products.

During the year, we were delighted to attract some significant new shareholders to the business, following a secondary placement by the founder shareholders. More details are set out on page 41. The founder Director shareholders still retain 28% of the shares.

It was a sad moment when we closed the manufacturing facility in South Yorkshire and it is a testament to the staff that were affected, who remained loyal and professional throughout the process. On behalf of the Board I would like to thank them for this and wish them well for the future. We remain convinced that this was an important and correct decision and we will benefit from outsourced manufacturing giving greater flexibility in the future.

"Regulatory standards for Medical Device companies have continued to become more stringent over recent years. Patient safety is paramount and underpins everything we do."

Employees

We are delighted to report that we are a Living Wage employer, accredited by the Living Wage Foundation. The Living Wage Foundation recognises employers that pay all employees at or above an hourly rate calculated based on the cost of living in the UK.

We are committed to attracting, retaining, engaging and developing the best people. We know that creating and sustaining an inclusive work environment is critically important, offering equal opportunity from the Boardroom down regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

We have continued our policy of retaining our loyal staff through the short-term peaks and troughs of demand. We acknowledge the hard work and endeavour from our staff and on behalf of the Board, I thank them most sincerely for their continued support.

Looking forward

This year, we believe we will benefit from the marketing groundwork on our products focused around birth and the first few moments of life, along with new products in development that should reach the market.

We intend to strengthen our internal resources and invest in our systems and processes to keep pace with the greater regulatory requirements referred to above in order to enhance our platform for future growth. Accordingly, we expect some additional expenses going forward and that some sales will move from the first half to the second half.

The impact of Brexit and the value of sterling still presents some challenges to a company our size that both imports and exports goods. Our cash reserves and cash collection remain strong and we believe that we are well positioned for the year ahead.

Our expectations for underlying full year growth remain robust and unchanged albeit new product growth will inevitably be slowed as explained above. Notwithstanding the additional revenue investment, we plan to maintain our returns on a growing revenue line.

Mark Abrahams
Chairman
3 May 2017

Business Model

"Improving patient outcomes through innovation, research and life-saving customer service."

Inputs

- *Strong culture of caring for patients and customers*
- *Strong relationships with NHS Teaching Hospitals and opinion leaders*
- *Strong knowledge of critical care markets*
- *Strong knowledge and understanding of regulatory environment*
- *Responsible, skilled staff*
- *Strong network of manufacturers of third party critical care products*

What we do

- *Invest in R&D to continuously innovate and evolve best practice*
- *Maintain effective relationships with key opinion leaders*
- *Regulatory compliance in domestic and selected international markets*
- *Provide best in class, responsive customer service*
- *Continuously improve service efficiency*
- *Prioritise and enter new international markets*
- *Active management of third party suppliers*

How we generate revenue

- *Through providing:*
  - *capital equipment*
  - *consumable medical devices*
  - *technical services*
  - *planned maintenance*
- *In NHS and private hospitals*
- *In International Markets*
- *Combination of Inspiration own branded products sold globally and distributed products sold domestically*
- *Launch 1-2 new products per year from R&D pipeline*
- *Penetrate new geographical markets*

How we add value

- *Patient Focused – continuously develop and improve products and patient outcomes*
- *Best in class customer service with short lead times*
- *Proactive marketing and communications to existing and prospective customers*
- *Support clinical research*
- *Retain and grow market share*

Why customers choose us

- *Clinical expertise and understanding*
- *Focus on improved patient outcomes*
- *Trusted supplier*
- *Reputation*

Our Business

"To develop outcome-enhancing products for intensive care patients and to promote these globally. We are passionate about improving patient outcomes through innovation, research and life-saving customer service."

"We pride ourselves on our ability to supply outcome improving medical devices."

Our Business – Patient Focused

At Inspiration Healthcare Group plc, we pride ourselves on our ability to supply outcome improving medical devices in the areas of neonatal intensive care and patient warming.

Our products in the UK and Ireland are supported by 24/7 Clinical and Technical Support which differentiates us from our competitors.

The patient focussed ethos drives our business to not only supply these innovative medical devices to meet our customers' needs but also to add value to our customers through life saving customer service and Technical Support. Where we do not have a direct sales operation, we choose distribution partners who have a similar ethos to us bringing together their core values with ours.

Most of our staff are customer facing, in Sales, Marketing, Customer Service or Technical Support. By heavily focussing on our customers' needs we are instantly aligned with not only the current best practice in the fields we operate in, but also their future needs. With manufacturing outsourced and largely self-sustaining, we can use our energies and resources to find the latest technologies to develop into new products that will become the norm of clinical practice in future years.

We are immensely proud of British manufacturing and, when we determined that the economies of scale of production in our Yorkshire factory could not justify the management resources required to run it, we chose to outsource manufacturing to UK suppliers who could give us quality products at the right prices with the right level of management needed for a company of our size. Our management strategy to utilise third party suppliers with key expertise to ensure cost effective high quality medical devices frees up our time to focus on patient need.

Our Products – Outcome Changing

Our core Inspiration Branded products are used in Neonatal Intensive Care with a focus on the first few days of life. Additionally, we supply warming products to the Operating Theatre for patients undergoing surgery. Innovation is part of our DNA and finding technologies to supply to customers worldwide to improve the outcomes of patients is something we are passionate about.

Distributed products in the UK add to our value proposition by enabling greater customer support. We supply niche products to such areas as parenteral feeding to patients who cannot eat solid food, and oxygenators for patients undergoing complex heart surgery.

Our Business continued

Finding products that offer clinical advantage is a challenge. We believe that working with Clinical Researchers helps us to identify the products of the future and any gaps in the market in the present. By looking to either develop our own IP, or partnering with 3rd parties we believe we will always have a cutting-edge product portfolio. This both adds value to our customers and ensures profitable growth for the benefit of our shareholders, employees and all other stakeholders.

Our Technology – Research Driven

At Inspiration we have always worked with the research community, supporting clinical trials through supplying logistics, equipment and helping with training and Technical Support. This has given us an enviable reputation within the industry for a company our size, and leads us to know what future patient needs will be.

As we have moved from solely being a distributor, through to having licensed products and onto developing and owning our own IP, we are now ideally placed to ramp up investment in product development. To this end we recently opened a new corporate head office complete with enhanced R&D facilities. With a greater emphasis on R&D we expect to be able to increase the number of projects that we are running and introduce new products.

Our Markets – Pioneering

Our domestic market (UK and Ireland) proposition is well developed and our objective is to expand this proposition into key international markets. New products are required to enable us to penetrate these international markets hence our focus on research and development. Our first priority is to focus on our tier one countries in Europe, North America and the Middle East.

Within these countries, we have a network of long standing and highly qualified distributors who have built strong relationships with hospitals thus enabling them to successfully deliver and support our outcome changing technologies in international markets whilst allowing us to maintain our focus on patient outcome.

Our roadmap for product development focuses on developing our proprietary technology to deliver the benefits of low energy warming to patients in different areas of Critical Care as well as the time immediately after birth and the first precious few weeks of life. It is hugely rewarding for our team to be able to have a positive impact on patient outcomes even before the first breath of life.

"In the year ended 31 January 2017 we invested 4.4% of our revenue into new product development."

Inspiration Branded Products

LifeStart™

Our LifeStart product when coupled with our CosyThermTM can provide a warm stable safe environment for the newborn whilst the medical team assess them and determine when to cut the umbilical cord and resuscitate. Both products are designed in house by the Inspiration Healthcare team allowing us to control every aspect of the product including technological upgrades, cost reduction opportunities and regulatory compliance requirements.

LifeStart™
Neonatal Resuscitation Unit

Tecotherm Neo™
Thermoregulation device

Tecotherm Neo™

The Tecotherm Neo allows babies to be either cooled or warmed during the first few days of life which can have tremendous benefits for babies who unfortunately have had a traumatic birth and have needed prolonged resuscitation. Manufactured by our technology partners in Germany, we have been offering the Tecotherm range for over 13 years, including to the TOBY trial, the largest clinical trial showing the outcome changing affect of cooling babies.

Distributed Products

Acutronic Fabian HFO™

We are proud to have worked with Acutronic since 2003 supplying their ventilator systems for premature and sick babies. Being able to sell a range of products from other manufacturers allows our sales team to build relationships with customers as well as become a trusted advocate in their field.

Acutronic Fabian HFO™
Neonatal ventilator

Our Business continued

Our product strategy continues to build upon that of previous years; we will actively look for therapeutic solutions with an element of capital equipment which we can enhance with planned preventative maintenance contracts, along with consumable medical devices. We recognise that, overall, our products will blend all these elements benefitting the Company with more consistent revenue streams (from Technical Support and consumables) along with large 'one off' capital projects.

We look at our portfolio of products in the following way:

Inspiration Branded Products

Inspiration branded products demonstrate our sector expertise and allow us greater control. We have a combination of:

- *Products where we control the intellectual property, know-how, manufacturing rights and the design. This gives us control of the product design, the costs and the route to market. In the year ended 31 January 2017 we invested 4.4% of our revenue into new product development with the first products coming through the pipeline in 2018.*

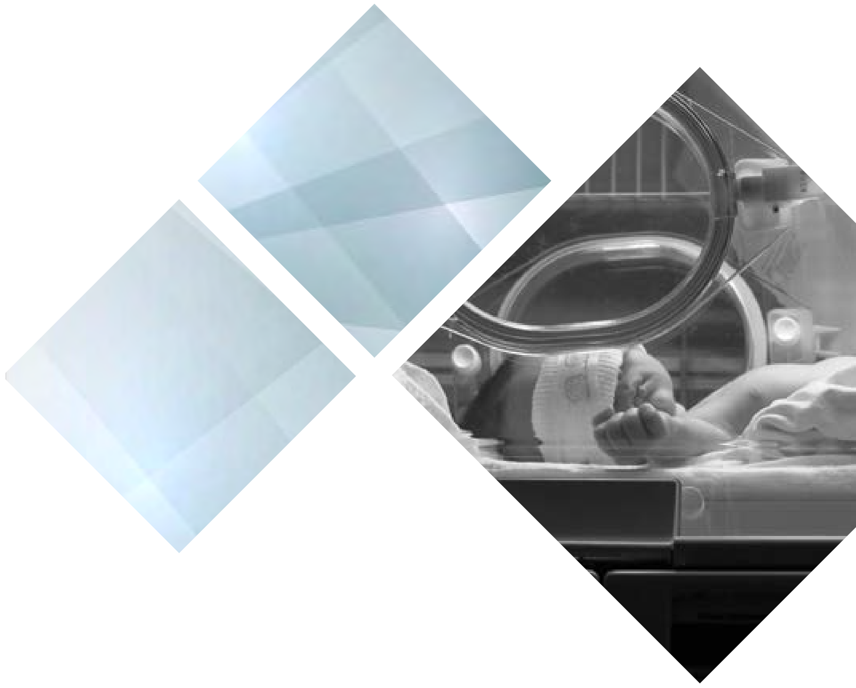
And;

- *Products for which we have exclusive worldwide licenses and are manufactured under our Inspiration brand. For these products the design, IP and regulatory status is controlled by a 3rd party with whom we have a close partnership.*

Distributed Products

Products for which we have an agreed relationship with the manufacturer to sell their products in certain territories, mainly UK and Ireland. These products may earn lower gross margins, but need less capital, typically generating growth more quickly. Distributed products add value to our customer proposition as we can offer a more comprehensive product range. We will continue to look opportunistically to add more distributed products into the product portfolio where they can add value to the rest of the product range.

All of our products are supplemented by our Technical Support team especially in the UK and Ireland.



Market Segments

Critical Care

Our Inspire range including nCPAP™ and rPAP™ offer gentle non-invasive respiratory support from the first breath of life. The rPAP can be used to resuscitate and stabilse babies who have difficulty in establishing breathing on their own; whereas the nCPAP range gives longer term respiratory support until the baby can breathe on their own. Both significantly reduce the effort the baby has to use to breathe on traditonal systems, making them ideal for premature babies.

Inspire rPAP™
Non-invasive device for the initial stabilisation and resuscitation

Alpha system
Patient Warming System

Operating Theatre

The Alpha system originally developed by Inditherm helps patients maintain their temperature during surgery. Guidelines around the world (including NICE in the UK) highlight the need for preventing hypothermia and for warming any patient having surgery lasting 30 minutes or longer. Being able to lie on a warm pad offers significant advantages over alternative technologies such as warm air blowers as they do not hinder access for the surgeon or risk airborne infection.

Home Healthcare

Partnering with Micrel allows us to open a new market for patients who cannot eat solid food. Parenteral feeding is important for a small group of patients and working in this field increases our expertise. Numbers of patients may be small but our reputation is enhanced with both the NHS and home healthcare companies as a supplier of high quality products and customer service.

Mini Rythmic™ PN+
Parenteral Nutrition pump

Our Business continued

Market Segments

Our expertise is in bringing a broad range of life improving products to our customers, largely health authorities in the UK and via distributors exporting to over 50 countries. 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 Inspiration Branded and Distributed products are sold across three market segments as set out below. The revenue of each of these segments is discussed in the Operating and Financial Review set on pages 28 to 31.

- ***Critical Care****: our largest business area. The main source of revenue comes from the Neonatal Intensive Care Units (NICU). Products for premature and sick babies include our Inspire range (non-invasive respiratory support), Tecotherm Neo (for thermo-regulation) and LifeStart (for optimal cord clamping). Additionally, in the UK we complement these with a range of distributed products including ventilators, incubators and a range of consumable products.*
- ***Operating Theatre****: this is an important area for future growth of our business. We sell the Inditherm Alpha system and 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****: this segment represents a broad range of niche products mainly for parenteral feeding and other products that are used in non-critical care situations. We are able to add products in this segment because of our extensive relationship with suppliers and customers.*

"By supporting research the Company has gained the respect of key opinion leaders in the field of Neonatology and is leveraging these relationships to develop products, ideas and improve its brand recognition."

Revenue Streams

Capital Equipment

Our Unique CFM allows doctors to examine the brain in a simple effective way.
By using just a few electrodes, doctors can get a picture of the total injury of a baby's brain and that can help lead to an appropriate treatment pathway and help explain what is wrong to anxious parents with images as well as words.

Unique CFM
Brain monitoring

Sucrose
Calm and comfort for babies

Consumable Medical Devices

Sucrose at 24% w/v, has been shown to reduce pain experienced by babies in the first few months of life. Inspiration Healthcare helped pioneer the use of sucrose by supplying a single patient use product in 2003. Now in neonatal intensive care nurses are able to give sucrose for pain relief as appropriate from a disposable vial, reducing wastage and the risk of cross-infection.

Technical Support

Planned preventative maintenance is a fundamental need for life support equipment. We offer a range of options for hospitals from a contract with ourselves, through to training biomedical engineers in the hospital. Additionally, supplying spare parts to repair or prevent breakdowns. Equipment is usually serviced once a year, sometimes twice throughout the lifetime of the equipment which can be in excess of 10 years.

Technical Support
Maintenance and equipment support

Our Business continued

Revenue Streams

Within the market segments described earlier, revenue includes consumable medical devices, Technical Support and other items of a non-capital nature, which are expected to recur on an ongoing basis. 66% of our revenue in 2017 was recurring. Consequently, our business is less reliant on capital budgets in health systems around the world which come under increasing pressure during economic downturns or uncertain times. Our growth is enhanced by introducing new and innovative capital products which in turn generate further revenue from spares and after-market support. In particular, our product range includes:

- ***Capital Equipment**: Typically, a piece of capital equipment will cost in excess of £1,000 and used in a hospital for more than 2 years. It would be used on many patients during that time with appropriate cleaning and disinfection between use as well as planned preventative maintenance. Our capital range includes our own brand of the Tecotherm, Alpha patient warming, Unique CFM and LifeStart. These products are complemented in the UK and Ireland by a range of distributed products including incubators, ventilators, and infusion pumps.*
- ***Consumable Medical Devices:** Consumable products are designed for single use by one patient. Sometimes they can stay with a patient for a few minutes, sometimes longer than a week, but are always discarded after use. 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 Support:** A range of service options from planned preventative maintenance, to ad hoc repairs along with the selling of spare parts and training courses.*

“Strong recurring revenue is generated from consumable products and Technical Support with 66% of revenue coming from these areas in 2017.”

Chief Executive Officer's Report

Neil Campbell
Chief Executive Officer

Our strategy

We are a medical technology company with our core activity in neonatal intensive care and patient warming.

By supporting research, Inspiration Healthcare has gained the respect of key opinion leaders in the field of Neonatology and is leveraging these relationships to develop products, ideas and improve its brand recognition.

In order to efficiently drive the business towards our strategic aims, we will develop and acquire technologies to become a leader in the field of Neonatal Intensive Care with a comprehensive portfolio of products for the treatment of premature and sick babies. In particular, our focus will be in resuscitation, thermoregulation and respiratory support of the newborn.

Additionally, we will leverage our existing products for the Operating Theatre in the field of thermoregulation with potential to expand into anaesthesia and surgical markets.

Review of Our Business and Future Developments

During the last year, we implemented a number of strategic initiatives to improve and re-structure our business.

Product Offering

The drive towards re-engineering our product portfolio towards patient warming and neonatal intensive care will continue as we add to our value proposition in terms of customer service and technical support. A mixture of products that contribute from capital sales and recurring revenues is something that we continue to develop and supply around the world with key partners.

Chief Executive Officer's Report continued

Outsourcing Manufacturing

Closing our factory in Rotherham, South Yorkshire, was a major decision and not one taken lightly. Manufacturing has not historically been one of our core competencies or success factors. In simple economic terms the factory, which was acquired through the reverse acquisition of Inditherm in 2015, was too expensive for the volume of business we were putting through it. The staff were excellent throughout a difficult period across all our sites, and moving manufacturing to other companies will allow flexibility in the future as we expect demand to grow in our products when we release new improved offerings out of our R&D portfolio.

Research & Development Prioritisation

Looking at which products will make a difference in the future is something we have always been good at. However, when looking at the products we acquired as part of Inditherm, we were conscious of not rushing investments and making the wrong decisions. Over the past year we have reviewed, specified and prioritised our new product development. We are now in a great position to release new versions of our LifeStart and Alpha ranges during 2017, coupled with improvements we have identified in our Unique CFM along with the Tecotherm range. Regulatory compliance is becoming more stringent but with the right investment and perseverance we believe we can drive new products to market in a timely manner.

R&D underpins our strategy of increasing the proportion of revenue from Inspiration Healthcare branded products, thus generating higher gross margins. Consequently, we plan to further increase our investment in R&D resources during 2017.

Corporate Head Office

It was an immensely proud moment for all of us in the Group when Henry Smith MP officially opened our new corporate Head Office in Crawley early in March 2017. The office encompasses improved R&D facilities that will allow our new products to be developed. We have already welcomed some key distribution partners and principals to our new facilities and we look forward to welcoming more.

We believe our business is stronger for the decision we have made: investing in our people, our systems, processes and most importantly customers.

> "By supporting research, Inspiration Healthcare has gained the respect of key opinion leaders in the field of Neonatology."

Our Markets

The 'Our Business' section described how we look at our business in different ways. Overall our markets can be shown in the table below. Market size is always difficult to determine when you have a range of niche products that can fall into different segments.

We supply our products to over 50 countries around the world, through a network of distributors. Each market has different characteristics and many have different regulatory compliance needs, as well as local cultures and customs. Not only this, but medicine can be practised subtly differently in each country making it sensible for us to use distributors in different countries that have specific expertise in their sector.

In our business we have many products in our portfolio that can be sold into the domestic markets as a distributor and a range of products that we sell under the Inspiration Brand around the world. When looking at the potential of our markets we see huge opportunity in the area of patient warming in the operating theatre, where there is a large established market need that has a few dominant players. Additionally, in critical care we have identified a large opportunity in the subsector of neonatal non-invasive respiratory support and thermo-regulation, this is where our current core activities are focussed at the moment.

We have tried to determine a realistic market size within the therapy areas we are targeting and the addressable market that we could currently access within that market with the technologies we currently are selling or developing. We feel that the figures we set out in the table below are realistic for a company of our current size to aspire to achieve through organic growth.

We had strong performances in Europe and the US during 2017, growing revenues by 24% and 141% respectively, and these markets will continue to be a key focus in 2017 and beyond.

Global Market Size and Opportunity

Critical Care Inspiration Branded		Operating Theatre Inspiration Branded		Home Healthcare Distributed[1]	
Neonatal thermoregulation/ non-invasive respiratory/ developmental	£350m*	Patient Warming	£200m*	Parenteral Feeding	£6m*
Addressable Target	10%		10%		50%

*Based on management estimates

[1]Domestic only

Chief Executive Officer's Report continued

Regulatory Affairs and Quality Assurance

Medical devices are highly regulated and rightly so. Poor quality systems and management can have a detrimental effect on patient health. Regulatory compliance in the environment in which we work is increasing, meaning new products have to undergo more stringent verification and validation before they can be used on patients. This requires additional expertise and resources to ensure timely compliance. We are experiencing longer lead times from Notified Bodies (companies that review documentation to allow products to be placed on the market) as well as a more in depth critique of our submissions.

New regulations such as the Medical Device Regulation that will come into force in the EU over the next few years are currently being worked on. We will be investing more heavily in Regulatory Affairs and Quality Management. As well as planning for the future, this will strengthen our position with our current products, allowing regulatory clearance in more markets.

Impact of Brexit

The impact of Brexit creates some uncertainties for our business. However, the Board considers that the Group is well placed to address the impacts. The Group operates in broad global markets with products both sourced and sold across the world, providing a good spread of sales opportunities. We have never experienced tariffs being applied to neonatal intensive care products and do not expect this to change post Brexit. Whilst there is currently considerable volatility of exchange rate movements the Group has some natural hedges already in place and will continue to monitor currency exposures and implement appropriate short-term currency hedges as necessary.

Sales and Marketing

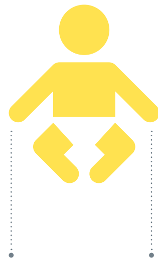
The world market for medical devices remains strong although it comes under increasing scrutiny as governments look to reduce health spend per capita. This drive for value for money from healthcare providers is welcomed but companies such as ours need to ensure that we show the benefits of our products so that customers can purchase with confidence. Health systems and Governments need to recognise that the drive for regulatory compliance and patient safety comes at a cost, as does innovation.

Our marketing team engage with the key opinion leaders, to understand clinical practices and ensure that the products we have in the portfolio carry enough of a blend to add value to our sales team and our distribution partners.

Over the year, we have spent time and resources in re-branding some of the old Inditherm products and rationalising the range to ensure we have a mix with the right value proposition for our sales teams. Additionally, we have been aligning the products, for example, between our LifeStart product, for providing a warm stable platform for babies to be resuscitated once the umbilicus has been clamped, and the rPAP resuscitation / stabilisation system for delivering gas to the baby.

Several years ago, we recognised that new-born resuscitation had been under developed from a device point of view and we are excited to have started to change this. Our LifeStart product that offers a warm, safe and stable platform for the Paediatrician to determine when to clamp the cord and start resuscitation, along with our Inspire rPAP product range that reduces the effort that a baby must make just to stay alive. Being able to keep the mother, father and baby as a family unit during the trauma of a difficult birth should be the norm.

752,000
births in Great Britain in 2015



1 in 10
require assistance to breathe at birth

1 in 9
are born premature

"Being able to keep the mother, father and baby as a family unit during the trauma of a difficult birth should be the norm."

International Sales

International Sales growth is paramount to our Group. In 2017 we built an experienced team managing our distribution network around the world ensuring that we have the best placed distributors to help us gain market share.

Our International Sales team continue to work on both large tenders in countries where there is central decision making for standardisation of equipment, as well as recurring business throughout our core markets. This year our revenue from our Tecotherm Neo in the USA increased and this is expected to continue as we promote the device for cooling and warming babies in intensive care. The Inspire nCPAP range performed well around the world as we increase the opportunities for customers to purchase through our different distribution partners. Additionally, we are now in a strong position to leverage the work we have done in previous years to make the rPAP and LifeStart a success. Marketing initiatives include supporting clinical trials in countries such as India, Bangladesh and the United States, which we expect to benefit from in future years.

Recent International Highlights

- Supporting the VentFirst Trial in the USA and Canada
- First significant Inspire nCPAP™ order from our Peruvian distributor
- Sale of the first dedicated Therapeutic Hypothermia system for the newborn ever in Bulgaria*
- Appointment of first distributor in East Africa
- Growing interest in Managed Service Contracts through our Mexican Distributor
- Supporting the CUPID Trial in Ireland
- Medical device registration received for the Tecotherm Neo™ in Russia
- First order for the Tecotherm Neo™ from our distributor in Thailand

*post year end

Chief Executive Officer's Report continued

UK Sales

Our UK sales slowed mid-year due to budget reviews within the NHS, possibly due to Brexit, and uncertainty in the economy. Revenue picked up towards the end of the year and overall ended up in line with our expectations.

Having re-structured the UK team last year, we are making progress in the areas of Operating Theatre and Home Healthcare, albeit slower than we would have liked. Furthermore, there is interest in our recently revised managed service offering which is challenging the thinking of NHS Trusts in the UK to determine if patient warming should be funded from revenue budgets or be bought outright.

I would like to thank the team for their patience and tenacity to achieve the sales growth.

Technical Support

In our Technical Support operation, we continue to benefit from growth partly due to capital sales in previous years. Contracts are usually paid in advance which has benefits for our cash flow and security of revenue streams. Our team consists of Engineers and Technicians in the UK and Ireland who not only carry out planned preventative maintenance on Life Support equipment but also support our 24/7 customer service with emergency breakdown cover and advice for hospital biomedical staff. We expect this offering to further contribute to growth in 2017.

For our overseas customers, we offer support through training programmes, ensuring that our distribution partners have the same level of expertise to support their customers.

Acquisitions

Whilst developing our own products through our R&D pipeline is a key aspect of achieving our strategy, we will also seek to acquire technologies that fit our strategic markets described above. These may range from accretive product added to our range or established businesses that we believe complement our current activities.

IT and Infrastructure

Our IT system continues to develop and we have now moved to a Cloud based Infrastructure that will allow greater flexibility for our staff going forward.

We are aware of the threat of 'cyber attacks' to our business and have robust strategies to minimise the risk to our business.

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 Board agenda.

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 and 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. Increased competition could reduce turnover or negatively impact anticipated margins. 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 markets depends upon the successful introduction of these new products, and their clearance through ever increasing regulatory requirements. Product developments may get delayed or prove technically challenging to achieve which may lead to slower introduction or be more expensive to deliver. 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.

Finding Acquisitions and Integration

The stated strategy of the Group is to grow by a mixture of organic sales growth and acquisitions.

The Group may not be able to find suitable acquisition targets at acceptable prices. The Executive Team have an extensive knowledge of our target market sectors including a broad network of key players which helps keep it abreast of developments and opportunities, however successfully engaging with other parties to acquire products or businesses is not wholly within our control.

Until the first acquisition is fully integrated the Group might not deliver all the logistics, service and sales synergies identified in the business case. The Group has implemented business systems and processes that will comprise the basis for the integration of future acquisitions.

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

Chief Executive Officer's Report continued

problems maintaining quality standards and delivering product to specification, or there are problems in upgrading such products or services, the Group's business will be adversely affected and may be unable to find adequate replacement services on a timely basis, or at all. Our Supply Chain Manager meets regularly with Sales and Service Management to ensure that customer expectations can be met, as well as being in regular contact with suppliers. 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. The Group is taking out key-man insurance for the Chief Executive Officer and Group Sales Director.

Health & Safety

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

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. The volatility in currency movements since Brexit has heightened the uncertainty of supply prices. However, the balance of imports and exports, which provides a degree of natural hedge, is constantly monitored, as is the Group's hedging policy to ensure that risk is minimised.

Changes in legislation and regulation

The medical device industry is highly regulated and each territory in which the Group operates is subject to its own robust legal and regulatory regime. The Board note that regulations are becoming ever more stringent. Regulatory approvals are required to market and sell medical devices into both the UK and key export markets. The Group 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.

The Board are pleased to continue to invest in this fundamental activity to ensure we comply to current regulations and have foresight of future changes. However, there can be no guarantee that the Group will be able to retain its certificates and other licences required to sell its products into its markets. If such loss were to occur, it would restrict the Group's ability to service its customers or sell certain medical devices which could have an adverse impact on its business, prospects, financial condition and results of operations.

IP & Data

The Group has Intellectual Property that it needs to protect. This can be in the form of new ideas, marketing specifications, customer requirements and financial data. Our patents and other intellectual property may not prevent competitors from independently developing or selling products and services similar to or duplicative of ours, and there can be no assurance that the resources invested by us to protect our intellectual property will be sufficient or that our intellectual property portfolio will adequately deter misappropriation or improper use of our technology. We could also face competition in some countries where we have not invested in an intellectual property portfolio. We also face attempts to gain unauthorised access to our IT systems or products for the purpose of improperly acquiring our trade secrets or confidential business information. The theft or unauthorised use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position and the value of our investment in research and development.

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 Group seeks protection of IP and does not intentionally infringe the IP of others, but there can be no guarantee that legal proceedings will not arise from a potential conflict in areas of key intellectual property.

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

Chief Executive Officer's Report continued

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 level 1 (minimal) as we work in a highly regulated industry.

Dividends

The Board is committed to developing a dividend policy which allows for growth. At present the Group reinvests earnings in financing the growth of the Group's business in line with its statement at the time of re-admission to AIM. However, as a result of the historic trading losses of Inditherm plc, the Company has negative distributable reserves which prohibits dividend distributions. The Board is proposing a Capital Reduction via a special resolution to be considered at the upcoming Annual General Meeting in 2017. If passed and subsequently approved by the courts, this would provide the Board with the flexibility to distribute profits to shareholders as dividends, subject to the financial performance of the Group. The Board would stress that although the Capital Reduction would allow the ability to pay future dividends there will be a significant retention of earnings within the Group to finance growth.

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:

	Actual 2017	Proforma 2016	Statutory 2016
Revenue growth %	**9.4%**	14.8%	28.7%
Proportion of revenue from international markets %	**29.1%**	29.0%	31.7%
Revenue from Inspiration Healthcare branded products %	**45.2%**	43.7%	42.4%
Gross margin %	**44.4%**	45.6%	44.9%
R&D % of Revenue (net of grant income)	**4.4%**	2.3%	2.4%
Operating margin (before impairment of goodwill and intangible assets and exceptional items) %	**8.1%**	8.5%	10.6%
EPS (Adjusted)*	**3.4p**	3.4p	4.1p
Asset turnover ratio (times, total assets)	**2.3**	2.3	2.7

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.

*EPS before impairment charges and exceptional items

Neil Campbell
Chief Executive Officer
3 May 2017

Operating and Financial Review*

Mike Briant
Chief Financial Officer

"Technical Support is a core part of our business, which adds value to distribution and helps differentiate us from competitors."

Our revenue grew by 9.4% during the year ended 31 January 2017 ("2017") with good growth being achieved both domestically and internationally.

Operating profit before impairment charges and exceptional items was £1.2 million (2016: £1.1 million on a proforma basis) and in line with expectations. Underlying operating margin for 2017 was 8.1% (2016: 8.5%). Profit after tax was £0.3 million, up £0.7 million on 2016. Adjusted EPS** was constant at 3.4p per share.

On a statutory basis reported operating profit was £0.4 million for the year (2016: £0.1 million) with operating profit before exceptional items of £1.2 million (2016: before impairment charges and exceptional items, £1.3 million). Profit after tax increased by £0.3 million from 2016. Adjusted EPS** declined from 4.1p to 3.4p as the statutory results for 2016 do not include a full year of trading losses of Inditherm plc.

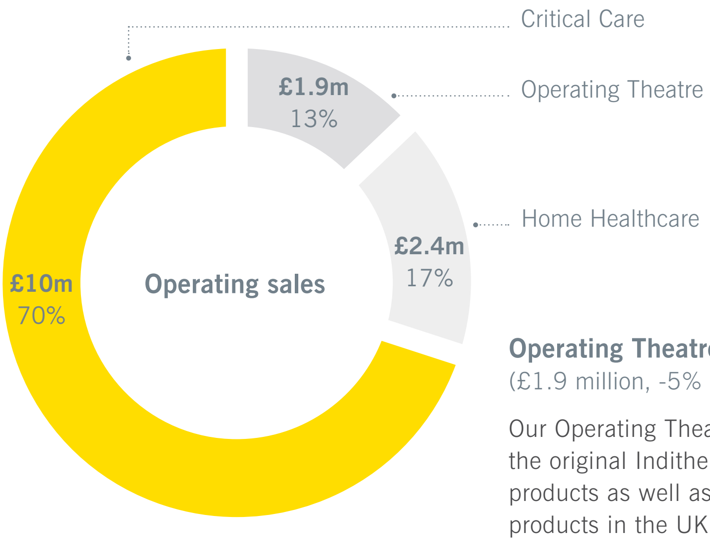
Revenue

From a revenue perspective, the overall performance of the Group was in line with expectations at £14.3 million (2016: £13.1 million), an increase of 9.4%. Domestic revenue growth was 9.1% and international revenue grew by 9.9%.

On a statutory basis 2016 revenue was £12.3 million.

*In the Operational and Financial Review, all comparatives to 2016 are, unless otherwise stated, to the unaudited Proforma Consolidated Income Statement for 2016 ("Proforma") as set out in the Chairman's Report. The Proforma has the impact on 2016 of increasing revenue by £0.8 million and reducing operating profit (before impairment charges and exceptional items) by £0.2 million.

**EPS before impairment charges and exceptional items



Critical Care

(£10.0 million, +11% year on year)

Our Critical Care business grew strongly with domestic sales up 10.4% and international sales up 13.0%. The re-organisation of the UK salesforce in 2016 to create a dedicated team including a full time Critical Care sales manager has reaped benefits and underpinned the sales growth in this division. Whereas the Domestic 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 strong progress in both North America and Europe.

Our Technical Support 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 Support 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. Service revenues increased 17% year on year.

Operating Theatre

(£1.9 million, -5% 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.

As expected, the performance reflects a slight decline in revenue for the products acquired from Inditherm in the reverse takeover in 2015 as we restructured this area of the business. Not only have we rationalised the product range to improve manufacturing efficiency, outsourcing production and closing our Rotherham facility towards the end of the year, we also commenced the repositioning of the pricing proposition. By challenging the commercial offering in the UK to offer longer term managed service contracts, thus generating recurring revenue over three years or more rather than an outright one-off sale, we can access NHS revenue budgets.

We expect to continue to increase the customer base and long term revenue as we continue to roll out this new offering to the NHS. We have been extremely pleased in the interest from new and existing customers who were previously unable to secure the large initial capital funding to proceed with our offering. Removing this barrier has significantly strengthened our position in this ever-competitive price sensitive market.

2017 Financial Highlights

Revenue up by 9.4% to

£14.3m

(16.7% on a statutory basis)

International revenue up by

9.9%

Domestic revenue up by

9.1%

Operating Profit
before impairment charges and exceptional items

£1.2m

Operating margin

8.1%

R&D investment up to

4.4%

of revenue

Year end cash

£2.2m

Home Healthcare

(£2.4 million, +14% year on year)

We continue to see growth in our parenteral feeding product offering sharing experience with other infusion based products in the portfolio.

The industrial business of Inditherm has made a small contribution to this segment in 2017, but following a strategic review of the business, the decision to close the Rotherham facility during the year resulted in this business being discontinued.

Gross Profit

Gross Profit at £6.4 million increased by 6.4% over 2016 (£6.0 million). Gross margin declined to 44% from 46% due to the impact of exchange rate movements between Sterling and the Euro since "Brexit". This adversely impacted the gross margin of Distributed products which are sourced in Euro and largely sold domestically in Sterling. Some mitigation of the impact of exchange rates was achieved through selected price increases and supplier negotiations. Gross margins of Inspiration Branded products have held up well.

Operating Expenses

The year on year increase in operating expenses (before impairment charges and exceptional items) of £0.5 million is primarily due to higher investment in people-related costs to strengthen Sales and Marketing. Operating expenses (before impairment charges and exceptional items) amounted to 36.3% of revenue, improved from 37.2% in 2016.

Other Income

Other income was £nil in 2017 compared to £0.3 million in 2016, all of which related to one-time grant income received during that year. The Company will seek to apply for grants as and when the opportunity arises and the qualifying conditions can be met without compromising the direction or timing of the R&D project.

Exceptional Items

The Group presents certain items as exceptional items that are non-recurring and significant. These relate to items which, in the Board'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 in 2017 consist of £0.1 million of severance costs following the change of Group Finance Director and £0.6 million for the closure of the Rotherham facility and associated impacts. See note 7 of the Consolidated Financial Statements for more detail.

Taxation

The Group has recorded an income tax expense of £132,000 (2016: £136,000). For more detail see note 9 of the Consolidated Financial Statements.

Operating and Financial Review continued

Cashflow

The year-end cash and cash equivalents reduced to £2.2 million from £2.3 million in 2016. Cash generated from operations of £0.8 million was offset by payment of taxation £0.2 million and investing activities of £0.7 million. The primary areas of investment activity related to property, plant and equipment £0.3 million, including the new Corporate Head Office in Crawley, and £0.3 million of capitalised research and development expenditure.

Review of Business and Future Developments

On a Group basis the business review and future prospects are set out in the Chairman's Report on pages 5 to 8 and the Chief Executive Officer's Report on pages 18 to 27. Key performance indicators are provided on page 27. Due to the change in the structure of the business following the reverse acquisition during the year ended 31 January 2016 the Directors have included within the Chairman's Report, on page 6, a 12 month Proforma Consolidated Income Statement (unaudited) for 2016 as a comparison of performance to 2017. This comparison for 2016 is used by the Board as the basis for comparisons of financial performance for the year. The Board believes that overall the Annual Accounts and Consolidated Financial Statements are fair, balanced and understandable.

Share Price during the Year

The range of market prices during the period 1 February 2016 to 31 January 2017 was 34.0p to 73.5p and the market price of the Company's shares at 31 January 2016 was 60.5p.

Mike Briant
Chief Financial Officer
3 May 2017

2 Governance

Statement of Corporate Governance

As Chairman of the Board it is my responsibility to ensure that the Company has both an effective corporate governance and Board leadership. As our Company's shares are listed on AIM, we are not required to and do not comply with all the requirements of the UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (the Code). During the year we joined the Quoted Companies Alliance and explain below how we have applied the main provisions of both the Code and the QCA Principles. In particular, it is the intention of the Board to present an Annual Report and Financial Statements that are fair, balanced and understandable.

The Board

The role of the Board is to ensure the Company delivers long term value for shareholders and stakeholders. The Board is also charged with establishing the governance, values and strategic aims of the Company and is responsible for its management, direction and performance.

The Board provides entrepreneurial leadership within a framework of prudent and effective controls for risk assessment and management. While the Board has a formal list of matters specifically reserved for its decisions, it delegates its authority to its various Committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management.

The matters reserved for the attention of the Board include:

- *overall business strategy;*
- *review of key operational and commercial matters;*
- *review of key finance matters, including approval of financial plans, changes to capital structure, acquisitions and disposals of businesses, material capital expenditure and dividends;*
- *governance, including the appointment and removal of Board members, set up and delegation of matters to committees, and the reviewing of reporting back thereof;*
- *approval of financial statements;*
- *stock exchange related issues including the approval of communications.*

The Board is made of up three Executive Directors and three independent Non-executive Directors. Details of the Board members are on pages 38 and 39. The Board is chaired by Mark Abrahams who has held this post for 16 years, including time served as Chairman of Inditherm plc.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. He is also responsible for creating the right Board dynamic and for ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The Executive Directors are responsible for the day-to-day running of the business and developing corporate strategy while the Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate and distinct. The division of their responsibilities is documented in writing and approved by the Board. Our Senior Independent Non-executive Director, Bob Beveridge, acts as a sounding board to the Chairman and other Directors when necessary. 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 Board met thirteen times in the year; a calendar of meetings and principal matters to be discussed is set out at the beginning of each year. A fundamental part of every Board meeting is the consideration of Health and Safety matters.

The Non-executive Directors are considered by the Board to be independent of management and have both a breadth and depth of skills and experience to fulfil their roles. They met twice during the year without executives present and maintain ongoing communications with executives between formal meetings.

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 Chief Financial Officer and Company Secretary are carried out by one person.

In support of the QCA objective of delivering growth in long term shareholder value the board re-considered its strategy during the year and developed a vision and strategic positioning, which is set out in the Chief Executives Report on page 18. The Board also agreed criteria for the assessment of strategic acquisitions in the core market of neonatal intensive care, in line with this strategy.

The Board reviewed its risk appetite during the year and following a review of its regulatory compliance risks decided to increase our resource, expertise and processes to ensure regulatory compliance. Significant risks were considered under four categories, strategic, operational, compliance and financial. New treasury and foreign exchange hedging policies were approved.

The Board received a report from the Chief Financial Officer outlining the key internal control procedures and agreed that these are appropriate for our size of business. Following the integration of the new ERP system all financial authorisation procedures were revised and reissued.

In October 2016, we announced that following the completion of a strategic review manufacturing of certain products would be outsourced, the Rotherham factory closed and a new head office and R&D centre opened in Crawley, its proximity to Gatwick reflecting the strategic importance of international sales growth.

In November 2016, the Company completed a programme of presentations to institutions and achieved a placing of 25% of the share capital with new institutional investors, significantly broadening the shareholder base of the Company and providing the opportunity to engage with investors and ensure alignment of objectives.

Recognising the QCA objective to maintain a flexible, efficient and effective management framework within an entrepreneurial environment, we believe our Board has a good balance, with two founders, a new experienced CFO, two independent NED’s and a well-respected plc Chairman, none of whom dominates the meetings. It meets regularly and receives a comprehensive set of monthly reports and information, including management accounts, well before the meeting. Discussions are open and the NED’s challenge constructively. The Chairman and Senior Independent director have strong experience of plc corporate governance and ensure the necessary rigour and quality of discussion.

The Board has also met for dinner on three occasions the night before meetings, to share informal advice and opinions. The Non-executive Directors take seriously their responsibility to mentor and advise the executives and make themselves available to assist between meetings.

As a new Board, succession has not yet been addressed and an evaluation will be carried out in 2017.

The Board has a schedule of meetings and a regular agenda with standing items of Health & Safety, Group Sales Director’s report, Chief Financial Officer’s report and management accounts and a Chief Executive Officer’s report covering all other operational matters. Risk is discussed formally each quarter and the board receives committee updates on a regular basis.

Board Committees

There are three committees that meet independently of Board meetings.

Audit Committee

The Audit Committee has two members, Bob Beveridge (Chairman) and Brook Nolson. The Chief Financial Officer and external auditors attend meetings by invitation. The Audit Committee’s responsibilities include the review of the scope, results and effectiveness of the external audit, the review of half-year and Annual accounts, and the review of the Company’s risk management and internal control systems.

The committee met twice during the year with full attendance. A separate report of the Audit Committee activities is outlined on page 36.

Statement of Corporate Governance continued

Remuneration Committee

The report of the Remuneration Committee is set out on pages 42 to 46. The Remuneration Committee has two members, Brook Nolson (Chairman) and Bob Beveridge. The Committee is responsible for setting the remuneration arrangements, including short term bonus and long term incentives, for Executive Directors as well as approving, the remuneration principles for senior staff.

Nominations Committee

The Nominations Committee has four members, Mark Abrahams (Chairman), Bob 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. It met twice this year to progress and approve the appointment of Mike Briant as Chief Financial Officer.

Shareholder Relations

Relationships with our shareholders are important to us and we seek to provide effective communications through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website, www.inspiration-healthcare.com for both financial and general news relevant to shareholders. The Chief Executive Officer supported by the other Executives meet shareholders and other investors/potential investors from time to time and all directors are available at the AGM.

Internal Control

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

The key features of the Group's system 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 Management Systems certified under ISO 13485.*
- *Appraisal and authorisation of capital expenditure and research & development projects.*
- *Dual signatories on all bank accounts.*

Going Concern

The Group has prepared a budget for the year ended 31 January 2018 and financial projections for the following two years. Having due consideration of these projections and available cash at 31 January 2017 of £2.2 million, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

Mark Abrahams
Chairman
3 May 2017

Audit Committee Report

The Audit Committee has an important role to play in effective reporting to our stakeholders and ensuring high standards of quality and effectiveness in the external audit process. For the first time, the committee has provided a separate report on its activities focusing on matters relevant to Inspiration Healthcare Group plc and the work of the committee during the year.

Membership

The Audit Committee comprises Bob Beveridge and Brook Nolson and is chaired by Bob Beveridge, whom the Board considers has both recent and relevant financial experience. Bob is a Chartered Accountant, portfolio Non-executive Director and a former plc Finance Director.

Meetings

The committee met formally twice during the year. The external auditors and Chief Financial Officer also attended the meetings at the invitation of the committee chairman. After each of its meetings, the committee met with the external auditors without the presence of Executive Directors or management. The committee met informally on a frequent basis during the year to discuss and review progress on systems, treasury and people matters.

Main activities

The committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls.

Specific issues considered by the committee included the integration of the Priority ERP financial system, a review of the key financial controls and ideas for improving the quality and content of the following year's Annual Report.

The committee also oversees the relationship with the external auditor including the effectiveness of the external audit and the provision of non-audit services by the external auditor.

Financial reporting

The committee has recently concluded that the Annual Report and Financial Statements for year ended 31st January 2017, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's business model, strategy and performance. The committee reviewed the process for preparing the Annual Report. This process included the following key elements:

- *Review of new regulations and reporting requirements with external advisers to identify additional information and disclosures that may be appropriate.*
- *Monitoring of the integrity of the financial statements and other information provided to shareholders to ensure they represented a clear and accurate assessment of the Group's financial performance and position.*
- *Review of matters of accounting judgement and the underlying rationale in each case.*
- *Review of significant accounting policies and amortisation rates.*
- *Review of a paper outlining the three-year business plan and cash forecast as the basis of the going concern assessment.*

The committee reviewed the full-year and half-year results announcement, Annual Report and financial statements and considered reports from the external auditors identifying the accounting or judgmental issues requiring its attention. The committee also reviewed the Strategic Report and concluded that it presented a useful and fair and understandable addition to the Annual Report.

External audit

In the year ending 31 January 2017 there were no fees for non-audit services and the committee concluded that PwC acted independently.

The committee will formally evaluate the effectiveness of the external auditor following the completion of the 2017 audit and the publication of the report and accounts.

Risk management and internal control

The committee reviewed a paper from the CFO on the Group's internal control system, the purpose of which is to safeguard investment and the Group's assets, embracing material controls and key financial risks. The control system is operated as an integral part of the organisation of executive responsibilities and accountabilities, and is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable assurance that assets are safeguarded against unauthorised use or material loss, and to ensure that its transactions are properly authorised and recorded.

Key control procedures are as follows:

- *Management responsibility and authorisation controls – an established management structure operates throughout the Group with clearly defined levels of responsibility and delegation of authorities which are built into the Priority financial system.*
- *Corporate planning process – an annual plan and three-year strategic plan is updated each year and approved by the Board. The plan focuses on the external environment, strategy and objectives, actions to achieve them and implementation plans across the organisation. Following approval of the annual budget by the Board financial performance and variances against budget are monitored monthly and challenged centrally.*
- *Key performance indicators (KPIs) – a set of operational, financial and non-financial KPIs was developed during the year and reported each month to the Board.*

Given the small size of the Group currently the committee does not require an internal audit function to carry out its responsibilities. The committee deemed these controls adequate but agreed to review these again in the forthcoming year. It was satisfied with the actions in place to manage financial risks.

Overview

The Committee considers that it has acted in accordance with its responsibilities. The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee. We would welcome feedback from shareholders on this report.

Bob Beveridge
Chairman – Audit Committee
3 May 2017

Board of Directors

Executive Directors

Neil Campbell
Chief Executive Officer

Toby Foster
Group Sales Director

Mike Briant
Chief Financial Officer

Non-executive Directors

Mark Abrahams
Non-executive Chairman

Bob Beveridge
Non-executive Director and
Senior Independent Director

Brook Nolson
Non-executive Director

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 25 years in the Medical Device sector. Neil’s commitment to perinatology has been recognised by him being invited to be an industry and scientific committee 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 activities, 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.

Mike Briant
Chief Financial Officer

After qualifying as a Chartered Accountant Mike spent over ten years in senior financial roles, both within the corporate head office and operating subsidiaries, of the Thorn EMI plc and Thorn plc groups. Mike then joined Quadriga Worldwide as Finance Director the then leading European supplier of guest technology managed services to the hospitality industry, helping them grow across Europe. In 2002 Mike become CFO of LMA International NV (“LMA”), a global anaesthesia company. Mike helped LMA IPO on the Singapore Stock Exchange and double in size to an £80m company, completing a number of acquisitions. Mike was CFO of LMA until its acquisition by Teleflex Inc. Mike has over twenty years’ experience as a CFO helping SME businesses to grow internationally.

Mark Abrahams
Non-executive Chairman

Mark is currently Chief Executive Officer of Fenner Plc, having been both Chair and Chief Executive Officer for 24 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.

Bob 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 of the Audit Committee. Bob has wide ranging non-executive director and public company experience; he is currently Senior Independent Director and Chairman of the Audit Committee of Brady plc and Volex plc. Previously he was Non-executive director of Hampshire Hospitals NHS Foundation Trust and InternetQ plc, and before that Group Finance Director of McBride plc, Marlborough Stirling plc and Cable and Wireless Communications plc. He has significant senior financial skills relating to M&A, investor relations, risk management, financing and corporate governance.

Brook Nolson
Non-executive Director

Brook joined the Group as Non-executive Director on 23 June 2015 and is Chairman of the Remuneration Committee. Brook has considerable experience in developing and implementing strategic business development plans; he is a commercial marketing and strategic business development expert with a track record of designing, leading, and executing business transformation strategies through customer centric business models. Previous senior management roles include, Balfour Beatty plc, Birse Group plc, Willmott Dixon Group and Morgan Sindall plc, Brook remains an advisor to a number of organisations across various industries.

Directors' Report

for the period ended 31 January 2017

The Directors present their report on the Group and Company, together with the audited Consolidated Financial Statements of the Group and Company for the year ended 31 January 2017.

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 2 Satellite Business Village, Crawley, West Sussex RH10 9NE. The Company's Ordinary Shares are admitted to and traded on AIM (Alternative Investment Market), 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 51. The results of the Company are set out on page 87.

Business review and future developments

Details of the business activities during the period can be found in the Strategic Report on pages 5 to 31.

Political donations

The Group made no political donations during the period (2016: £nil).

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Chief Executive's report on pages 23 to 27 and note 23 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 24 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 £634,000 (2016: £597,000) gross including expenditure capitalised in accordance with IAS38 and received grant income of £nil (2016: £295,000) leaving net costs of £634,000 (2016: £302,000).

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
T Foster	Group Sales Director
I D Smith	Group Finance Director (resigned 13 May 2016)
B Nolson	Non-executive Director
R J Beveridge	Non-executive Director
M J Briant	Chief Financial Officer (appointed 19 September 2016)

Further information relating to the Board is detailed on pages 38 and 39.

Directors interests in shares and contracts

Directors' interests in shares of the Company at 31 January 2017 and 31 January 2016 and any changes subsequent to 31 January 2017 are disclosed in the Director's Remuneration Report on page 46.

Directors' interests in contracts of significance to which the Group was a party during the financial period are disclosed in note 30 of the Consolidated Financial Statements.

Indemnification of Directors

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

Substantial interests

At 3 May 2017 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	4,536,271	14.8%
S G Motley	4,354,453	14.2%
Lombard Odier Managers Group plc	3,982,726	13.0%
T Foster	3,899,908	12.7%
Miton Group plc	3,438,364	11.2%
M J Oxley	2,536,271	8.3%
W G Walls	1,558,934	5.1%
D G Steward	1,505,000	4.9%
Cavendish Asset Management	1,000,000	3.3%

Annual General Meeting

The Annual General Meeting ("AGM") will be held at the Company's offices, Unit 2 Satellite Business Village, Crawley, West Sussex RH10 9NE at 11:30 on 30 June 2017. The notice of the AGM in section 4 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

Mike Briant
Company Secretary
3 May 2017

Directors' Remuneration Report

This report covers the financial year ended 31 January 2017.

Responsibilities

The Remuneration Committee has 2 members, Brook Nolson (Chairman) and Bob 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 3 May 2017	Notice period
M S Abrahams	Non-executive Chairman	23 months	6 months
N J Campbell	Chief Executive Officer	6 months	6 months
T Foster	Group Sales Director	6 months	6 months
R J Beveridge	Non-executive Director	15 months	6 months
B Nolson	Non-executive Director	13 months	6 months
M J Briant	Chief Financial Officer	6 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 managers 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.

Consistent with this policy, the benefits packages awarded to executives are intended to be competitive and comprise a mix of contractual and performance related remuneration that is 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 or the date of their appointment if later. The composition of each Director's remuneration is based on a maximum payment under the terms of an annual performance related bonus. 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 remuneration packages 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 as well as market factors. 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 as at 31 January 2017 is as follows:

N J Campbell	£144,000
T Foster	£120,000
M J Briant	£120,000

During the year, it was recognised that in order to attract, recruit and retain the best talent, the business would need to adjust and set salary levels that reflected market rates. As part of this process it was recognised that the existing executives' basic pay would need to be adjusted. Neil Campbell's basic salary was increased from £120,000 to £144,000, an increase of 20%, with effect from 1 September 2016. Toby Foster's basic salary was increased from £100,000 to £120,000, 20%, with effect from 1 September 2016. Mike Briant was appointed on 19 September 2016 and his basic salary was set at that date. In all cases salaries were based on an external assessment of market rates.

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 50%, recognises the performance of the executive team in delivering Group forecasts and objectives as set out in the business plan, the second, a further 50%, recognises an ‘exceptional performance’. Revenue, EPS, Cash generated, Health & Safety, Staff Turnover, and new Market Development are considered within the performance measures. Additionally, there is an ‘under performance clawback’, 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 not awarded bonuses to the executives for the year ended 31 January 2017 due to the performance criteria not being met to trigger payments. They have, however, awarded an exceptional bonus to Mike Briant, an amount equal to 10% of his basic annual salary, this is in recognition of the positive impact he has had during his 6 months of service. Limited bonuses were awarded to executives in the prior year and are included in the 2016 figures set out in the Directors’ Detailed Emoluments opposite.

Pensions

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

Share Option Scheme

Share options can be 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 third of basic salary.

During 2017, we will be implementing an LTIP (Long term Incentive Plan) for Executives and Senior Management. This is consistent with the Share Scheme as described in the submission document 2015. No share awards have been made under the LTIP to the date of signing the financial statements.

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 Contribution £'000	Benefits in kind £'000	**2017 Total £'000**	2016 Total £'000
M S Abrahams [3]	35	–	–	–	**35**	21
N J Campbell [4]	130	–	7	9	**146**	127
T Foster [4]	108	–	5	9	**122**	120
I D Smith [1,3]	29	–	2	2	**33**	79
R J Beveridge [5]	24	–	–	–	**24**	12
B Nolson [3]	24	–	–	–	**24**	14
M J Briant [2]	44	12	2	3	**61**	–
	394	12	16	23	**445**	373

Note 1 Ian D Smith left the Company on 13 May 2016. In addition to the emoluments reported above Mr Smith received £93,000 in respect of loss of office upon his leaving the Company.

Note 2 Mike Briant was appointed on 19 September 2016.

Note 3 Directors of the newly formed Group from 24 June 2015. The remuneration for 2016 included above is for the period from 24 June 2015 to 31 January 2016.

Note 4 Directors of Inspiration Healthcare Limited for the year and Directors of Inspiration Healthcare Group plc since 24 June 2015. The remuneration included for 2016 above is for the year ended 31 January 2016.

Note 5 Director of Inspiration Healthcare Group plc from 3 August 2015. The remuneration included above for 2016 is for the period from 3 August 2015 to 31 January 2016.

No Directors exercised share options during the current or previous financial period.

Share Scheme

As part of its strategy for executive and key employee remuneration, the Group established on re-admission to AIM on 24 June 2015, 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 Share Option Scheme, the Group 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 Group 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 Group 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 the financial statements.

Directors' interests in shares

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

	3 May 2017 Number	**31 January 2017 Number**	31 January 2016 Number
M S Abrahams	**155,154**	**155,154**	155,154
N J Campbell	**4,536,271**	**4,536,271**	5,718,089
T Foster	**3,899,908**	**3,899,908**	5,718,089

The Group announced on 23 November 2016 that it had completed a placing of 7,545,453 existing ordinary shares of 10 pence each in the Company ("Ordinary Shares") at a price of 55 pence per Ordinary Share on behalf of certain Directors and founding shareholders of the Company (the "Placing"). The Placing represented 24.6%. of the Company's current issued share capital. The Placing was principally with new institutional investors and significantly broadens the shareholder base of the Company. More information can be found on page 41 setting out substantial interests in the Company.

Brook Nolson

Chairman – Remuneration Committee

3 May 2017

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 regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- *state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;*
- *make judgements and accounting estimates that are reasonable and prudent; and*
- *prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.*

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company 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.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- *the Company Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;*
- *the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and*
- *the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.*

In the case of each Director in office at the date the Directors' Report is approved:

- *so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and*
- *they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.*

3 Financial Statements

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 2017 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 2017;*
- *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.*

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- *the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and*
- *the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.*

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 continued

to the Members of Inspiration Healthcare Group plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement, 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. With respect to the Strategic Report and the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the Company Financial Statements of Inspiration Healthcare Group plc for the year ended 31 January 2017.

Paul Norbury
Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors East Midlands

3 May 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2017

	Notes	**2017 £'000**	2016 £'000
Revenue	3	**14,323**	12,279
Cost of sales		**(7,965)**	(6,764)
Gross profit		**6,358**	5,515
Operating expenses	4	**(5,913)**	(5,664)
Other operating income	5	**–**	295
Operating profit		**445**	146
Analysed as:			
Operating profit before impairment of goodwill and intangible assets and exceptional items		**1,163**	1,305
Impairment of goodwill and intangible assets	12	**–**	(517)
Exceptional items	7	**(718)**	(642)
Finance income	8	**3**	3
Finance costs	8	**(4)**	(1)
Profit before tax		**444**	148
Income tax expense	9	**(132)**	(136)
Total comprehensive income for the year attributable to owners of the parent company		**312**	12
Earnings per share, attributable to owners of the parent company – basic and diluted	10	**1.02p**	0.04p

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 55 to 84 are an integral part of these Consolidated Financial Statements.

Neil Campbell
Director

Mike Briant
Director

Consolidated Statement of Financial Position
as at 31 January 2017

	Notes	2017 £'000	*Restated 2016 £'000
Assets			
Non-current assets			
Intangible assets	12	**535**	242
Property, plant and equipment	13	**365**	166
Deferred tax asset	22	**–**	45
Investments	14	**106**	100
		1,006	553
Current assets			
Inventories	15	**778**	780
Trade and other receivables	16	**2,491**	2,147
Cash and cash equivalents	17	**2,165**	2,319
		5,434	5,246
Total assets		**6,440**	5,799
Liabilities			
Current liabilities			
Trade and other payables	19	**(2,893)**	(2,502)
Obligations under finance leases	26	**(16)**	(17)
Deferred income	21	**(368)**	(340)
		(3,277)	(2,859)
Non-current liabilities			
Deferred income	21	**(25)**	(72)
Obligations under finance leases	26	**–**	(16)
Deferred tax liability	22	**(13)**	(39)
		(38)	(127)
Total liabilities		**(3,315)**	(2,986)
Net assets		**3,125**	2,813
Shareholders' equity			
Called up share capital	24	**3,067**	3,067
Share premium account	24	**9,929**	9,929
Merger reserve	24	**4,600**	4,600
Reverse acquisition reserve		**(16,164)**	(16,164)
Retained earnings		**1,693**	1,381
Total equity attributable to owners of the parent company		**3,125**	2,813

*Restated: Split of deferred income between current and non-current. See note 21.

The notes on pages 55 to 84 are an integral part of these Consolidated Financial Statements.

The Group Financial Statements on pages 48 to 84 were approved by the Board of Directors on 3 May 2017 and signed on its behalf by:

Neil Campbell
Director

Mike Briant
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 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
Profit for the year and total comprehensive income	–	–	–	–	312	312
At 31 January 2017	**3,067**	**9,929**	**4,600**	**(16,164)**	**1,693**	**3,125**

The notes on pages 55 to 84 are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 January 2017

	Notes	2017 £'000	*Restated 2016 £'000
Cash flows generated from operating activities			
Cash generated from operations	25	**771**	1,793
Interest paid		**(4)**	(1)
Taxation paid		**(203)**	(172)
Net cash inflow from operating activities		**564**	1,620
Cash flows from investing activities			
Interest received		**3**	2
Purchase of property, plant and equipment		**(313)**	(132)
Purchase of intangible assets		**(58)**	(169)
Capitalised development costs		**(327)**	–
Cash and cash equivalents acquired under reverse acquisition		**–**	894
Acquisition of investment	14	**(6)**	(100)
Net cash (used in) / generated from investing activities		**(701)**	495
Cash flows from financing activities			
Finance leases		**(17)**	33
Dividends paid prior to reverse acquisition		**–**	(171)
Net cash used in financing activities		**(17)**	(138)
Net (decrease) / increase in cash and cash equivalents		**(154)**	1,977
Cash and cash equivalents at the beginning of the year		**2,319**	342
Cash and cash equivalents at the end of the year		**2,165**	2,319

*Restated: prior year previously showed interest paid under Investing activities

Notes forming part of the Financial Statements
for the year ended 31 January 2017

1 Accounting Policies

Reporting entity

Inspiration Healthcare Group plc (the Company) is a public limited company incorporated in England and Wales (registration number 03587944) and domiciled in England. The Company's registered address is Unit 2, Satellite Business Village, Crawley, West Sussex RH10 9NE. 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.

The Consolidated Financial Statements cover the twelve months ended 31 January 2017. The financial statements for the comparative twelve months ended 31 January 2016 represent the substance of the reverse acquisition of Inditherm plc and are those of Inspiration Healthcare Limited, as set out below:

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.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

1 Accounting Policies continued

Basis of consolidation

The financial statements of the Group consolidate the financial statements of Inspiration Healthcare Group plc and its subsidiary undertakings (together referred to as the 'Group') up to 31 January 2017. All subsidiaries have a reporting date of 31 January.

The comparative period encompasses Inspiration Healthcare Group 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, in accordance with IFRS 10. Intra group transactions and balances, and any unrealised gains or losses arising from intra group transactions, 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.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

1 Accounting Policies continued

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.

Further information on the group's cash resources is given in note 17.

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.

- *Capitalisation of development costs*

  In order to capitalise development costs, there is a requirement for 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.

- *Exceptional costs*

  In order to adequately reflect the impact of material non-recurring events within the business, there is a need to use assumptions and judgements to account for the expected future net impact of the event.

- *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, sales projections and essential spare part requirements. When products are made obsolete, the appropriate components and sub-components are identified at the time and are fully provided against.

- *Allowances against the valuation of receivables*

  A provision for impairment against trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Specific provisions are made against doubtful debts taking the value based on the most likely outcome. When a trade receivable is uncollectable, it is written off against the allowance account of trade receivables.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

1 Accounting Policies continued

- *Deferred taxation*

  Management must judge whether future profitability is likely in making the decision whether or not to recognise a deferred tax asset. Note 22 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 12 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.

- *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 2017 no provision is required (2016: £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.

- *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 12 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.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

1 Accounting Policies continued

Property, plant and equipment

Items of property, plant and equipment are measured at historical cost 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.

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 within operating 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.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

1 Accounting Policies continued

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 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.

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.*

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.

Software costs

Where the criteria for capitalisation in IAS 38 'Intangible assets' are met, software costs incurred are capitalised and amortised over their useful economic lives from the point that the software is brought into service. Estimated useful life varies between 3 and 5 years.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

1 Accounting Policies continued

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.

Trade and other payables

Trade payables are obligations to pay for goods and services. The value of trade payables is the value that would be payable to settle the liability at the year end date.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

1 Accounting Policies continued

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 re-translated 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 legal or constructive 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. Please refer to note 27 for more information.

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 continued

for the year ended 31 January 2017

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 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. No provision is made for future costs on service and maintenance 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 timescale.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

1 Accounting Policies continued

New standards, amendments and interpretations

The following 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 are:

- *IAS 12 (Amendment) Recognition of Deferred Tax Assets for Unrealised Losses – effective 1 January 2017*
- *IAS 7 (Amendment) Cash flow statements – effective 1 January 2017*

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 9 Financial Instruments – effective 1 January 2018*
- *IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018*
- *IFRS 2 (Amendment) Share based payments – effective 1 January 2018*
- *IFRS 4 (Amendment) Insurance contracts – effective 1 January 2018*
- *IAS 40 (Amendment) Investment property – effective 1 January 2018*
- *IFRS 16 Leases – effective 1 January 2019*

These standards will be adopted by the Group in future accounting periods. The Group will look at the impact of new standards IFRS 15 and IFRS 16 in the coming months.

Alternative financial measures

In the reporting of its financial performance, the Group uses certain measures that are not defined under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group reports. The Directors believe that these non-GAAP measures assist with the understanding of the performance of the business. These non-GAAP measures are not a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be an important means of comparing performance year-on-year and they include key measures used within the business for assessing performance.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

2 Segmental analysis

Inspiration Healthcare Group's sales activities are split into three market sectors, Critical Care, Operating Theatre and Home Healthcare and the revenue segments are defined and reported in Our Business and the Operating and Financial Review. There is no inter-segment trading.

The Group's Chief Operating Decision Maker is the Board of Directors. Following the restructuring during the year of the Group's manufacturing operations and the integration of the activities previously conducted in the Rotherham facility into the function-based management structure at our Leicester and Crawley facilities, the Board of Directors consider that it is more appropriate to report results as one single business segment, i.e. Critical Care Medical Devices. This is consistent with management accounting information reported regularly to the Board.

The revenue segments are defined in the Operating and Financial Review on pages 28 to 31.

3 Revenue

Geographical analysis of revenue for the years ended 31 January 2017 and 31 January 2016 is as follows:

	2017 £'000	*Restated 2016 £'000
UK	**9,770**	8,505
Europe	**2,728**	2,048
Asia Pacific	**438**	321
Middle East & Africa	**424**	833
Americas	**963**	572
Total	**14,323**	12,279

*Restated: Prior year geographical split has been reanalysed: UK increased by £120,000, Europe reduced by £279,000, Asia Pacific reduced by £65,000, Middle East & Africa reduced by £11,000, Americas increased by £235,000.

Significant categories of revenue	**2017 £'000**	2016 £'000
Goods sold	**12,543**	10,586
Services	**1,780**	1,693
	14,323	12,279

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

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

4 Expenses by nature

	2017 £'000	2016 £'000
Inventories recognised as an expense	**7,418**	6,355
Other cost of sales	**547**	408
Employee benefit expense	**3,372**	2,548
Depreciation of property, plant and equipment		
– owned assets	**107**	101
– leased assets	**5**	17
Amortisation of intangible fixed assets	**92**	60
Impairment of goodwill	**–**	378
Impairment of intellectual property	**–**	139
Impairment of trade receivables	**(8)**	13
Loss on disposal of intangible assets	**–**	6
Loss on disposal of tangible assets	**2**	–
Foreign exchange losses	**19**	8
Operating lease rentals for land and buildings	**178**	90
Other operating lease rentals	**93**	76
Other exceptional costs (note 7)	**488**	642
Other expenses	**1,565**	1,587
Total cost of sales and operating expenses	**13,878**	12,428
The numbers above include:		
Auditors' remuneration		
For audit services – statutory	**47**	55

5 Other operating income

In the prior year, the Group received £295,000 non-recurring Grant income relating to research and development. There was no such income in the current year.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

6 Employees

	2017 £'000	2016 £'000
Aggregate employee costs are as follows:		
Wages and salaries	**2,991**	2,245
Social security costs	**319**	250
Pension costs – defined contribution schemes	**62**	53
Total	**3,372**	2,548

Employee costs include the costs of the Executive Directors but not the Non-executive Directors, along with severance payments of £230,000 (see note 7)

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

	2017	2016
Management and Administration	**17**	14
Sales	**29**	27
Development and Quality	**12**	8
Production	**12**	11
Total	**70**	60

Key management emoluments (including Executive Directors)

	2017 £'000	2016 £'000
Aggregate emoluments:		
Emoluments of the Directors and key management personnel	**523**	556
Contributions to defined contribution pension scheme on their behalf	**15**	31
	538	587
Emoluments of highest paid Director	**139**	126
Contributions to defined contribution pension scheme	**7**	6
	146	132
Dividends paid to Directors	**–**	171

Payments for loss of office of £93,000 (2016: £113,000) are included in severance pay within exceptional items (see note 7).

The number of Directors for whom retirement benefits are accruing under defined contribution pension schemes during the year 4 (2016: 4).

No Directors exercised share options during the year (2016: none).

Note that dividends were paid to Directors during the previous year but prior to their appointment as Directors on completion of the reverse acquisition.

In addition to the above emoluments, in 2016, Brook Nolson received £65,000 under the terms of a consulting agreement. The agreement was terminated on Admission in June 2015, when Brook Nolson became a Non-executive Director of the Company and nothing has been paid in 2017.

This note should be read in conjunction with the Remuneration Report on pages 42 to 46.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

7 Exceptional items

	2017 £'000	2016 £'000
Professional fees in relation to the reverse acquisition	(62)	472
Severance and related costs	136	170
Closure of facilities	644	–
Total exceptional items	**718**	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 nature in order to obtain a more meaningful understanding of the financial information. These are all included within operating expenses in the Consolidated Statement of Comprehensive Income.

Severance and related recruitment costs of £136,000 arose from the change of Group Finance Director during the year, of which £93,000 was for loss of office and £9,000 for related social security costs.

Additionally severance payments of £128,000 for other staff are included within Closure of facilities.

Closure of facilities: on 19th October 2016, the Group announced the outsourcing of manufacturing of the Inditherm products to third parties and the closure of the corporate office and manufacturing site at Rotherham, along with its Albourne R&D facility. Closure of facilities cost includes redundancy, dilapidations, project management, obsolete inventory and dual running lease and similar costs. A new corporate head office and R&D centre at Crawley, West Sussex opened officially in March 2017. See Provisions note 20 for unpaid items at year-end.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

8 Finance income and costs

	2017 £'000	2016 £'000
Finance income		
Bank interest receivable	**3**	3
	3	3
Finance costs		
Finance lease interest payable	**(1)**	(1)
Other interest payable	**(3)**	–
	(4)	(1)

9 Taxation

(a) Analysis of tax charge for the year	**2017 £'000**	2016 £'000
Domestic current year tax		
UK corporation tax –		
current year	**153**	268
prior year adjustment	**(40)**	–
UK corporation tax credit –		
current year	**–**	(20)
prior year adjustment	**–**	(81)
Total current tax	**113**	167
Deferred tax (see note 22)		
origination and reversal of temporary timing differences	**23**	(29)
prior year adjustment	**(4)**	(2)
Total deferred tax	**19**	(31)
Tax on profit on ordinary activities	**132**	136

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

9 Taxation continued

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK 20% (2016: 20.16%) as explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	444	148
Tax using the UK corporation tax rate of 20% (2016: 20.16%)	89	30
Effects of:		
Fixed asset differences	5	–
Non-deductible expenses	128	330
Chargeable losses	–	(57)
Tax losses utilised for research and development claim	10	28
Additional deduction for research and development	(52)	(19)
Adjustments to tax charge from pre reverse acquisition earnings	–	(73)
Adjustments to tax charge in respect of prior years	(44)	(2)
	136	237
Research and development tax credit -		
current year	(4)	(20)
prior year	–	(81)
Total tax charge/(credit)	132	136

The additional deduction for research and development is an enhanced deduction of 130% on expenditure incurred after 1 April 2015 for small and medium sized enterprises ("SMEs"). SMEs can also surrender current year trading losses in order to claim a tax credit of 14.5% on the value of the losses surrendered.

The Research and Development Expenditure Credit (RDEC) scheme for large companies became compulsory from 1 April 2016. The RDEC provides relief against the corporation tax liability for the company of 11% on the amount of qualifying R&D expenditure.

Other than £110,000 of dilapidation cost, tax on exceptional items has been provisionally disallowed pending finalisation of the group tax computations. The tax impact of this is £22,000.

Changes to the UK corporation tax rates were announced as part of the Chancellor's Budget on 16 March 2016. The change announced was to reduce the main rate of corporation tax to 17% from 1 April 2020.

As the change to 17% had been substantively enacted by the balance sheet date, deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

(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 and are potentially available for relief against future trading profits. See note 22 Deferred Tax, for more information.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

10 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.

	2017 £'000	2016 £'000
Profit		
Profit attributable to equity holders of the company	**312**	12
Impairment of goodwill and intangible assets	**–**	517
Exceptional items	**718**	642
Numerator for adjusted earnings per share calculation	**1,030**	1,171

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

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**30,667,548**	28,665,055
Dilutive effect of potential Ordinary shares: Share options	**–**	55,000
Diluted weighted number of shares in issue during the year for the purposes of diluted earnings per share	**30,667,548**	28,720,055

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

	Basic 2017 pence	**Diluted 2017 pence**	Basic 2016 pence	Diluted 2016 pence
Earnings per share	**1.02**	**1.02**	0.04	0.04

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

	Basic 2017 pence	**Diluted 2017 pence**	Basic 2016 pence	Diluted 2016 pence
Adjusted earnings per share	**3.36**	**3.36**	4.09	4.08

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.

Other than £110,000 of dilapidation cost, tax on exceptional items has been provisionally disallowed pending finalisation of the group tax computations. The tax impact of this is £22,000. See note 9.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

11 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. There are no immediate plans to pay dividends by Inspiration Healthcare Group plc. Further information on dividend policy can be found in the Chief Executive Officer's report on page 27.

12 Intangible assets

	Development costs £'000	Intellectual property £'000	Software costs £'000	Goodwill £'000	Total £'000
Cost					
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 1 February 2016	**129**	**661**	**227**	**378**	**1,395**
Capitalised in the year	327	–	58	–	385
At 31 January 2017	**456**	**661**	**285**	**378**	**1,780**
Amortisation					
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 1 February 2016	**127**	**622**	**26**	**378**	**1,153**
Charge in the year	1	33	58	–	92
At 31 January 2017	**128**	**655**	**84**	**378**	**1,245**
Net book value					
At 31 January 2017	**328**	**6**	**201**	**–**	**535**
At 31 January 2016	2	39	201	–	242

All intangible assets recognised are considered to have finite lives (unless otherwise stated) and are amortised on a straight line basis over the period which the Group expects to benefit from these assets. Amortisation is included in operating expenses within the Consolidated Statement of Comprehensive Income.

Where the criteria for capitalisation in IAS 38 'Intangible assets' are met, costs incurred are capitalised and amortised over their useful economic lives 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.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

12 Intangible assets continued

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.

Software costs relating to the ERP system are held at cost £264,000 (2016: £227,000), net book value £180,000 (2016: £201,000) and have a remaining economic life of 3 years.

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%.

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 Group 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 prior year.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

13 Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
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 1 February 2016	**5**	**269**	**978**	**33**	**1,285**
Additions in the year	221	1	91	–	313
Disposals in year	–	(6)	(76)	–	(82)
At 31 January 2017	**226**	**264**	**993**	**33**	**1,516**
Depreciation					
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 1 February 2016	**4**	**260**	**828**	**27**	**1,119**
Charge in the year	2	2	102	6	112
Disposals in year	–	(4)	(76)	–	(80)
At 31 January 2017	**6**	**258**	**854**	**33**	**1,151**
Net book value					
At 31 January 2017	**220**	**6**	**139**	**–**	**365**
At 31 January 2016	1	9	150	6	166

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

Plant, machinery and office equipment includes leased assets of £24,000 (2016: £50,000) with a net book value of £2,000 (2016: £33,000). The related depreciation charge for the year was £5,000 (2016: £17,000). The obligations under finance leases are secured on lease equipment (see note 26).

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

14 Investments

	£'000
Cost	
At 1 February 2016	100
Additions	6
At 31 January 2017	**106**
Net book value	
At 31 January 2017	**106**
At 31 January 2016	100

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 further invested £6,000 taking the investment to £106,000 in aggregate in return for a holding of 10.4% (8.5% on a fully diluted basis taking into account share options and loan conversion rights of other investors) at 31 January 2017. The Group also holds 25,000 options to purchase ordinary shares at an exercise price of £0.23 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. Any Non-executive Director fees to be paid by Neuroprotexeon Limited will be invoiced by the Group in due course.

The investment is held at cost.

An impairment review was carried out by the Directors at 31 January 2017 and no impairment is considered necessary.

15 Inventories

	2017 £'000	2016 £'000
Raw materials	**141**	151
Work in progress	**–**	4
Finished goods	**637**	625
	778	780

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 continued
for the year ended 31 January 2017

16 Trade and other receivables

	2017 £'000	2016 £'000
Gross trade receivables	**2,326**	1,781
Provision for doubtful debts	**(18)**	(58)
Net trade receivables	**2,308**	1,723
UK corporation tax receivable (see note 18)	**–**	116
Other taxes and social security	**–**	61
Other debtors	**12**	62
Prepayments and accrued income	**171**	185
	2,491	2,147

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 30-45 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 2017 of £18,000 (2016: £58,000).

At 31 January 2017 the trade receivables which were past due but not impaired were £421,000 (2016: £610,000). 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:

	2017 £'000	2016 £'000
Up to three months	**384**	587
Between four and twelve months	**37**	23
	421	610

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2016: £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:

	2017 £'000	2016 £'000
Pounds sterling	**1,876**	1,752
Euro	**490**	329
US Dollars	**125**	66
	2,491	2,147

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

17 Cash and cash equivalents

Cash and cash equivalents comprise solely of cash at bank and cash in hand held by the Group.

Included within cash and cash equivalents is a £143,000 security deposit relating to a rolling two year rent on the manufacturing facility at Rotherham. The Group's lease ended on 10 March 2017 and the Group is in the process of releasing the deposit. See note 28.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2017 £'000	2016 £'000
Pounds sterling	**1,715**	1,979
Euro	**77**	160
US Dollars	**373**	142
JPY	**–**	38
	2,165	2,319

The Group currently use two banks; RBS and HSBC Bank plc. Moody's give long term ratings of A3 for RBS and A1 for HSBC Bank plc.

	2017 £'000	2016 £'000
RBS	**1,371**	1,558
HSBC Bank plc	**793**	748
Royal London	**–**	10
Cash	**1**	3
	2,165	2,319

18 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.

	2017 £'000	2016 £'000
UK corporation tax receivable (see note 16)	**–**	116
UK corporation tax payable (see note 19)	**(77)**	(284)
UK current tax net liability	**(77)**	(168)

At the year end date the Group has not recognised a separate receivable in respect of potential research and development tax claims (2016: £116,000).

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

19 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**1,792**	1,405
UK corporation tax payable (see note 18)	**77**	284
Other taxes and social security	**244**	261
Other payables	**13**	7
Accrued expenses	**395**	442
Provision for other liabilities and charges (note 20)	**372**	103
	2,893	2,502

The fair value of trade and other payables approximates to book value at 31 January 2017. Trade payables are non-interest bearing and the average credit period taken for trade purchases is 52 days (2016: 53 days). Accruals are normally settled monthly throughout the financial year.

20 Provision for other liabilities and charges

There was an outstanding Regulatory provision relating to the reverse acquisition in 2015 that was utilised during the year with the balance credited to exceptional costs in the Income Statement.

The provision for closure of facilities relates to the exceptional cost taken in the year and includes redundancy, dilapidations, project management, obsolete inventory and dual running lease and similar costs (note 7). The provision has arisen due to expected timing of cash outflows along with associated uncertainty regarding their final values, but is expected to be fully utilised in the coming financial year.

	Regulatory £'000	Closure of facilities £'000	Total £'000
At 31 January 2016	103	–	103
Charged / (credited) to the Income Statement			
- Additional provisions	–	644	644
- Unused amounts reversed	(62)	–	(62)
- Used during the period	(41)	(272)	(313)
At 31 January 2017	**–**	**372**	**372**

21 Deferred income

Deferred income arises on rental, managed service, service or maintenance contracts and the revenue recognition 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 2017	**368**	**21**	**3**	**1**	**–**	**393**
31 January 2016 *Restated	340	55	15	2	–	412

*Restated: Prior year split between current and non-current reanalysed £53,000 into within 1 year.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

22 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 17% (2016: 18%).

	2017 £'000	2016 £'000
Net asset/(liability) at beginning of year	**6**	(25)
(Charge)/credit to the profit and loss for the year	**(19)**	31
Net (liability)/asset at end of year	**(13)**	6

The elements of deferred taxation provided for are as follows:

	2017 £'000	2016 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**–**	44
Short term timing differences	**–**	1
Deferred tax asset	**–**	45

	2017 £'000	2016 £'000
Accelerated capital allowances	**(15)**	(39)
Short term timing differences	**2**	–
Deferred tax liability	**(13)**	(39)

At the year end date the Group had gross unused losses of £7,596,000 (2016: £7,596,000) 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 relating to the recent transfer of production, streaming implementation and re-positioning of product lines.

The amounts not recognised are as follows:

	2017 £'000	2016 £'000
Unused tax losses	**1,291**	1,367

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

23 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 Chief Executive Officer's report on pages 23 to 27.

Classes of financial assets and liabilities

	2017 £'000	2016 £'000
Assets		
Cash and cash equivalents	**2,165**	2,319
Trade and other receivables	**2,308**	1,723
Liabilities		
Obligations under finance leases	**16**	33
Trade and other payables	**2,559**	1,950

All the above are due or mature in under three months, except for a deposit for £250,000 that is used as collateral for bank facilities provided by HSBC Bank plc.

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. Please see note 17.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

23 Financial risk management and financial instruments continued

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.

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 day period.

At 31 January 2017 and 31 January 2016, the Group's liabilities had contractual maturities which are summarised as follows:

2017	**Carrying amount £'000**	**Total £'000**	**1 year or less £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**
Obligations under finance leases	**(16)**	**(16)**	**(16)**	**–**	**–**
Trade payables	**(1,792)**	**(1,792)**	**(1,792)**	**–**	**–**
Cash and cash equivalents	**2,165**	**2,165**	**2,165**	**–**	**–**
2016					
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	–	–

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. As outlined in the Chief Executive Officer's report on page 25, there is a degree of natural hedge due to the balance of imports and exports.

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 more than one bank.

Capital management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

24 Share capital

	Number of shares (Allotted & Issued)	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
At 1 February 2016	30,667,548	3,067	9,929	4,600	17,596
At 31 January 2017	**30,667,548**	**3,067**	**9,929**	**4,600**	**17,596**

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. Ordinary shares have the same rights.

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 (previously Inditherm plc) and Inspiration Healthcare Limited on 24 June 2015.

25 Note to the Consolidated Statement of Cash Flows

	2017 £'000	2016 £'000
Profit before taxation	**444**	148
Adjustments for:		
Net finance costs / (income)	**1**	(2)
Impairment of goodwill	–	378
Impairment of intangible assets	–	139
Depreciation and amortisation	**204**	178
Loss on disposal of intangible asset	–	6
Loss on disposal of tangible asset	**2**	–
Decrease in inventories	**2**	14
(Increase) / decrease in trade and other receivables	**(461)**	379
Increase in trade and other payables	**598**	579
(Decrease) in deferred income	**(19)**	(26)
Net cash generated from operations	**771**	1,793

26 Commitments

(a) Capital commitments

At 31 January 2017, the Company had capital expenditure commitments totalling £33,000 (2016: £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:

	2017 £'000	2016 £'000
Minimum payments within one year	**16**	17
Minimum payments after one year but not more than five years	–	16
	16	33
Present value of minimum lease payments	**16**	33

Notes forming part of the Financial Statements continued

for the year ended 31 January 2017

26 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, Rotherham, Crawley, Albourne and Newtownards. During the year £271,000 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (2016: £166,000).

A new Corporate office and R&D facility at Crawley officially opened in March, resulting in the closure of the Rotherham and Albourne sites. Operating lease dual running costs within exceptional items are £8,000 for Rotherham and £34,000 for Albourne.

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

	Land and buildings		Other	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Within 1 year	**103**	112	**29**	53
In the second to fifth years inclusive	**232**	47	**24**	31
After five years	**284**	–	**–**	3
	619	159	**53**	87

27 Share based payments

The Group operates approved share option schemes.

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 and the existing options lapsed on the departure of the former Group Finance Director during the year.

Details of the share options outstanding at 31 January 2017 and movements during the year by exercise price is shown below:

Exercise price	First exercise date	Last exercised date	At 31 January 2016	Granted	Exercised	Lapsed	**At 31 January 2017**
50p	Jan 2015	Jan 2022	35,000	–	–	(35,000)	**–**
100p	May 2011	May 2018	20,000	–	–	(20,000)	**–**
			55,000	–	–	(55,000)	**–**

There were no (2016: 55,000) options exercisable at the year end date.

The options outstanding at the prior year end had a weighted average exercise price of 68p and a weighted average contractual life of 7.8 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 (2016: £nil). There were no cash settled share based payment transactions.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2017

28 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's lease ended on 10 March 2017 and the Group is in the process of releasing the deposit.

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 on its products against clearly defined performance specifications.

29 Pension schemes

The Group made contributions in respect of defined contribution pension arrangements of £62,000 (2016: £53,000). At the year end £13,000 (2016: £7,000) of contributions were payable to the schemes.

30 Related party transactions

Neuroprotexeon Limited

At the year end date the Group held 10.4% (2016: 12.8%) of the issued ordinary share capital of Neuroprotexeon Limited. The Group also holds 25,000 options to purchase ordinary shares at an exercise price of £0:23 per share. Further information relating to the investment is disclosed in note 14.

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 28.0% of the voting shares of the legal parent company. Directors interests in shares are disclosed in the Remuneration Report on page 46.

Key management comprise the Group's Executive and Non-executive Directors. Remuneration of Executive and Non-executive Directors is set out in note 6 and the Remuneration Report on page 45.

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.

31 Ultimate parent undertaking

Inspiration Healthcare Group plc is the ultimate parent undertaking.

32 Events after the reporting period

As detailed in note 7, the closure of the corporate head office and manufacturing site at Rotherham was completed and lease surrendered on 10th March 2017 on completion of its term.

The new corporate office and R&D centre at Crawley, West Sussex officially opened in March 2017 and former R&D facility at Albourne was vacated.

There was no additional cost other than as recognised at balance sheet date.

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 2017;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Statement of Financial Position as at 31 January 2017;*
- *the Company 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.*

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- *the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and*
- *the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.*

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 continued

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, 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the Group Financial Statements of Inspiration Healthcare Group plc for the year ended 31 January 2017.

Paul Norbury
Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors East Midlands

3 May 2017

Company Statement of Financial Position

as at 31 January 2017

(Registered Number: 03587944)

	Notes	2017 £'000	*Restated 2016 £'000
Assets			
Non-current assets			
Intangible assets	3	–	28
Property, plant and equipment	4	–	46
Investments	5	**7,156**	7,156
Deferred tax asset	12	–	45
		7,156	7,275
Current assets			
Inventories	6	**96**	195
Trade and other receivables	7	**170**	306
Cash and cash equivalents	8	**793**	760
		1,059	1,261
Total assets		**8,215**	8,536
Liabilities			
Current liabilities			
Trade and other payables	9	**(785)**	(1,069)
Deferred income	11	–	(112)
		(785)	(1,181)
Non-current liabilities			
Deferred income	11	–	(67)
Total liabilities		**(785)**	(1,248)
Net assets		**7,430**	7,288
Capital and reserves			
Called up share capital	13	**3,067**	3,067
Share premium account	13	**9,929**	9,929
Merger reserve	13	**4,600**	4,600
Share based payment reserve		**155**	155
Retained earnings		**(10,321)**	(10,463)
Shareholders' funds		**7,430**	7,288

*Restated: see notes 11 and 13

The notes on pages 89 to 101 are an integral part of these financial statements.

Profit for the year was £142,000 (2016: Loss of £782,000)

The financial statements on pages 85 to 101 were approved by the Board of Directors on 3 May 2017 and signed on its behalf by:

Neil Campbell
Director

Mike Briant
Director

Company Statement of Changes in Shareholders' Equity

	Issued Share Capital £'000	*Restated Share premium account £'000	*Restated Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
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	9,929	4,600	155	(9,681)	8,070
Loss for the period	–	–	–	–	(782)	(782)
At 31 January 2016	3,067	9,929	4,600	155	(10,463)	7,288
Profit for the period	–	–	–	–	142	142
At 31 January 2017	**3,067**	**9,929**	**4,600**	**155**	**(10,321)**	**7,430**

The notes on pages 89 to 101 are an integral part of these financial statements.

*Restated – see note 13

Notes to the Company's Financial Statements
for the period ended 31 January 2017

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's Financial Statements cover the period of 12 months from 1 February 2016 to 31 January 2017.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed elsewhere in this note.

The transition to Financial Reporting Standard 101 has been made in accordance with International Financial Reporting Standard 1 "First-time adoption of International Financial Reporting Standards".

The company previously reported under IFRS. Accordingly, the transition has not resulted in any amendments to the profit for the financial year ended 31 January 2017 or the statement of financial position as at 31 January 2017 or 31 January 2016, as previously reported.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- *Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);*
- *IFRS 7, 'Financial Instruments: Disclosures';*
- *Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);*
- *Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:*
  - *paragraph 79(a)(iv) of IAS 1;*
  - *paragraph 73(e) of IAS 16 Property, plant and equipment;*
- *The following paragraphs of IAS 1, 'Presentation of financial statements':*
  - *10(d), (statement of cash flows)*
  - *10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),*
  - *16 (statement of compliance with all IFRS),*
  - *38A (requirement for minimum of two primary statements, including cash flow statements),*
  - *38B-D (additional comparative information),*
  - *40A-D (requirements for a third statement of financial position),*
  - *111 (cash flow statement information), and*
  - *134-136 (capital management disclosures).*

Notes to the Company's Financial Statements continued
for the period ended 31 January 2017

1 Accounting Policies continued

- *IAS 7, 'Statement of cash flows';*
- *Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);*
- *Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and*
- *The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.*

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone. The profit / (loss) for the period is included in the Company Statement of Changes in Shareholders' Equity and at the foot of the Statement of financial position.

With effect from 31 January 2017 the company transferred its commercial activities, together with trading assets related to those activities, to its wholly owned subsidiary, Inspiration Healthcare Limited as part of a "hive down" exercise. The transfer of the relevant assets and contracts was at net book value. Accounts payable and receivable have been retained within the company and will be settled in the normal course of business.

Some inventory also remained within the Company and was subsequently transferred following the balance sheet date.

Completion of the disposal of fixed assets was subsequently made on closure of the Rotherham facility in March 2017. All remaining assets had been written down to a nil book value as at the balance sheet date.

Note 13, Share Capital, shows a restated Reserves position for 2016, where Merger reserve and Share premium account had previously been shown in error, as a net position, following the reverse acquisition in 2015.

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.

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

2 Employees

The aggregate payroll costs of persons employed were as follows:

	12 months 2017 £'000	13 months 2016 £'000
Wages and salaries	**1,111**	965
Social security costs	**106**	90
Pension costs – defined contribution scheme	**24**	24
Share based payments	**–**	–
Total	**1,241**	1,079

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 2017 £'000	13 months 2016 £'000
Management and Administration	**8**	6
Sales	**4**	5
Development and Quality	**3**	2
Production	**9**	9
Total	**24**	22

Key management (including Executive Directors) emoluments

	12 months 2017 £'000	13 months 2016 £'000
Aggregate emoluments:		
Emoluments of the Directors and key management personnel	**523**	448
Contributions to defined contribution pension scheme on their behalf	**15**	16
	538	464
Emoluments of highest paid Director	**139**	139
Contributions to defined contribution pension scheme	**7**	5
	146	144

Payments for loss of office of £93,000 (2016: £113,000) are included in severance pay within exceptional items.

Number of Directors for whom retirement benefits are accruing under defined contribution pension schemes during the year 4 (2016: 4).

No Directors exercised share options during the year (2016: none). The former Group Finance Director, Ian Smith's options lapsed during the year.

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

3 Intangible assets

	Development costs £'000	Intellectual property £'000	Software costs £'000	Total £'000
Cost				
At 1 January 2015	129	136	–	265
Capitalised in period	–	–	26	26
At 31 January 2016	**129**	**136**	**26**	**291**
Capitalised in period	–	–	37	37
Transferred to Group companies	(3)	–	(63)	(66)
At 31 January 2017	**126**	**136**	**–**	**262**
Amortisation				
At 1 January 2015	126	136	–	262
Charge in the period	1	–	–	1
At 31 January 2016	**127**	**136**	**–**	**263**
Charge in the period	1	–	16	17
Transferred to Group companies	(2)	–	(16)	(18)
At 31 January 2017	**126**	**136**	**–**	**262**
Net book value				
At 31 January 2017	**–**	**–**	**–**	**–**
At 31 January 2016	2	–	26	28

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 51.

Remaining assets are fully written down and have not been transferred at the 31 January 2017.

Notes to the Company's Financial Statements continued
for the period ended 31 January 2017

4 Property, plant and equipment

	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2015	237	193	10	440
Additions in the year	–	31	–	31
At 31 January 2016	**237**	**224**	**10**	**471**
Additions in the year	1	18	–	19
Transferred to Group companies	(2)	(68)	–	(70)
Disposals	(5)	(7)	–	(12)
At 31 January 2017	**231**	**167**	**10**	**408**
Depreciation				
At 1 January 2015	233	161	10	404
Charge in the period	1	20	–	21
At 31 January 2016	**234**	**181**	**10**	**425**
Charge in the period	1	25	–	26
Transferred to Group companies	–	(31)	–	(31)
Disposals	(4)	(8)	–	(12)
At 31 January 2017	**231**	**167**	**10**	**408**
Net book value				
At 31 January 2017	**–**	**–**	**–**	**–**
At 31 January 2016	3	43	–	46

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 51.

Remaining assets are fully written down and have not been transferred at the 31 January 2017.

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

5 Investments

	Total £'000
Cost	
At 31 January 2017 and 2016	**7,156**
Net Book Value	
At 31 January 2017 and 2016	**7,156**

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
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

The registered office of the above companies is: 2 Satellite Business Village, Crawley, RH10 9NE, England

Anaesthetic Services Systems Limited	Dormant	Indirect	100	Ordinary

The registered office of the above company is: C10 Strangford Park Ards Business Centre, Jubilee Road, Newtownards, Co Down BT23 4YH

The Company also holds an indirect interest in Neuroprotexeon Limited, as outlined in note 14 of the Group Financial Statements.

Notes to the Company's Financial Statements continued
for the period ended 31 January 2017

6 Inventories

	2017 £'000	2016 £'000
Raw materials	**85**	151
Work in progress	**–**	4
Finished goods	**11**	40
	96	195

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

7 Trade and other receivables

	2017 £'000	2016 £'000
Gross trade receivable	**122**	226
Provision for bad debts	**(1)**	(37)
Net trade receivables	**121**	189
Amounts due from group undertakings	**9**	–
Other taxes and social security	**–**	61
UK corporation tax recoverable	**–**	20
Prepayments and accrued income	**40**	36
	170	306

The amounts due from group undertakings £9,000 (2016: nil) are non-interest bearing, unsecured and repayable on demand.

At 31 January 2017 the trade receivables which were past due but not impaired were £64,000 (2016: £47,000). 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:

	2017 £'000	2016 £'000
Up to three months	**52**	43
Between four and twelve months	**12**	4
	64	47

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

8 Cash and cash equivalents

Cash and cash equivalents comprise solely of cash at bank and cash in hand held by the Company.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2017 £'000	2016 £'000
Pounds sterling	**708**	664
Euro	**29**	46
US Dollars	**56**	12
JPY	**–**	38
	793	760

The Group currently uses one bank; HSBC Bank plc. Moody's give a long term rating of A1.

	2017 £'000	2016 £'000
HSBC Bank plc	**793**	748
Royal London	**–**	10
Cash	**–**	2
	793	760

9 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**249**	219
Amounts due to subsidiary undertakings	**–**	501
Other taxes and social security	**111**	35
Other payables	**6**	6
Accrued expenses	**131**	205
Provision for other liabilities and charges (note 10)	**288**	103
	785	1,069

The amounts due to subsidiaries of £nil (2016: £501,000) are non-interest bearing, unsecured and repayable on demand.

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

10 Provision for other liabilities and charges

There was an outstanding Regulatory provision relating to the reverse acquisition in 2015 that was utilised during the year with the balance credited to exceptional costs in the Income Statement.

The provision for closure of facilities relates to the exceptional cost taken in the year and includes redundancy, dilapidations, project management, obsolete inventory and dual running lease and similar costs. The provision has arisen due to expected timing of cash outflows along with associated uncertainty regarding their final values, but is expected to be fully utilised in the coming financial year.

	Regulatory £'000	Closure of facilities £'000	Total £'000
At 31 January 2016	103	–	103
Charged / (credited) to the Income Statement			
- Additional provisions	–	526	526
- Unused amounts reversed	(6)	–	(62)
- Used during the period	(41)	(238)	(279)
At 31 January 2017	**–**	**288**	**288**

11 Deferred income

Deferred income arises on rental, managed service, service or maintenance contracts and the revenue recognition accounting policy is explained in note 1 of the Group Financial Statements.

The profile of when this income will be recognised 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
2017	**–**	**–**	**–**	**–**	**–**	**–**
2016 *Restated	112	50	15	2	–	179

*Restated: Prior year split between current and non-current reanalysed £53,000 into within 1 year

All deferred income has been transferred to Inspiration Healthcare Limited as part of the hive down of assets (note 1)

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

12 Deferred tax

At the balance sheet date the Company had gross unused taxable trading losses of £nil (2016: £7,596,000) potentially available to offset against future profits. Accumulated losses to date have been transferred to Inspiration Healthcare Limited, its wholly owned subsidiary company, as part of the hive-down of the trade and will potentially be available for offset against future profits of the same trading income stream.

Note that the effective future tax rate is 17% (2016: 18%).

	2017 £'000	2016 £'000
At beginning of year	**45**	–
(Charge) / Credit to the profit and loss for the year	**(45)**	45
Net asset at end of year	**–**	45

The elements of deferred taxation provided for are as follows:

	2017 £'000	2016 £'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:

	2017 £'000	2016 £'000
Unrecognised deferred tax asset	**–**	1,367

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

13 Share capital

	Number of shares	Share capital £'000	Restated Share premium £'000	Restated Merger Reserve £'000	Total £'000
At 31 January 2016 as restated	**30,667,548**	**3,067**	**9,929**	**4,600**	**17,596**
At 31 January 2017	**30,667,548**	**3,067**	**9,929**	**4,600**	**17,596**

Prior year Share capital has been restated to split out the Merger reserve from the Share premium account.

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.

14 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 Rotherham.

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

	Land and buildings		Other	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Within 1 year	**8**	72	**6**	14
In the second to fifth years inclusive	**–**	–	**8**	18
After five years	**–**	–	**–**	3
Total	**8**	72	**14**	35

15 Capital commitments

There were no capital commitments at the end of the financial year (2016: £nil).

Notes to the Company's Financial Statements continued

for the period ended 31 January 2017

16 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's lease ended on 10 March 2017 and is in the process of releasing the deposit.

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

17 Pension schemes

The Company made contributions in respect of defined contribution pension arrangements of £24,000 (2016: £24,000). At the period end £6,000 (2016: £6,000) of contributions were payable by the Company.

18 Share based payments

The Group operates approved share option schemes.

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 and the existing options lapsed on the departure of the former Group Finance Director during the year.

Details of the share options outstanding at 31 January 2017 and movements during the year by exercise price are shown below:

Exercise price	First exercise date	Last exercised date	At 31 January 2016	Granted	Exercised	Lapsed	**At 31 January 2017**
50p	Jan 2015	Jan 2022	35,000	–	–	(35,000)	**–**
100p	May 2011	May 2018	20,000	–	–	(20,000)	**–**
			55,000	–	–	(55,000)	**–**

There were no (2016: 55,000) options exercisable at the year end date.

The options outstanding at the prior year end had a weighted average exercise price of 68p and a weighted average contractual life of 7.8 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 (2016: £nil). There were no cash settled share based payment transactions.

Notes to the Company's Financial Statements continued
for the period ended 31 January 2017

19 Related party transactions

Key management

Directors control 28.0% of the voting shares of the Company. Directors interests in shares at the end of the period are disclosed in the Director's Remuneration Report on page 46.

Key management comprise the Group's Executive and Non-executive Directors. Remuneration of Executive and Non-executive Directors for the period is set out in note 2 and the Directors' Remuneration Report on page 45.

There were no other transactions with related parties.

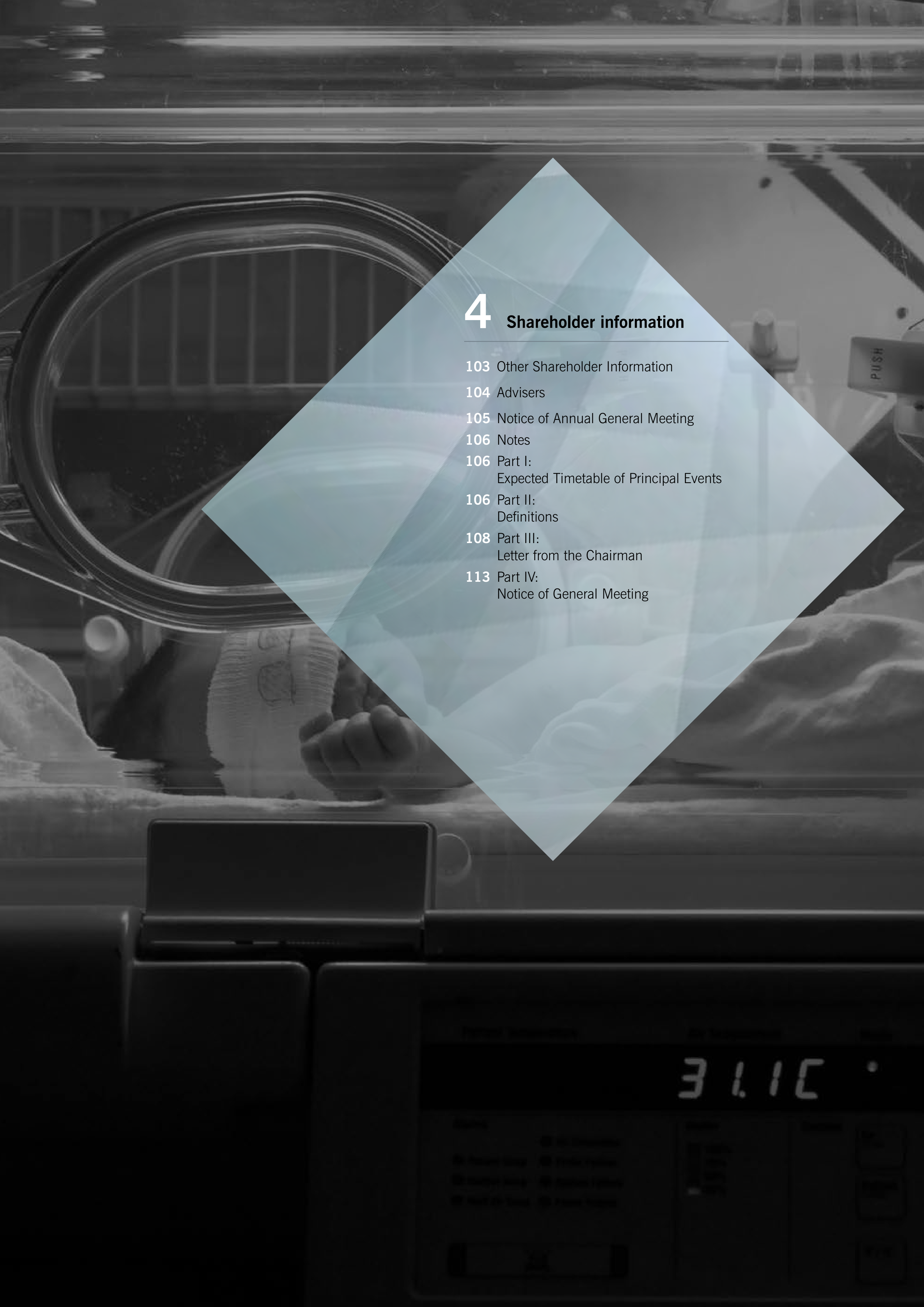
20 Financial risk management

The Company's policies on the management of liquidity and credit rate risks are managed at Group level and are set out in note 23 in the Group's Financial Statements and also referred to in the Chief Executive Officer's report on pages 23 to 27.

21 Transition to FRS 101

The transition to Financial Reporting Standard 101 has been made in accordance with International Financial Reporting Standard 1 "First-time adoption of International Financial Reporting Standards".

The Company previously reported under IFRS. Accordingly, the transition has not resulted in any amendments to the profit for the financial year ended 31 January 2017 or the statement of financial position as at 31 January 2017 or 31 January 2016, as previously reported.



4 Shareholder information

Other Shareholder Information

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 online and telephone share dealing service which is available by logging on to www.capitadeal.com or telephoning 0371 664 0445*

For the online service, Capita's commission rates are 1.25% of the value of the deal (minimum charge £39.50) and for the telephone service, Capita's commission rates are 1.50% of the value of the deal (minimum charge £59.50).

* 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.

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.

General shareholder enquiries

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300*

The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays

Email: SSD@capita.co.uk

* Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300.

Calls outside the United Kingdom will be charged at the applicable international rate.

Advisers

Company Secretary and Registered Office	Mike Briant, Unit 2, Satellite Business Park, Crawley, West Sussex RH10 9NE
Company number	03587944
Independent Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Donington Court, Pegasus Business Park, Herald Way, East Midlands, DE74 2UZ
Bankers	HSBC Bank plc, 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	Cenkos Securities plc, 6,7,8 Tokenhouse Yard, London EC2R 7AS
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

This document is important and requires your immediate attention.

If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom, or if you are taking advice in another jurisdiction, from an appropriately authorised independent professional adviser.

If you have sold or otherwise transferred all of your Ordinary Shares in Inspiration Healthcare Group plc you should deliver this document together with the enclosed Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, this document and any accompanying documents should not be sent or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations. If you have sold or otherwise transferred only part of your holding of your Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Inspiration Healthcare Group plc

(Incorporated and registered in England and Wales with registered number 03587944)

Recommended proposals for the capitalisation of merger reserve, cancellation of the share premium account

and

Notice of Annual General Meeting

This document should be read as a whole. Your attention is drawn to the Letter from the Chairman of the Company which is set out in Part III of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Annual General Meeting referred to below.

Notice of the Annual General Meeting of the Company to be held at the Company's offices, Unit 2 Satellite Business Village, Crawley, West Sussex RH10 9NE at 11:30 am on 30 June 2017 is set out in Part IV of this document. A Form of Proxy for use at the meeting is enclosed with this document. To be valid, the Form of Proxy must be completed and returned as soon as possible and in any event so as to be received by the Company's registrars Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11:30 am on 28 June 2017. Completion and posting of the Form of Proxy will not prevent a shareholder from attending and voting in person at the Annual General Meeting.

Notes

Part I

Expected Timetable of Principal Events

Circular and Form of Proxy posted to Shareholders	19 May 2017
Latest time and date for receipt of Form of Proxy for the Annual General Meeting	11:30 am on 28 June 2017
Annual General Meeting	11:30 am on 30 June 2017
Expected effective date for completion of the Capital Reduction	26 July 2017

Notes:

(1) The expected date for the completion of the Capital Reduction is based on provisional dates that have been obtained for the required Court hearings of the Company's application. These provisional hearing dates are subject to change and dependent on the Court's timetable.

(2) The timetable assumes that there is no adjournment of the Annual General Meeting. If there is an adjournment, all subsequent dates are likely to be later than those shown.

(3) References to times in this document are to London times unless otherwise stated.

Part II

Definitions

The following definitions apply throughout this document unless the context otherwise requires:

AIM	the Alternative Investment Market operated by the London Stock Exchange plc;
Annual General Meeting or AGM	the annual general meeting of the Company, notice of which is set out at the end of this document and including any adjournment(s) thereof;
Articles	the articles of association of the Company adopted on 6 December 2001 (as amended by special resolution on 10 December 2001);
Board	the Directors of the Company;
CA 2006	Companies Act 2006;
Capital Reduction Bonus Issue	the bonus issues of Capital Reduction Shares for every one Ordinary Share held by each Shareholder on the register of members of the Company at the Capital Reduction Record Time in order to facilitate the Capital Reduction as described in this document;

Notes continued

Capital Reduction	the proposed cancellation of the share premium account and the Capital Reduction Shares as described in the Letter from the Chairman in Part III of this document;
Capital Reduction Record Time	6.00 pm on the date immediately preceding the date of the Court Hearing;
Capital Reduction Shares	B shares in the capital of the Company to be created by the Capital Reduction Bonus Issues;
Company	Inspiration Healthcare Group plc, a company incorporated in England and Wales with registered number 03587944 and having its registered office at Unit 2 Satellite Business Village, Crawley, West Sussex RH10 9NE;
Court	the High Court of Justice in England and Wales;
Court Hearing	the hearing by the Court to confirm the Capital Reduction;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
CREST Regulations	the Uncertificated Securities Regulations 2001 (as amended);
Form of Proxy	the form of proxy accompanying this document relating to the Annual General Meeting;
Notice of AGM	the notice of Annual General Meeting, set out in Part IV of this document;
Ordinary Shares	ordinary shares of 10 pence each in the capital of the Company;
Registrars	Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
Resolutions	the resolutions to be proposed at the Annual General Meeting which are set out in full in the notice of Annual General Meeting, set out in Part IV of this document; and
Shareholders	holders of Ordinary Shares.

Directors

M S Abrahams
(Non-executive Chairman)

N J Campbell
(Chief Executive Officer)

T Foster
(Group Sales Director)

R J Beveridge
(Non-executive Director)

B Nolson
(Non-executive Director)

M J Briant
(Chief Financial Officer and Company Secretary)

Registered Office
Unit 2 Satellite Business Village Crawley West Sussex RH10 9NE

Part III

Letter from the Chairman

Inspiration Healthcare Group plc
(Incorporated in England and Wales with registered number 03587944)

3 May 2017

Dear Shareholder

1. Introduction and Summary

1.1 The Annual General Meeting of the Company is to be held at 11:30 am on 30 June 2017 at the Company's offices, Unit 2 Satellite Business Village, Crawley, West Sussex RH10 9NE. The notice convening the Annual General Meeting is set out in Part IV of this document.

1.2 I am writing to you with proposals recommended by the Board to create positive distributable reserves for the Company in order to provide the Board with the flexibility to distribute profits to Shareholders as dividends, subject to the financial performance of the Company.

1.3 The background to and reasons for the Capital Reduction are set out more fully in paragraph 2 below. Your approval is being sought to carry out a reduction of the Company's capital by way of:

(i) cancellation of the amount standing to the credit of the Company's share premium account; and

(ii) the capitalisation of the amount standing to the credit of the Company's merger reserve by way of two issues and subsequent cancellations of the Capital Reduction Shares,

so as to create positive distributable reserves.

The Capital Reduction is conditional upon, amongst other things, the Company obtaining appropriate Shareholder approval at the Annual General Meeting.

1.4 Part II of this document contains definitions of words and terms that have been used throughout it. Please refer to Part II as you review the documentation.

1.5 The purpose of this document is to provide you with information about the background to and the reasons for the Capital Reduction, to explain why the Board considers the Capital Reduction to be in the best interests of the Company and its Shareholders as a whole and why the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the Annual General Meeting, notice of which is set out in Part IV of this document.

2. Background to and reasons for the Capital Reduction

2.1 The Company has accumulated historic trading losses which have resulted in the Company's accounts for the year ended 31 January 2017 showing a deficit in its profit and loss account of £10,320,326 and the Company having negative distributable reserves.

Notes continued

2.2 As the Company has negative distributable reserves it is prohibited under the CA 2006 from making distributions to Shareholders, including the payment of dividends.

2.3 As at 31 January 2017 the Company's share premium account showed a balance of £9,929,052. In addition, a sum of £4,600,132 was standing to the credit of the Company's merger reserve. A share premium account and a merger reserve are non-distributable reserves and, accordingly, the purposes for which the Company can use them are extremely restricted. In particular, they cannot be used for paying dividends.

2.4 The Board is therefore proposing to cancel the share premium account, and through the issues of the Capital Reduction Shares and their subsequent cancellation, an amount equal to the Company's merger reserve, to create realised profits of £4,208,858 which will, subject to the discharge of any undertakings required by the Court as explained below, be sufficient to eliminate the historic deficit and create positive distributable reserves. If approved by the Shareholders, the cancellations will require subsequent approval by the Court.

2.5 The Capital Reduction will provide the Board with the flexibility to distribute future profits to Shareholders as dividends, subject to the financial performance of the Company.

3. Proposed Capital Reduction

3.1 In order to eliminate the deficit of £10,320,326 on the Company's profit and loss account, it is proposed that:

(i) the amount standing to the credit of the Company's share premium account in the sum of £9,929,052 is cancelled;

(ii) the amount standing to the credit of the Company's merger reserve in the sum of £4,600,132 is capitalised by way of bonus issues of newly created Capital Reduction Shares; and

(iii) the Capital Reduction Shares will be cancelled.

3.2 The cancellations, if approved by the Court, will create realised profits sufficient to eliminate the accrued deficit on the Company's profit and loss account and create positive distributable reserves.

3.3 The Capital Reduction itself will not involve any distribution or repayment of capital or share premium by the Company and will not reduce the underlying net assets of the Company.

3.4 There will be no change in the number of Ordinary Shares in issue following the implementation of the Capital Reduction.

3.5 In order to approve the Capital Reduction the Court will need to be satisfied that the interests of the Company's creditors will not be prejudiced as a result. It is for the Court to determine whether any protection is required for creditors of the Company and, if so, what form such protection should take. If required to do so, the Company will put in place such form of creditor protection as the court determines and which the Company is advised is appropriate. In order to protect creditors, the Company may be required to prove that it has sufficient liquid assets after the Capital Reduction has become effective to cover the total sum due to creditors of the Company at the date that the Court order confirming the Capital Reduction is registered with Companies House. Alternatively, the Company may need to offer the Court an undertaking not to treat any part of the reserve arising on the Capital Reduction as distributable profits until the relevant creditors of the Company at the date the Capital Reduction becomes effective have been paid or have consented to the Capital Reduction, or another form of undertaking as is considered appropriate.

4. The Capital Reduction Bonus Issues and the rights of the Capital Reduction Shares

4.1 It is proposed to capitalise the sum of £4,600,132 standing to the credit of the Company's merger reserve by applying that sum (in two successive capitalisations) in paying up in full new Capital Reduction Shares and allotting and issuing such shares by way of bonus issues to the persons at the Capital Reduction Record Time on the basis of one Capital Reduction Share for every one Ordinary Share held at the Capital Reduction Record Time.

4.2 The Capital Reduction Shares will not be admitted to trading on AIM or any other market. No share certificates will be issued in respect of the Capital Reduction Shares. The Capital Reduction Shares will have extremely limited rights. In particular, the Capital Reduction Shares will carry no rights to participate in the profits of the Company and no rights to participate in the Company's assets, save on a winding-up. The Capital Reduction Shares will be transferable, but no market will exist in them and it is anticipated that the Court will confirm their cancellation at the Court Hearing on the day immediately after they have been issued.

4.3 The capitalisations of the merger reserve are needed as the Court only has the power to reduce share capital and other statutory reserves, including share premium and capital redemption reserves. Hence, in order to utilise the merger reserve in the Capital Reduction, it is necessary to convert that reserve into share capital (the new Capital Reduction Shares) and immediately thereafter cancel the Capital Reduction Shares.

5. Further details on the Capital Reduction procedure

5.1 Under the CA 2006, a company limited by shares may reduce its share premium account, as long as it is not restricted from doing so by its Articles, by obtaining the approval of its shareholders by special resolution and the confirmation of the Court.

5.2 The Company is not restricted in any way by its Articles from carrying out a reduction of capital and is, therefore, seeking approval of its shareholders for the Capital Reduction. Please see the Notice of Annual General Meeting, which sets out the Resolutions, in Part IV of this document.

Notes continued

5.3 If the Shareholders approve the Resolutions at the Annual General Meeting, the Board intends to make an application to the Court to obtain its approval for the Capital Reduction as soon as possible following the Annual General Meeting.

5.4 Provisional dates have been obtained for the required Court hearings of the Company's application, but they are subject to change and dependent on the Court's timetable. On the present timetable, which is subject to change and dependent on the Court's timetable, it is anticipated that the Capital Reduction process would be complete by 26 July 2017.

6. Taxation

6.1 The following comments are intended as a general guide only and relate only to certain UK tax consequences of receiving the Capital Reduction Shares under the Capital Reduction Bonus Issues. The comments are based on current legislation and HM Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect. These comments deal only with Shareholders who are resident or ordinarily resident for taxation purposes in the UK, who are absolute beneficial owners of Ordinary Shares and who hold them as an investment and not on trading account. They do not deal with the position of certain classes of Shareholders, such as dealers in securities, insurance companies, collective investment schemes or persons regarded as having obtained their Ordinary Shares by reason of employment.

Capital Reduction Bonus Issues and Capital Reduction

6.2 The Capital Reduction Bonus Issues should be treated as a “reorganisation” for the purposes of UK taxation of chargeable gains (CGT), so that a Shareholder should not be treated as making a disposal or part disposal of his Ordinary Shares for CGT purposes upon receipt of the Capital Reduction Shares. Instead, the Capital Reduction Shares will be treated as the same asset, acquired at the same time, as his Ordinary Shares. On the basis that the Capital Reduction Shares will be treated as being paid up for ‘new consideration’ received by the Company, the issue of the Capital Reduction Shares should not give rise to any liability to United Kingdom income tax (or corporation tax) in the Shareholder's hands.

6.3 For CGT purposes, due to the fact that the Capital Reduction Shares:

- have no voting rights or rights to income;
- have no market; and
- at the time issued, it is anticipated that the Capital Reduction Shares will be cancelled for no payment on the day immediately following their issue,

the market value of the Capital Reduction Shares is likely to be nil for the duration of their existence. A Shareholder's CGT base cost of the Capital Reduction Shares and Ordinary Shares should be calculated by apportioning the base cost of such Shareholder's Ordinary Shares between the Capital Reduction Shares and the Ordinary Shares based on their respective market values. Consequently the issue of the Capital Reduction Shares should not impact on the base cost of the Ordinary Shares, and there should be no tax charge (nor any allowable loss) on the cancellation of the Capital Reduction Shares.

Notes continued

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

6.4 No stamp duty or SDRT will be payable on the issue of the Capital Reduction Shares.

6.5 This section is not intended to be, and should not be construed to be, legal or taxation advice to any particular Shareholder. Any Shareholder who has any doubt about his own taxation position, whether regarding CGT or otherwise, or who is subject to taxation in any jurisdiction other than (or in addition to) the UK should consult his professional taxation adviser immediately.

7. Annual General Meeting

Please see the Notice of Annual General Meeting of the Company, set out in Part IV of this document. At the Annual General Meeting, the Resolutions set out in Part IV of this document will be proposed to Shareholders.

8. Action to be taken

8.1 Shareholders will find a Form of Proxy enclosed for use at the Annual General Meeting. To be valid, the Form of Proxy must be completed and returned as soon as possible and so as to be received by the Registrars by not later than 11:30 am on 28 June 2017. You can return your Form of Proxy by post to Capita Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU.

8.2 The completion and return of the Form of Proxy will not prevent you from attending and voting at the meeting in person.

9. Recommendation

The Board considers that the Capital Reduction will be beneficial for the Company as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolutions to be proposed at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 8,591,333 Ordinary Shares, being 28.01% of the existing Ordinary Shares in issue at the date of this document.

Yours faithfully

Mark Abrahams
Chairman

Notes continued

Part IV

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 Company's offices, Unit 2 Satellite Business Village, Crawley, West Sussex RH10 9NE at 11:30 am on 30 June 2017 for the following purposes:

Ordinary Business

To consider and, if thought fit, 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 2017 together with the Directors' and Auditors' reports on those financial statements.
2. To approve the Remuneration Report for the year ended 31 January 2017.
3. To re-elect Mark Abrahams as a Director of the Company.
4. To re-elect Neil Campbell as a Director of the Company.
5. To re-elect Bob Beveridge as a Director of the Company.
6. To re-elect Brook Nolson as a Director of the Company.
7. To re-elect Toby Foster as a Director of the Company.
8. To elect Michael Briant, who was appointed by the Board since the last annual general meeting of the Company, as a Director of the Company.
9. 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 10 will be proposed as an ordinary resolution and resolutions 11, 12, 13 and 14 will be proposed as special resolutions:

10. 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, 30 June 2018, 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.

Notes continued

11. That, subject to the passing of Resolution 10 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 10 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 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.
12. 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:
    a. 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;
    b. the minimum price, exclusive of any expenses, which may be paid for an ordinary share is £0.10;
    c. 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;
    d. the authority hereby conferred shall expire on the earlier of 30 June 2018 or the close of the next annual general meeting of the Company; and
    e. 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.
13. THAT:
    a. £4,208,858 of the amount standing to the credit of the merger reserve of the Company shall be capitalised and applied in paying up in full at par such number of new B shares (the **Capital Reduction Shares**) equal to the number of ordinary shares of 0.10 pence each in the capital of the Company (**Ordinary Shares**) in issue at the Capital Reduction Record Time (as defined in the circular to shareholders of the Company dated 3 May 2017), such Capital Reduction Shares having a nominal value equal to the sum that is obtained by dividing the number of Capital Reduction Shares to be issued as set out above into £4,208,858 as shall be required to effect such capitalisation, and the Directors be and are hereby authorised for the purposes of section 551 of the Companies Act 2006 (the **Act**) to allot and issue all the Capital Reduction Shares thereby created to such members of the Company including one of their number as they shall in their absolute discretion determine upon terms that they are paid up in full by such

Notes continued

capitalisation, and such authority shall for the purposes of section 551 of the Act expire on 31 December 2017;

b. the Capital Reduction Shares created and issued pursuant to paragraph 13(a) above shall have the following rights and restrictions:

   i. the holders of the Capital Reduction Shares shall have no right to receive any dividend or other distribution whether of capital or income;

   ii. the holders of Capital Reduction Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Company;

   iii. the holders of Capital Reduction Shares shall on a return of capital on a liquidation, but not otherwise, be entitled to receive the nominal amount of each such share but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such a share and the holders of Capital Reduction Shares shall not be entitled to any further participation in the assets or profits of the Company;

   iv. a reduction by the Company of the capital paid up and credited as paid up on the Capital Reduction Shares and the cancellation of such shares will be treated as being in accordance with the rights attaching to the Capital Reductions Shares and will not involve a variation of such rights for any purpose. The Company will be authorised at any time without obtaining the consent of the holders of Capital Reduction Shares to reduce its capital (in accordance with the Act);

   v. the Company shall have irrevocable authority at any time after the creation or issue of the Capital Reduction Shares to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same without making any payment to the holders thereof to such person or persons as the Company may determine and, in accordance with the provisions of the Act, to purchase or cancel such shares without making any payment to or obtaining the sanction of the holders thereof and pending such a transfer and/or purchase and/or cancellation to retain the certificates, if any, in respect thereof, provided also that the Company may in accordance with the provisions of the Act purchase all but not some only of the Capital Reduction Shares then in issue at a price not exceeding 1 penny for all the Capital Reduction Shares;

c. the Capital Reduction Shares created and issued pursuant to paragraph (a) above shall be cancelled; and

d. the Company's share premium account be and is hereby cancelled.

14. THAT:

a. £391,274 of the amount standing to the credit of the merger reserve of the Company shall be capitalised and applied in paying up in full at par such number of new B shares (the **Capital Reduction Shares**) equal to the number of ordinary shares of 0.10 pence each in the capital of the Company (**Ordinary Shares**) in issue at the Capital Reduction Record Time (as defined in the circular to shareholders of the Company dated 3 May 2017), such Capital Reduction Shares having a nominal value equal to the sum that is obtained by dividing the number of Capital Reduction Shares to be issued as set out above into £391,274 as shall be required to effect such capitalisation, and the Directors be and are hereby authorised for the purposes of section 551 of the Companies Act 2006

Notes continued

(the **Act**) to allot and issue all the Capital Reduction Shares thereby created to such members of the Company including one of their number as they shall in their absolute discretion determine upon terms that they are paid up in full by such capitalisation, and such authority shall for the purposes of section 551 of the Act expire on 31 December 2017;

b. the Capital Reduction Shares created and issued pursuant to paragraph 14(a) above shall have the following rights and restrictions:

    i. the holders of the Capital Reduction Shares shall have no right to receive any dividend or other distribution whether of capital or income;

    ii. the holders of Capital Reduction Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Company;

    iii. the holders of Capital Reduction Shares shall on a return of capital on a liquidation, but not otherwise, be entitled to receive the nominal amount of each such share but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such a share and the holders of Capital Reduction Shares shall not be entitled to any further participation in the assets or profits of the Company;

    iv. a reduction by the Company of the capital paid up and credited as paid up on the Capital Reduction Shares and the cancellation of such shares will be treated as being in accordance with the rights attaching to the Capital Reductions Shares and will not involve a variation of such rights for any purpose. The Company will be authorised at any time without obtaining the consent of the holders of Capital Reduction Shares to reduce its capital (in accordance with the Act);

    v. the Company shall have irrevocable authority at any time after the creation or issue of the Capital Reduction Shares to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same without making any payment to the holders thereof to such person or persons as the Company may determine and, in accordance with the provisions of the Act, to purchase or cancel such shares without making any payment to or obtaining the sanction of the holders thereof and pending such a transfer and/or purchase and/or cancellation to retain the certificates, if any, in respect thereof, provided also that the Company may in accordance with the provisions of the Act purchase all but not some only of the Capital Reduction Shares then in issue at a price not exceeding 1 penny for all the Capital Reduction Shares; and

c. the Capital Reduction Shares created and issued pursuant to paragraph (a) above shall be cancelled.

There will be a presentation by the Executive Directors on the business at the start of the AGM.

By order of the Board

Company Secretary: **Mike Briant**

Date: 3 May 2017

Registered office: Unit 2 Satellite Business Village
Crawley West Sussex RH10 9NE

Notes continued

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 11:30 am on 28 June 2017. 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.

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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 28 June 2017 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

Patient focused

Research driven

Outcome changing

Pioneering

inspiration-healthcare.com

Headquarters and Registered Office:

Inspiration Healthcare Group plc
2 Satellite Business Village, Crawley,
West Sussex RH10 9NE, UK