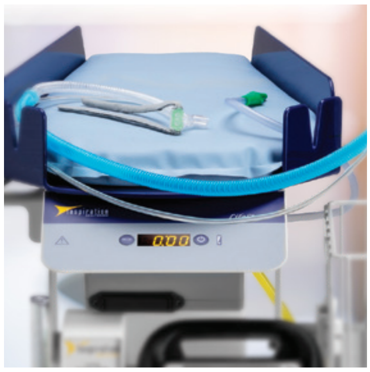
Inspiration Healthcare Group plc

2019 Annual Report and Financial Statements



Our purpose

To improve health outcomes by providing highly advanced medical technology.

Our values

As a Group we strive to meet all of these values:
Patient focused, Outcome changing, Pioneering, Research driven

Operational highlights

Launched AlphaCore5 – our new Patient Warming System

Received certification to Medical Device Single Audit Program in 4 countries (Canada, USA, Japan and Australia) and ISO 13485:2016

Received single largest order for Patient Warming Systems

Strengthened management team with Head of Operations

Licence Agreement signed with a major US university to allow us to develop a novel respiratory device ("Project Wave")

Winner of The Queen's Awards for Enterprise: International Trade 2019

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2019

Contents

Financial highlights

Revenue stable at
£15.5m

International Sales up 12% to
£5.4m

Revenue from new products[2]
£1.4m

Gross Margin up to
45.5%

EBITDA[1] increased by
13%

Operating Profit as expected at
£1.2m

Net Assets up by £1.2m
27%

Cash up by £0.4m to
£2.5m

[1] Earnings before interest, tax, depreciation, amortisation and share based payments
[2] FY2019 revenue from products launched in the last three years

Chairman's Report

The Group is one full of energy and positivity and a desire to make a genuine difference to the outcome of some of the most fragile patients and therefore I am pleased to write to you again on another year of progress at Inspiration Healthcare Group plc.

For the year ended 31 January 2019 ("FY2019"), we met our operating profit expectations at £1.2 million (FY2018: £1.2 million) with EBITDA[1] improving by 13% from £1.45 million to £1.65 million. This was achieved through increasing gross margin from 44% in FY2018 to 45% in FY2019, prudent management of overheads and the timing of investment - balancing the impact on profits with the benefit for long term growth. Underlying diluted Earnings per Share ("EPS")[2] declined by 0.06 pence per share, due to a slightly higher tax charge.

The Group's revenue was stable at £15.5 million and although this is disappointing, it is the first time after 15 years of successive revenue growth. This needs to be seen in the context of the wide changes taking place within our industry and the current global trade tensions and uncertainties. Despite these uncertainties it is notable that we increased our International revenue by 12%. Changing our distributor in the USA has had a positive impact at the end of the year and we expect this new relationship to have long term benefits for other products that we will seek market authorisation for.

The year has also been difficult due to the continuing regulatory hurdles that are engulfing the industry. It has been widely reported by many commentators that the regulations are changing rapidly and causing issues within the industry as a whole. As at end of March 2019 the number of Notified Bodies for Medical Devices was 58, falling from 75 in 2013, putting unprecedented strain on those that remain. It is therefore noteworthy that we have invested in our staff and systems and continue to do so. This has put us in a strong position to ensure compliance to these new regulations and also to minimise the impact that Brexit will have on our medical devices being placed on the market in the UK and in the EU.

We could not have estimated the true impact of the regulatory delays caused by these changes, the knock-on effect of registering products, supplying customers, and building the supply chain. These were greater than we first thought. However, we have new products launched and registered in most key markets and have been making plans as to how to maximise revenues with our distribution partners to make these products a success.

Our investment in our management team has continued this year to create a strong platform for growth. Our management team has been strengthened with the new position of Head of Operations, improving our efficiencies in this core area of our business as well as putting in place the building blocks for further expansion. We welcome Nigel Weston to the company in this new role.

As an international business importing and exporting around the world, Brexit took up substantial time for contingency planning regardless of the outcome. As many others have noted, the continued lack of clarity on Brexit was unhelpful, stretching resources that could have been utilised elsewhere to the benefit of the business. We naturally increased our stock holding and worked through issues with suppliers, principals and distributors alike. We worked closely with the Department of Health and Social Care ensuring that regardless of the outcome we would be able to supply the NHS with life-saving medical devices. We are confident that we have done everything we can to prepare the Group for any scenario.

Last year we stated that we would continue to invest in R&D and we have continued to do so. Although overall spend declined from 6.2% of revenue in FY2018 to 4.1% in FY2019 due to capital spend being lower because of timing of certain projects, I can report that we increased our investment in in-house R&D staff resources by 39% in FY2019. Bringing more resources in-house will mean we are more efficient in the future.

[1] Earnings before interest, tax, depreciation, amortisation and share based payments

[2] EPS before significant prior year tax amendments

"Despite these uncertainties it is notable that we increased our International revenue by 12%."

Mark Abrahams Non-executive Chairman

Employees

I am proud of the way our staff rose to the challenges during the year. They tenaciously chased opportunities, worked hard to realise those that were achievable and acted thoroughly professionally throughout the difficult times. We will continue to invest in our staff as our most valuable asset and create an environment they can be proud to work in. On behalf of the Board I thank them sincerely for their endeavours.

Outlook

We now have key new products registered in over 40 countries and our sales team are working hard with our distributors to establish these products, further building on the current sales that have already achieved £1.4 million in FY2019.

We will continue to implement our strategy to develop the Group into a world leader in Neonatal Intensive Care through organic growth and acquisitions. The Group continues to look for acquisitions both of technology / products and companies, although it is difficult to predict the exact timing of any of these opportunities.

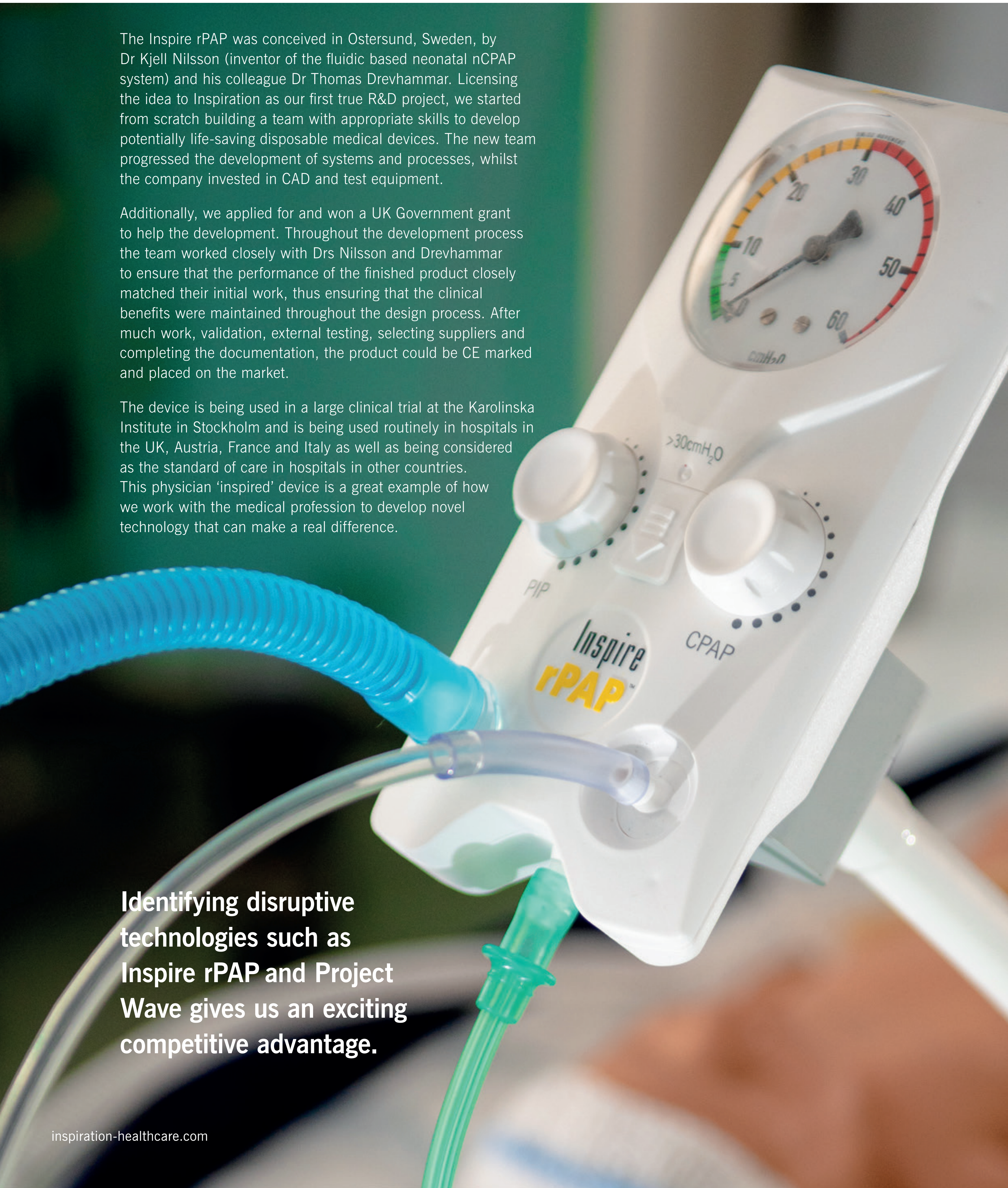
The opportunity from our recent licence agreement with a major US based university ("Project Wave") is extremely exciting. It reflects our approach to developing disruptive technologies in neonatal intensive care.

We have a strong R&D pipeline and with the strengthening of management and the accreditation to Medical Device Single Audit Program ("MDSAP") and ISO 13485:2016 we have positive times ahead. We expect to benefit from the improvement in higher margins from our new products. The new year has started with a very healthy order book and we look forward to maintaining this momentum to deliver double digit revenue growth.

Mark Abrahams
Chairman
30th April 2019

Research and Development Case Study

Critical Care

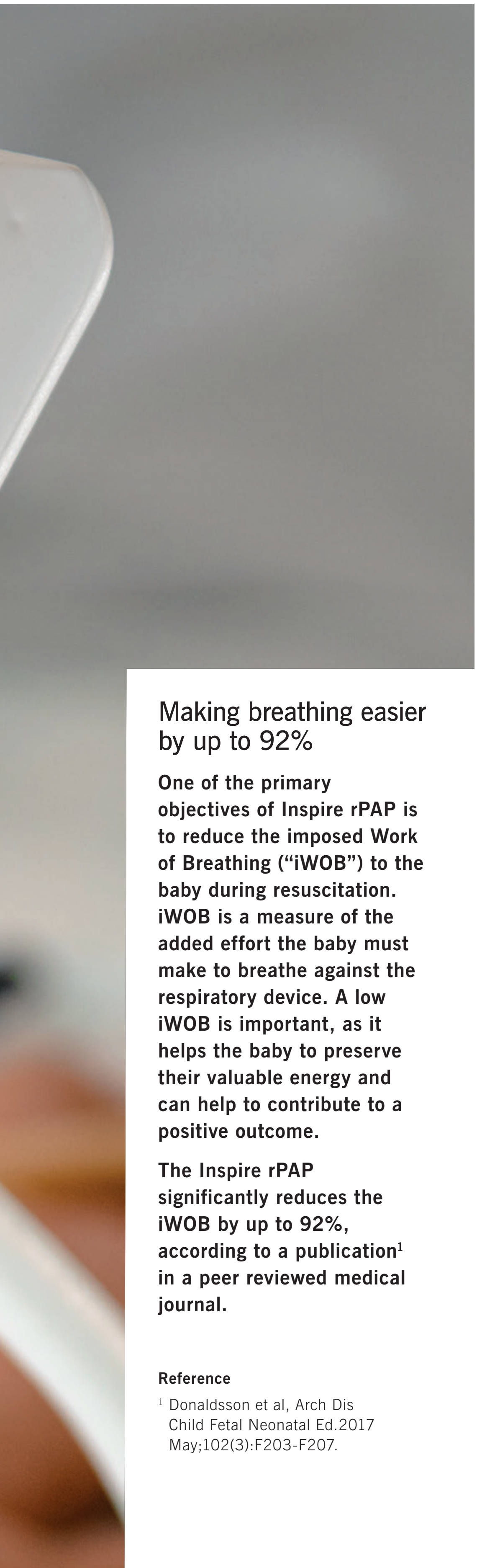


The Inspire rPAP was conceived in Ostersund, Sweden, by Dr Kjell Nilsson (inventor of the fluidic based neonatal nCPAP system) and his colleague Dr Thomas Drevhammar. Licensing the idea to Inspiration as our first true R&D project, we started from scratch building a team with appropriate skills to develop potentially life-saving disposable medical devices. The new team progressed the development of systems and processes, whilst the company invested in CAD and test equipment.

Additionally, we applied for and won a UK Government grant to help the development. Throughout the development process the team worked closely with Drs Nilsson and Drevhammar to ensure that the performance of the finished product closely matched their initial work, thus ensuring that the clinical benefits were maintained throughout the design process. After much work, validation, external testing, selecting suppliers and completing the documentation, the product could be CE marked and placed on the market.

The device is being used in a large clinical trial at the Karolinska Institute in Stockholm and is being used routinely in hospitals in the UK, Austria, France and Italy as well as being considered as the standard of care in hospitals in other countries. This physician ‘inspired’ device is a great example of how we work with the medical profession to develop novel technology that can make a real difference.

Identifying disruptive technologies such as Inspire rPAP and Project Wave gives us an exciting competitive advantage.



15 million

babies born prematurely each year world-wide

Global market for foetal and neonatal medical equipment:

US$11.86bn by 2022

Making breathing easier by up to 92%

One of the primary objectives of Inspire rPAP is to reduce the imposed Work of Breathing ("iWOB") to the baby during resuscitation. iWOB is a measure of the added effort the baby must make to breathe against the respiratory device. A low iWOB is important, as it helps the baby to preserve their valuable energy and can help to contribute to a positive outcome.

The Inspire rPAP significantly reduces the iWOB by up to 92%, according to a publication[1] in a peer reviewed medical journal.

Reference

[1] Donaldsson et al, Arch Dis Child Fetal Neonatal Ed.2017 May;102(3):F203-F207.

Project Wave

We are proud to have licenced the patent rights to develop a novel idea that could have a profound effect on the breathing of the newborn.

Project Wave is based on exciting research from a major university in the USA where an eminent professor has found that his discovery potentially helps normalise breathing rates, reducing apnoea in the premature baby and intermittent hypoxia. Developing the idea further could lead to a change in the management of babies who need respiratory support in the neonatal intensive care unit.

We first heard about the discovery through our network of contacts in the industry and quickly established links with the professor. It soon became apparent that, despite not having worked with each other before, there was a terrific synergy between our two groups; the researcher pioneering a potential revolutionary idea, and Inspiration with our knowledge and passion for disruptive technologies for newborns.

Spending time with the University's technology transfer group was important to secure the licence agreement but working in good faith allowed our engineers not to waste time and to discuss the product development with the research group whilst negotiations were on-going.

Now we are busily refining prototypes and looking forward to planning further clinical trials which we hope to start in the next 12 months.

Our Business Strategy

Our strategy is to be a world leader in Neonatal Intensive Care.

Our ambition is to become a £100m revenue business through a combination of organic growth, acquisitions and leverage. We envisage that we will have a comprehensive range of technology-based products for the Neonatal Intensive Care Unit ("NICU"). Coupled with this we believe it is vital to have direct operations in key markets although it will be important to maintain distribution of key products in other markets.

Our Business

At Inspiration Healthcare Group plc, we have always differentiated ourselves on our ability to supply outcome improving medical devices in the areas of neonatal intensive care by understanding the patients' needs and identifying technology that will make a difference.

We define our business as being patient focused, slightly different from customer focus as we strive to find and develop products that will make a difference to patient outcomes. In our business model we encapsulate the patient focused approach: we think of ourselves with a well-defined cash generating core business that provides state-of-the-art medical technology; and an element of disruptive technologies that could bring about a paradigm shift to the way patients are treated. This approach is captured in Our Business Model schematic on page 15. Where geographically 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 focusing 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.

Our Products

When Inspiration Healthcare was first started in 2003, the Company was a distributor of medical products in the UK and Ireland and built an enviable reputation for customer service. Over the years we have changed our product portfolio of distributed products. In 2013 we took the strategic decision to commence investment in our own product development[1], which opens up significant opportunities in international markets[1] as well as increase the longevity of the products in our portfolio. The image on pages 10 and 11 shows a representation of this evolution towards a company with a range of novel technologies, that are synergistically used around the same call point in neonatology. The final piece of the jigsaw is it will increase our margins[1], which in turn will allow further development and growth of the Group.

The majority of our Inspiration Branded products are used in the first few days of life, in fact most will be used in the first 6 hours of life. It has been part of our strategy to focus on this area of clinical need as we feel that it is here where the right technology can have the greatest effect on the patient outcome. It motivates our team to know we can have a profoundly positive impact on a child's future before the first breath of life.

In addition to the neonatal products, we have our own brand of patient warming system, the AlphaCore[5], that can be used in other parts of the hospital, mainly in the operating theatre. There is a natural overlap in the operating theatres for maternity, where pregnant mothers can be kept warm, prior to and during a caesarean section on our AlphaCore[5] system. The baby can then be delivered onto a LifeStart which can benefit from a heated mattress from the same system.

The AlphaCore[5] is ideal for the entire peri-operative period. Keeping patients normothermic whilst they undergo surgery is complex as well as vital. Patients suffering from hypothermia can have serious complications which will lead to lengthened hospital stays thus leading to increased costs to the care provider and a poorer outcome for the patient. We have a pipeline of future developments in this field where we feel we can add value in other areas of the acute setting to improve patient outcomes.

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 complementary consumable medical devices.

All of our products in the UK and Ireland are supplemented by our Technical Support team. Being able to offer a comprehensive Technical Support programme is essential to underpinning our value proposition of customer service and patient focus.

The wide range of products ensure that our Technical Support team have all the skills required to support our customers. This also gives us the flexibility of adding new products into the portfolio quickly and efficiently.

In our product portfolio we have both Inspiration Branded and Distributed Products and the image on pages 10 and 11 shows a timeline as to how our product portfolio has evolved and the revenues we now enjoy from our Inspiration branded products. It is one of our strategic objectives to increase the proportion of revenue generated from Inspiration Branded products[1] and progress towards this can be seen in our Key Performance Indicators ("KPI's") set out on page 20. However, it is important to remember there are a number of benefits on maintaining a strong distribution portfolio: cash generation, added value to customer experience, and synergistic products help us compete with larger players.

Inspiration Branded Products

Inspiration Branded products demonstrate our sector expertise and allow us broader market access. All of these products can be used in Neonatal applications with the Patient Warming System also being able to be used more widely in the acute hospital setting. Here we have a combination of:

Own Intellectual Property:

- *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.*

And

Shared Intellectual Property:

- *Products for which we have exclusive rights which allow us to export the goods into key geographies for our business and are manufactured under our Inspiration brand. For these products the design, IP and regulatory status is owned by a 3rd party with whom we have a close partnership.*

Distributed Products

These are products that do not carry the Inspiration brand and for which we have an agreed relationship with the manufacturer to sell their products in certain territories, mainly UK and Ireland. These products typically earn lower gross margins than our branded products but need less capital and typically generate revenue more quickly. Distributed Products complement our Inspiration Branded Products in the area of critical care and the operating theatre and 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 our product portfolio where they can add value to the rest of the product range.

Additionally, we distribute a range of infusion technology products and have been highly successful in the niche area of parenteral feeding for homecare patients in our Domestic market. This highly specialised and growing area has allowed us to gain invaluable experience in a different environment and we are looking to leverage the other products in the range.

> "The majority of our Inspiration Branded products are used in the first few days of life."

Our Technology

Our investment in R&D[1] has steadily grown over the past few years and we now have a stronger team in place to develop the technology that we can take to market worldwide. There were a number of reasons for this, mainly regulatory and finalising a licence agreement for Project Wave, which is described in more detail on pages 7 and 19. We have concentrated our developments in recent years on two key areas: Neonatal applications where our recently launched Inspire rPAP and LifeStart focus on the first few moments of life; and, our new Patient Warming System that can heat up to five accessories at one time. Over the forthcoming years we will continue to invest in our Neonatal range to improve outcomes of fragile babies and complement this with enhancing features of our patient warming offering.

Raising our profile within the research community has always been something we have done. It often follows that product ideas come from this extremely well-informed group of physicians.

New technology with novel features allows us to add to the value proposition of our products, helping differentiate from our competitors and potentially disrupt the market. We expect to see margin improvements through new products and increased growth.

[1] A strategic business objective which is measured in our Key Performance Indicators ("KPI's") set out on page 20

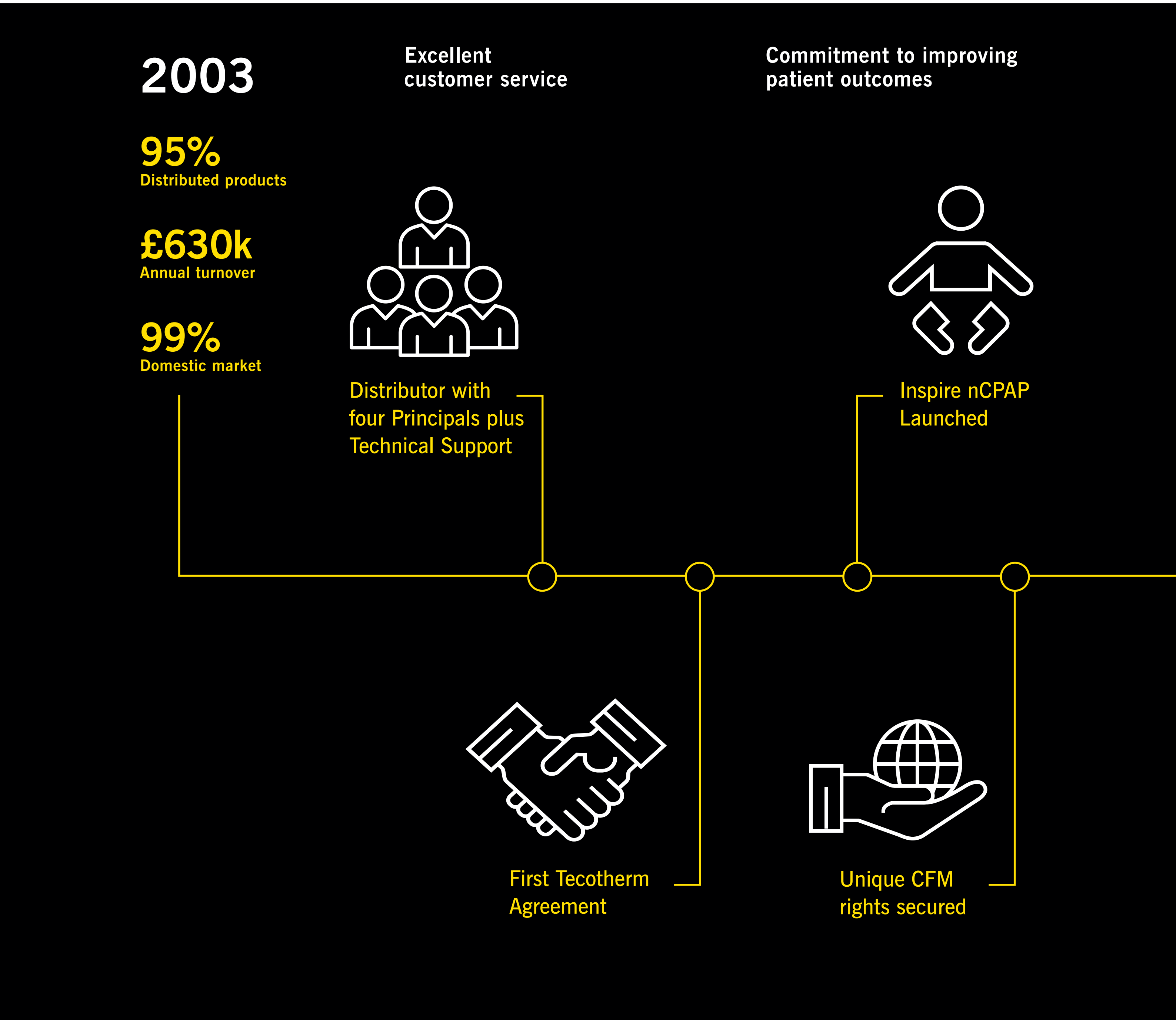
Evolution not revolution

Our product portfolio

When Inspiration Healthcare started as a distributor in 2003 it was a long way from where we are now. First year revenue was just £630,000, all generated from distributing the products of four principals and entirely in the UK and Ireland. We added other principals’ products in the following years.

The plan was always to invest to grow the business in the Domestic market and then leverage our experience and knowledge to add products and sell them internationally. Over the last few years we have invested in R&D, Quality Assurance & Regulatory Affairs and Marketing resources to ensure that we have the skills to develop and gain market access to novel, ground breaking products. We have then continued this investment in International Sales Management and Logistics to realise the benefits of these new products. Now in 2019, we are a company of 67 staff and selling in over 50 countries with our Inspiration Branded products accounting for over 46% of revenues.

The following image visually summarises this evolution.



In 2013 we took the strategic decision to commence investment in our own product development.

Continuous innovation

Started R&D in-house

Acquired Inditherm plc for Patient Warming System and LifeStart

Collaboration with key opinion leaders

Licence agreement signed "Project Wave"

Inspiration Branded products now include: AlphaCore5, Unique+ CFM, Inspire rPAP

2019

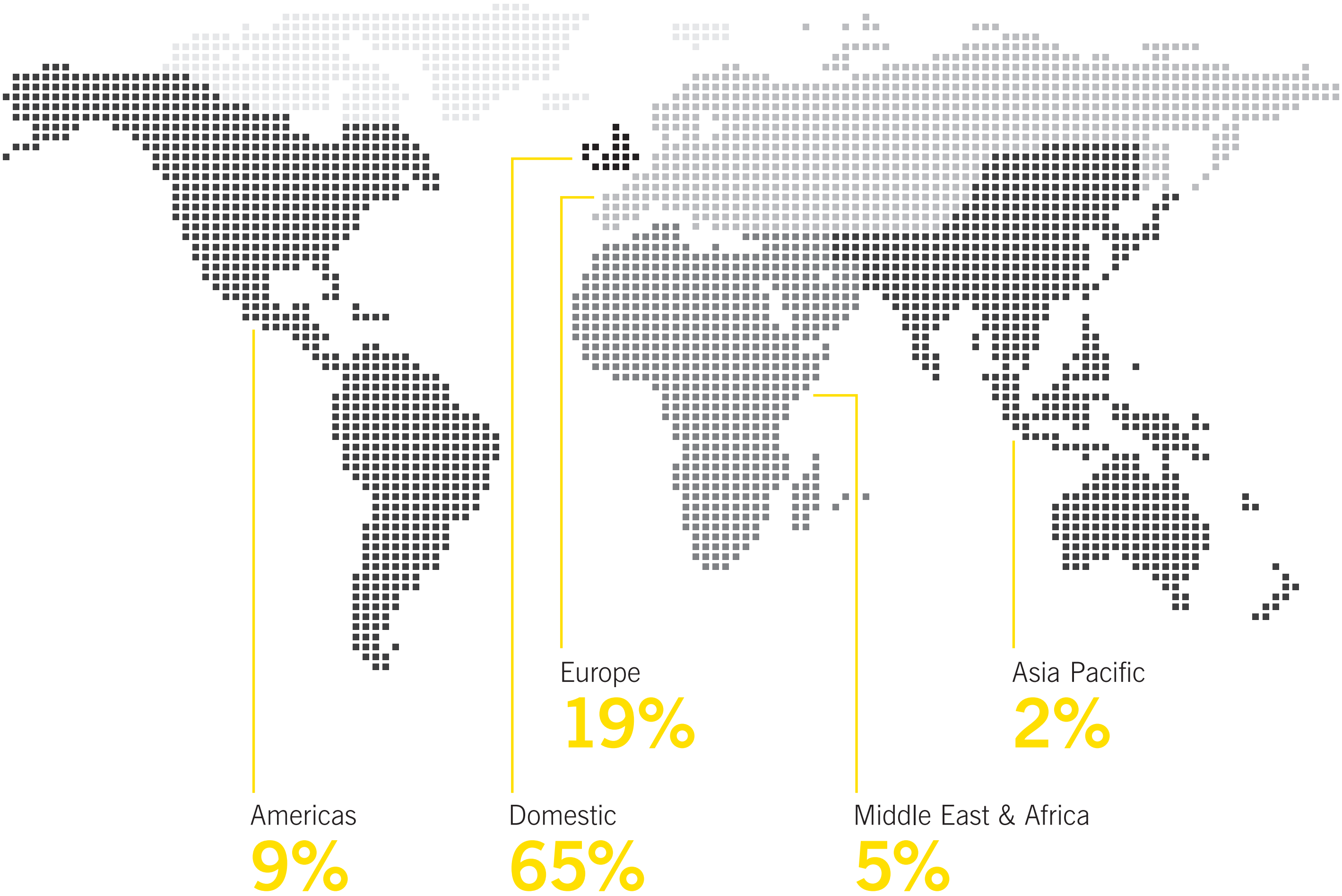
46%
Inspiration Branded products

£15.5m
Annual turnover

65%
Domestic market

Our Business Strategy continued

Global Market Revenue



Our Markets

Having developed our own products, we can now tackle more international markets reducing our reliance on the NHS in the UK and drive our margins higher. The evolution in our product portfolio that can be seen on pages 10 and 11 has allowed the Group to develop from a domestic player to a global supplier, from one that relies on others (our principals) to one that is in control of its own destiny.

Our journey along this line will continue without forgetting our roots as a distributor that can add value by having a 'best in class' product portfolio.

We are privileged to work in markets that involve trying to save the lives of some of the most fragile patients. Globally, over 15 million babies are born prematurely every year (approximately 1 in 10 live births) and this number is rising.

Complications from preterm births are the leading cause of deaths in children under 5 and are estimated to cause over 1 million deaths in 2015 (Source: World Health Organisation). In the European Union and USA, a combined 9 million babies are born, approximately 1 in 10 need help breathing at birth and approximately 1 in 9 are premature. Not all babies who are premature need resuscitation and not all babies who are resuscitated are premature.

Whilst Neonatal Intensive Care is our strategic focus, it is important to invest in our Patient Warming System that can be used in NICU and in other areas of the hospital. Maintaining normothermia is intrinsic in the treatment of babies, but having other markets for this technology allows us to continue to see attractive returns on investment in further product development. We believe that the markets remain strong and attractive to a Group of our size with good growth potential and a customer base that is prepared to pay for products that will reduce hospital stays and improve patient outcomes, as well as the overall patient experience.

We sell directly into the UK and Ireland ("Domestic") and partner with established independent distributors in the rest of the world.

Our Domestic sales team can offer some of the best technology in the world that complement and supplement each other and our branded products. A broad product portfolio that allows the sales team to engage with both Key Opinion Leaders ("KOL's") and customers on a regular basis, is a key competitive advantage. Our products in the UK and Ireland are supported by 24/7 Clinical and Technical Support which gives our customers the confidence to buy new technologies. Buying decisions can often take more than a year and relationships need to be built over time based on trust. Our team works closely with all clinical staff to ensure that the products we offer meet the needs of their patients.

In international markets, our distribution partners sell complementary products to ours following a similar model to us in our Domestic market. As local regulations change it is important that we have an expert team to help work with distributors so that localisation of products, be that translations of instructions, and other labels, or any specific regulatory requirements are met. This is an important blend of skills and expertise between local distributors, to provide intimate market knowledge, and our own sales, marketing and regulatory team to ensure the products are fit for the market and ensure local compliance.

Market Sectors

Inspiration Healthcare has always been able to identify products that will fulfil a customer need, improve patient outcomes and bring them to market. This has led us to be considered a leader in technology for many of our customers.

Over the last few years we have focused our attention on products which improve patient outcomes around the first few days of life and which are able to help the most fragile of patients; premature and sick babies. We have also found technology that can cross into different clinical areas, such as the Patient Warming System that can be used with premature babies, keeping them warm when they cannot truly thermoregulate themselves; as well as in the Operating Theatre, where the same technology can be used to keep patients warm before, during and after surgery.

Inspiration Branded and Distributed products are sold in three market sectors as described below.

- ***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. In adult intensive care we have helped pioneer extra-corporeal ventilation as well as making available other more novel ventilation products.
- ***Operating Theatre:*** *We have recently re-developed the patient warming product range to bring it up-to-date and in line with both the latest safety standards and for surgical practices. We see this as an area with great potential. We complement these products in the UK and Ireland with jet ventilators, cardiac surgery perfusion products and pain management systems.*
- ***Home Healthcare:*** *This is an important area for our business and allows us to gain different expertise working alongside the companies that help support NHS patients in the community. Our mainstay in this area is products for parenteral feeding although we also supply products that are used in other non-critical care areas of the hospital.*

The revenue of each of these sectors is discussed in the Operating and Financial Review set out on pages 24 to 27.

Our Business Strategy continued

Revenue Streams

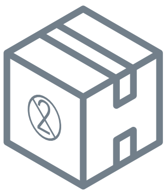
Our business model includes revenue streams from the sale of capital items and consumables as well as from Technical Support. Both consumable and Technical Support are recurring albeit not necessarily contractual. Each of our market sectors described previously has an element of all three different revenue streams. Due to 65% of our revenue in FY2019 being recurring, our business was less reliant on capital budgets in health systems around the world which can 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, AlphaCore[5] Patient Warming Systems, Unique+ CFM and LifeStart. These products are complemented in the UK and Ireland by a range of Distributed products including 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 never used from patient to patient and are not reprocessed. Our own range of consumables is headlined by the Inspire rPAP and the Inspire nCPAP as well as consumable items that supplement capital brands mentioned above. We distribute a range of other neonatal consumables as well as disposables that link directly to our capital range. This is most obvious in the Micrel parenteral feeding range where a new consumable is needed every time the patient uses the pump.*
- ***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.*

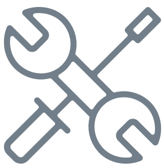
Percentage of Revenue FY2019 (FY2018)

Consumables



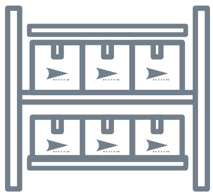
54%
(52%)

Technical Support



11%
(12%)

Capital



33%
(35%)

*Remaining 2% (1%) is carriage

Our Business Model

Our business can be seen as two linked but discreet parts; our core business activity that is profitable, generates cash and sells value-added medical devices in over 50 countries; and, our disruptive technology activities that finds and develops products we expect to be state-of-the-art tomorrow and will change practice.

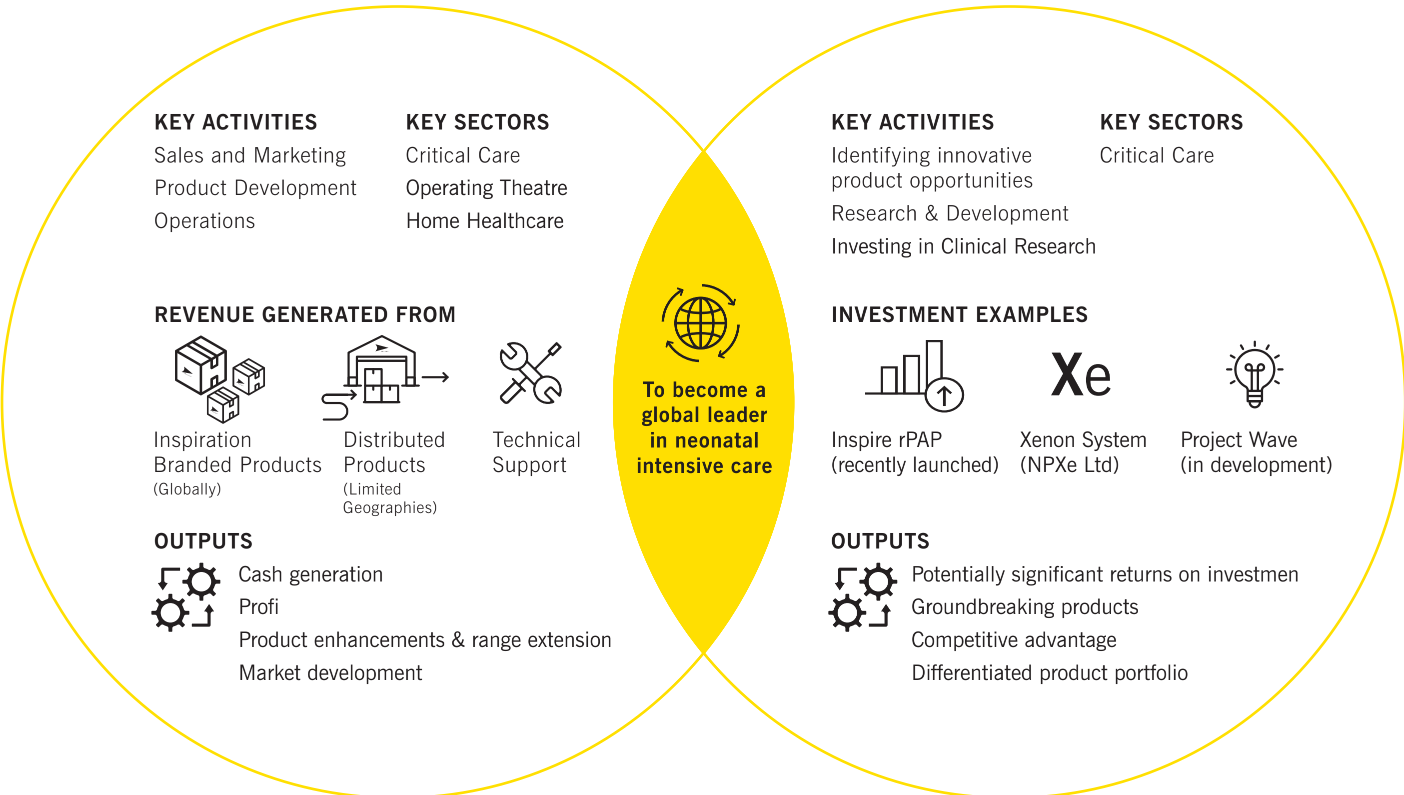
Through our core business we have always self-funded our new growth and investment in novel ideas. Maintaining this approach allows us to be entrepreneurial towards early stage ideas.

As and when the disruptive technologies are turned into products, we launch these through our well-developed route to market or, as in the case of our Xenon device, find a suitable commercial partner.

> “We strive to find and develop products that will make a difference to patient outcomes.”

Revenue Generating Core Business

Pre-revenue Disruptive Technology



Chief Executive Officer's Review

Our new products that were launched towards the end of the previous financial year and early in the year ended 31 January 2019 ("FY2019") have started to show good progress and generated revenues of £1.4 million during FY2019. This contributed to an overall margin improvement as we continue our strategy to sell higher margin products designed by the Group and sold internationally.

I am pleased to report that we achieved our profit expectations for the year.

The seemingly ever-increasing regulatory issues that consume our industry provided us with many challenges during the year and certainly constrained sales growth, particularly in the UK. However, we believe that the investment we have put into the Group over the past two years has started to pay off. We are delighted to have successfully passed two major Quality Management System ("QMS") audits (Medical Device Single Audit Program and ISO13485:2016) allowing us to progress both market and product development with greater confidence.

"We were delighted that newly launched products contributed over 9% of total revenues."

Neil Campbell Chief Executive Officer

No review of the year would be complete without mentioning that we received our largest ever order for Patient Warming Systems. This order, for our new AlphaCore[5], came from charitable funds in Poland to augment the medical equipment used in neonatal units around the country. After working to ensure that suitable financial security was put in place, our team worked with our suppliers to be able to meet the delivery schedule from March 2019 as required by the customer. We have now established the product as the leader in Poland and look forward to leveraging this position in other markets.

We have continued to invest in our people to ensure a strong platform for future growth. Last year we announced key management appointments which will take the company forward, this year we are pleased that we have expanded the team and appointed Nigel Weston as our Head of Operations.

Chief Executive Officer's Review continued

Investing in our management skills has been an important part of our development and we now have a strong set of core competencies that will put the company in a strong position going forward.

Brexit also had an impact on the business during the year especially around management resources and regulatory compliance. We set up an internal project team, regularly reporting to the Board, that developed contingency plans across all areas of the business.

From a compliance perspective we were doubly impacted as both a manufacturer and a distributor in the EU and the UK with potential changes required in both jurisdictions. One of the main issues for us was how the European regulatory framework would be implemented. Having our Notified Body, TUV Süd, based in Munich meant that our product certificates would not be affected.

In terms of the impact of Customs changes: based upon general practice around the world, we believe that our products are unlikely to incur any trade tariffs; disruption to the supply chain and the need to ensure we have stock for both the NHS and our overseas distributors meant an increase in our stock holding post January 2019 whilst we await the final outcome of Brexit negotiations.

Sales & Marketing

We have recently restructured our internal reporting lines to help streamline our business. Marketing will now report into Toby Foster as Commercial Director, which will allow greater alignment to the needs of our international customers ensuring that sales management and marketing management work together to address the opportunities in different markets across our product portfolio.

We continue to work hard with Key Opinion Leaders ("KOL's") to ensure they understand the benefits of our products. This is now paying dividends as, for example, the LifeStart product is being used in two major clinical trials; one in Italy and one in the US. Working with the key researchers in key markets will position us at the forefront of the market.

In the last 12 months we have seen a down turn in spending in the UK and Ireland on capital equipment and this was a factor in revenues being flat year-on-year. Whether this was due to Brexit and funds being held back in the short term we do not know. It is therefore pleasing that some orders have come in sooner than expected in FY2020. Capital spend normally runs in cycles and we are optimistic about a number of opportunities over the next 12 months.

A notable success in the UK market was the Home Healthcare sector where our investment in key resources has delivered continued growth of sales of the Micrel product range. This niche area of parenteral feeding continues in line with our expectations and we were pleased to renew our agreement with Micrel Medical Devices SA during the year.

Our international business continues to do well. Our biggest challenge this year was waiting for the CE certificates to be issued by our Notified Body to allow us to start product registrations. This is an increasing theme in the industry where Notified Bodies are under greater scrutiny and their own processes dictate the level of due diligence they undertake to be able to issue certificates. Once certificates were received, we worked hard to register the products in key markets.

Despite the challenges, we have managed to register four new products in many markets and managed to grow international revenue by 12% in FY2019.

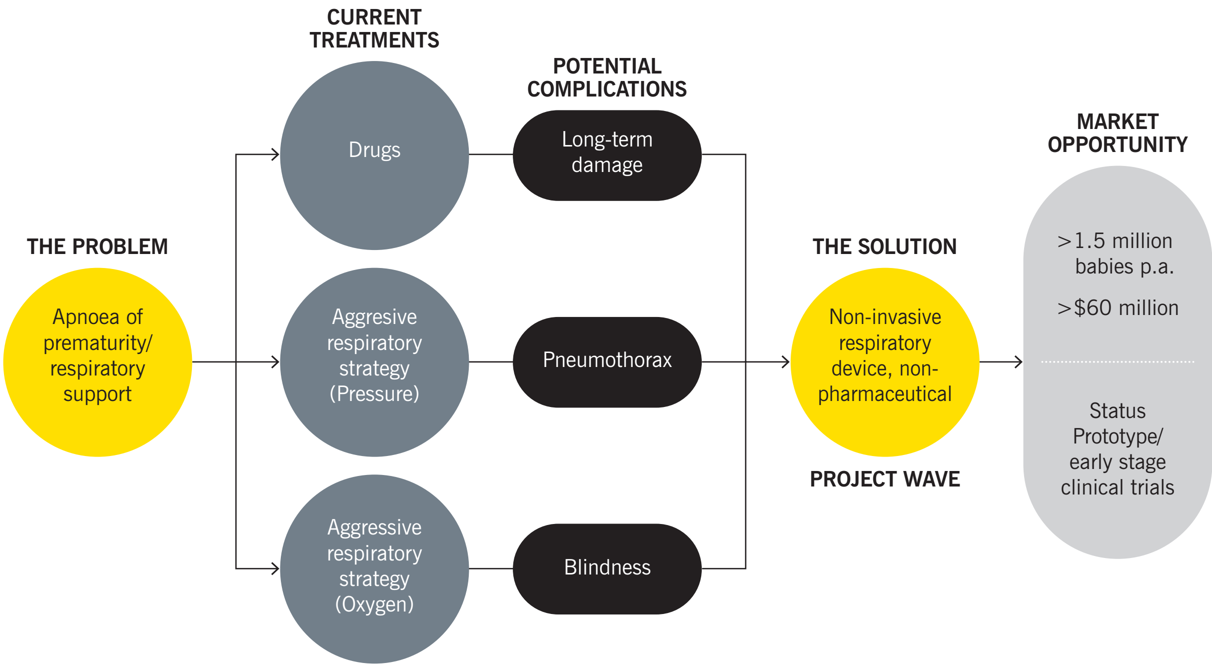
Towards the end of FY2019, we changed our distributor in the USA which we believe will give us better focus in the Neonatal Intensive Care Unit ("NICU") for our product range going forward. As we submit our new products for regulatory approval in the United States we will evaluate the investment needed to penetrate the market.

Research and Development

Our investment in Research and Development is key to our future success as we continue our journey to migrate from a distributor of medical equipment in the UK and Ireland to become a world leader in Neonatal medical devices. We are extremely pleased that we can continue this journey by announcing the licence of a novel technology, "Project Wave", from a major US based university (see pages 7 and 19 for more information on Project Wave).

Whilst the development of the Project Wave technology will be one of our primary areas of R&D focus during the forthcoming year, we also have a number of other exciting development projects in the area of Neonatal Intensive Care, especially around the first few days of life. This focus will allow our R&D team a greater understanding of the infant's journey through their stay in hospital and hence develop products that are most appropriate for their needs.

Disruptive Technologies – Project Wave



During FY2019 our investment in R&D slowed to 4.1% of revenue (FY2018: 6.2%), partly due to the well-publicised and prolonged regulatory processes resulting in delayed external spend whilst we waited for regulatory approvals, but also whilst we negotiated the licence agreement for Project Wave.

Quality Assurance and Regulatory Affairs

A lot has been made of the regulatory changes in our industry. We made the strategic decision two years ago to make significant investment in these key functions to not only maintain our level of compliance but to raise our standards, both internally and externally, and stay ahead of these changes. We were therefore thrilled to have been certificated to the new international quality management standard for medical devices, ISO13485:2016 as well as the new Medical Device Single Audit Program ("MDSAP") meaning that we have been audited to and certified that we meet the quality management requirements of Canada, USA, Japan and Australia. This achievement stands us in particularly good stead at this time for developing these markets further.

We are also in the process of planning for the new European regulatory changes which all new medical devices must comply to after May 2020. The Medical Device Regulations ("MDR") replaces the old Medical Device Directive and raises a number of challenges for product development.

Products that we currently sell will have a further five years to comply but new devices in development will have to meet these new standards from the current year. Whilst the UK Medicines and Healthcare Products Regulatory Agency ("MHRA") have stated that the UK will also adopt the MDR, Brexit will undoubtedly add some additional complications for product registration.

Logistics and Operations

During the year we welcomed Nigel Weston into the Group as Head of Operations. Nigel brings a wealth of experience from both inside and outside the medical device industry. This new role will help us challenge our older systems and practices and make us more effective at fulfilling our customers' needs. We have already seen improvements in our operations and look forward to more enhancements in the coming months.

The Group is reviewing its facilities (warehousing, logistics and service centre) with regards to projected growth, and proposals that will help the business achieve its ambitions are being developed.

Chief Executive Officer's Review continued

Key Performance Indicators

During FY2019 several of our key performance measures (set out below) showed improvements and evidenced movement towards advancing our strategic objectives. The year-on-year increases in the proportion of revenue from our Inspiration Branded products, which were also reflected in the increased proportion of revenue generated from International markets, were particularly pleasing. Growth in the US was especially strong with the success of the Tecotherm product range. We were equally delighted that newly launched products contributed over 9% of total revenues, but also disappointed that it wasn't more due to the delays of new product launches outlined previously.

As a result of the above factors, gross margins increased year-on-year from 44% to 45% in line with our objective. Together with tight management of cash-based overheads this benefit has flowed through to EBITDA (earnings before interest, tax, depreciation, amortisation and share based payments) margin which improved from 9% in FY2018 to 11%.

The KPI's below 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. See Our Business Strategy section on page 8 to 14 for more information.

	FY2019	FY2018
Revenue growth %[1]	**0%**	8%
Proportion of revenue from international markets %[2]	**35%**	31%
Revenue from Inspiration Branded products %[3]	**46%**	45%
Revenue generated from products developed %[4]	**9%**	1%
Gross margin %[5]	**45%**	44%
R&D % of Revenue[6]	**4%**	6%
EBITDA margin %[7]	**11%**	9%
Operating margin %[8]	**8%**	8%
Underlying diluted EPS[9]	**3.4p**	3.5p

Definitions

[1] Year-on-year growth in reported revenue

[2] The proportion of total revenue generated from international markets, which excludes Ireland as we class Ireland as a domestic market. Our aim is to increase revenue generated from international markets

[3] The proportion of total revenue generated from Inspiration Branded products. This includes products where we own the intellectual property or we have exclusive worldwide rights to sell and are manufactured under the Inspiration brand. Our aim is to increase the proportion of revenue generated from such products

[4] The proportion of total revenue from products that we have developed and released to market in the last 3 financial years. Our aim is to increase the proportion of such revenue

[5] Gross profit expressed as a percentage of total revenue. As a result of increasing the revenue measures above we expect to increase gross margin

[6] Total spend on research and development, whether capitalised under development costs or expensed to the Income Statement as a percentage of total revenue. This measure is an indicator of the cash committed to research and development which is an important aspect of our strategy

[7] Earnings before interest, tax, depreciation, amortisation and share based payments as a percentage of total revenue. EBITDA is considered by the Board to be a useful, alternative performance measure, reflecting the operational profitability of the business. For investors it is especially useful for comparing companies with different capital investment, debt and tax profiles. Our aim is to increase EBITDA margin over time. See Operating and Financial Review on pages 24 to 27 for a reconciliation of IFRS Operating Profit to EBITDA

[8] Operating profit as a percentage of total revenue. Our aim is to increase operating margin over time

[9] Underlying diluted EPS before significant prior year tax amendments. See note 8 to the financial statements for more information. This measure is used in the determination of whether share options issued under the EMI scheme can be exercised. See the Directors' Remuneration Report for more information

Acquisitions

The Board has a strategic ambition to acquire complementary businesses. Given the nature of the markets in which we operate there are opportunities to acquire both private companies from owners who are looking to exit and from large multinationals looking to divest non-core businesses. The Board has identified a number of targets which offer a strategic fit and will continue to seek out opportunities in order to add scale to our business and improve our product portfolio and skill set. Over the past year we have evaluated a number of targets and will do so on an ongoing basis. We have and continue to engage with a number of businesses and whilst it is frustrating that none of these have come to fruition to date, we continue to work diligently to conclude a transaction.

NeuroproteXeon Ltd (NPXe)

During last year NPXe, a company in which Inspiration Healthcare Group plc holds 9.6% (8.6% on a fully diluted basis), announced that it was seeking to list on the London Stock Exchange. For various reasons the IPO did not take place in the second half of 2018 as anticipated.

Dividend

No dividend is proposed currently as our strategy is to reinvest earnings to drive future growth, but this will be kept under review.

Going Concern

The Group has prepared a budget for the year ended 31 January 2019 and financial projections for the following two years. Having due consideration of these projections and available cash at 31 January 2019 of £2.5 million, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

Finally

We were all delighted to have been informed that we had won a Queen's Award for Enterprise: International Trade earlier this year. This is a terrific endorsement of the hard work throughout the Group. This recognition also represents our distribution partners and suppliers around the world who have been with us on our journey over the last 6 years. I would like to thank you all.

I would also like to thank my Board, Executive team and all my colleagues across Inspiration Healthcare for their continued commitment and hard work in supplying life-saving medical devices to the NHS and, increasingly, international markets. The extra work this year for successfully passing the Quality Management System audits (ISO13485:2016 and MDSAP) deserves a special mention.

> "We have continued to invest in our people to ensure a strong platform for future growth."

I am confident we have the right people, investment approach and M&A Strategy to continue to improve patient outcomes globally, delivering growth and value for colleagues, customers and shareholders in the years ahead.

Neil Campbell
Chief Executive Officer
30th April 2019

Research and Development Case Study

Operating Theatre

Hospital reviews show considerable cost savings when employing the AlphaCore^{5} technology, proving a powerful incentive to make the change.

20%

of patients develop hypothermia

Global patient warming systems market size:

US$2.9bn by 2025

Financially

The National Institute for Health and Care Excellent (NICE) show single patient use systems costing on average around £10 per patient versus AlphaCore[5] at £1.25 per patient, proving a powerful incentive to make the change[1].

Environmentally

In a world of disposable paper and plastic, the AlphaCore[5] is the durable alternative minimising water usage, landfill usage and absolutely curtailing power consumption (typically 80 watts versus 1500 watts per hour). Reducing the carbon footprint will be a key driver for purchasing decisions in Healthcare Systems.

Reference

[1] (2016) Addendum to Clinical Guidelines CG65, Inadvertent Perioperative Hypothermia: Clinical Guideline Addendum 65.1. Developed by the National Institute for Health and Care Excellence.

A complete redesign

The AlphaCore[5] is borne out of a product that we acquired when we bought Inditherm plc. The old ‘Alpha’ product was past its best with international safety standards having overtaken the design of the original device meaning that it needed a complete overhaul to stay on the market. Rather than overhauling the design, we took the time to review what we had; the marketing team set about specifying other features that would be needed in a new product that could lead the market and the concept for a Controller which could power many accessories was born. Having a small R&D team with experience in design and development of single use plastic medical devices represented a different challenge to the company and so we set about finding a company that could help us, one with experience in designing electronically controlled medical devices.

The next challenge came in the verification and validation of the design. New safety standards needed to be met, those for electrical safety and electro-magnetic compatibility and the tests needed to be carried out by independent test houses to ensure compliance. Although, the existing mattresses worked well we were aware these could be improved. Adding mattress improvements to work with the new controller made the project more complex.

After many months of testing, taking into account changing standards, reviewing our internal documents to ensure that important areas such as ‘usability’ and ‘risk analysis’ were done to current best practice, the AlphaCore[5] was CE marked and launched. With translations into 16 different languages, the product range is registered in 30 countries and we look forward to its success for many years to come.

Operating and Financial Review

"EBITDA[1] increased by 13% to £1.65 million."

Mike Briant Chief Financial Officer

Our revenue for the year ended 31 January 2019 ("FY2019") was £15.5 million, in line with FY2018 owing to the well-publicised regulatory delays for new products and their EC certification which have constrained revenue growth.

EBITDA[1] increased by 13% to £1.65 million (FY2018: £1.45 million). Operating profit was £1.2 million in line with FY2018 and our expectations. Operating margin for FY2019 was 7.8% (FY2018: 7.8%). Profit after tax was £1.1 million, lower than FY2018 (£1.2 million) due to a higher year-on-year net taxation charge. Diluted EPS was 3.56p per share (FY2018: 3.98p). Underlying diluted EPS[2] decreased by 1.7% to 3.40p per share (FY2018: 3.46p).

Revenue

During the year our plans to launch new products were frustrated by significant delays experienced in obtaining an updated Quality Management System certificate and a CE Mark approval for our upgraded Patient Warming System, the AlphaCore[5], which delayed product registrations. The AlphaCore[5] Patient Warming System ("PWS") was consequently not launched until July meaning loss of momentum which hampered second half revenue growth. As in prior years, revenues were still weighted towards the second half ("H2") which accounted for £8.1 million (FY2018: £8.3 million) or 52% of full year revenues.

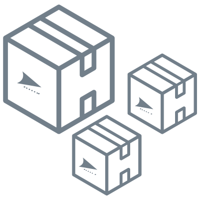
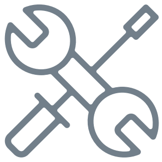
Our international revenue grew by 12.4% to £5.4 million, with particularly strong growth in North America (up 71%) due to increased sales of the Tecotherm product range. Domestic revenue declined by 5.6%, largely due to a reduction in capital sales of ventilators.

Products developed in-house ("Inspiration Branded products") and launched within the last 18 months include the Inspire rPAP driver, the PWS, the upgraded LifeStart and the Unique+ CFM. Revenues generated from these products in FY2019 amount to £1.4 million. These new products accounted for 9% of FY2019 revenue which, together with Tecotherm revenue growth, offset the decline in the variable capital element of our Distributed Products in Critical Care and the gradual decline of our older licenced products (including Inspire nCPAP).

[1] Earnings before interest, tax, depreciation, amortisation and share based payments

[2] EPS before significant prior year tax amendments

Percentage of Revenue FY2019 (FY2018)

Inspiration Branded Products	Distributed Products	Technical Support
		
46%	**41%**	**11%**
(45%)	(42%)	(12%)

*Remaining 2% (1%) is carriage

Market Sectors

Critical Care

£10.7 million, -5% year-on-year

Our Critical Care sector declined by 5%, largely due to a fall in capital sales of ventilators and Inspire nCPAP mentioned previously. Domestically this is largely a replacement market, subject to capital budget constraints and can thus fluctuate significantly year-on-year. New business expected to replace this was not forthcoming due to delays in new product certification. The Inspire nCPAP is considered a generic product and hence subject to pricing pressures.

Operating Theatre

£1.7 million, +4% year-on-year

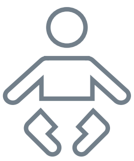
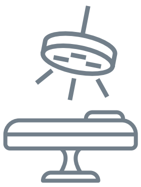
Revenue in this sector came back to growth after two years of decline following our decision to upgrade the PWS, which can also be used to enhance the LifeStart. Even though we suffered significant delay in receiving the EC certification, revenue from the AlphaCore[5] enabled this sector to achieve overall growth in the H2.

Home Healthcare

£3.1 million, +15% year-on-year

Our Distributed Product range of parenteral feeding products continues to grow strongly in line with our expectations.

Percentage of Revenue FY2019 (FY2018)

Critical Care	Operating Theatre	Home Healthcare
		
69%	**11%**	**20%**
(72%)	(11%)	(17%)

Operating and Financial Review continued

Gross Profit

Gross Profit of £7.0 million (FY2018: £6.8 million) increased by 4% due to a year-on-year increase in gross margin from 43.9% to 45.5%. Revenue from Inspiration Branded products, which typically generate higher gross margins than our Distributed products, increased to 46% of revenue (FY2018: 45%) or £7.2 million, thus generating a higher gross margin blend.

Operating Expenses

Operating expenses amounted to £5.8 million (FY2018: £5.6 million) with year-on-year increases limited to 4.4%. We made additional investment in the management team, whilst sales commission and bonus expense reduced year-on-year as not all sales targets were achieved. Depreciation and amortisation have increased by £0.1 million with amortisation of capitalised product development costs having commenced from the date the products were released to market.

EBITDA[1]

EBITDA[1] amounted to £1.65 million, an increase of £0.19 million over the prior year due to increased gross profit and cash-based overheads being kept broadly fl t. EBITDA[1] margin improved from 9.4% to 10.7%.

EBITDA Reconciliation

[1] **Earnings Before Interest, Tax, Depreciation & Amortisation ("EBITDA")**

Reconciliation from operating profit	FY2019 £000's	FY2018 £000's
Operating Profit per Income Statement	1,213	1,204
Add back:		
Depreciation and amortisation	364	230
Share based payments	71	20
EBITDA	1,648	1,454

Operating Profit

At £1.2 million, Operating Profit was in line with the prior year with increased gross profit offsetting slightly higher overheads.

Taxation

The Group has recorded an income tax charge of £116,000 (FY2018: credit of £21,000). This is net of current tax credits for the previous year amounting to £104,000 (FY2018: £183,000) and a related additional deferred tax charge of £56,000 (FY2018: £nil) arising from revised computations for that year. The effective tax rate in FY2019, adjusted to exclude significant prior year amendments, was 13.5% (FY2018: 13.5%) For more detail see note 7 of the Consolidated Financial Statements.

Cash flow

Cash and cash equivalents as at 31 January 2019 amounted to £2.5 million, an increase of £0.45 million over the year. Net cash generated from operating activities was £0.8 million, £0.1 million lower than in FY2018. Before tax paid/recovered, cash generated from operations of £1.0 million was £0.1 million higher than FY2018. In FY2018 we received a prior year tax recovery of £0.2 million which was not repeated in FY2019. Investing activities totalled £0.4 million (FY2018: £1.0 million), primarily consisting of capitalised development expenditure of £0.3 million to complete the PWS, but lower than the £0.7 million spent in FY2018 on the same project and completing the three products that we launched towards the end of that year.

Net Assets

The value of Non-Current Assets as 31 January 2019 at £1.8 million was in line with FY2018 as amortisation and depreciation offset capital spend in the year. Our investment in Neuroprotexeon Ltd ("NPXe"), the drug device technology company, which represents 9.6% of the current issued share capital (8.6% fully diluted), remains unchanged and valued at cost of £111,000. For more detail see note 12 of the Consolidated Financial Statements.

Inventory increased by £0.2 million to £0.7 million, primarily as a result of a depletion of inventory levels at 31 January 2018. Trade and other receivables of £3.1 million were broadly similar to the prior year, with minimal loss allowance in either year.

Trade and other payables decreased by £0.5 million to £2.2 million reflecting a changed mix of products sold in January 2019 and related payment terms of the relevant suppliers, together with reduced sales commission and bonus accruals.

Net Assets increased by £1.2 million or 27% to £5.5 million.

Earnings Per Share

EPS (basic) was 3.6p per share (FY2018: 4.0p); diluted EPS (allowing for share options outstanding) was 3.6p per share (FY2018: 4.0p). Underlying diluted EPS[2] was 3.4p per share, down 2% on FY2018 (3.5p). The slight year-on-year declines were due to the higher net tax charge set out above.

Underlying EPS Reconciliation

[2] EPS (diluted) before significant prior year tax amendments

Reconciliation from Diluted EPS	**FY2019 Pence**	FY2018 Pence
Diluted EPS as reported (see note 8)	**3.56**	3.98
Adjust for significant prior year tax amendments	**(0.16)**	(0.52)
Underlying Diluted EPS	**3.40**	3.46

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 4 and 5 and the Chief Executive Officer's Report on pages 16 to 21. Key performance indicators are discussed on page 20.

The Board believes that overall the Annual Report and Consolidated Financial Statements are fair, balanced and understandable.

Share Price during the Year

The range of market prices during the year 1 February 2018 to 31 January 2019 was 47.0p to 76.0p and the mid-market price of the Company's shares at 31 January 2019 was 58.0p.

Mike Briant
Chief Financial Officer
30th April 2019

Financial highlights

Revenue stable at
£15.5m

International Sales up 12% to
£5.4m

Revenue from new products[3]
£1.4m

Gross Margin up to
45.5%

EBITDA[1] increased by
13%

Operating Profit as expected at
£1.2m

Net Assets up by £1.2m
27%

Cash up by £0.4m to
£2.5m

[1] Earnings before interest, tax, depreciation, amortisation and share based payments
[2] EPS before significant prior year tax amendments
[3] FY2019 revenue from products launched in the last three years

Principal Risks and Uncertainties

The Group's principal risks, our actions to mitigate those risks, a directional indication of whether the risks have increased, decreased or remained about the same, together with further commentary are set out in the table below.

Risk Appetite

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

Levels of risk were considered against the following categories:

0 **Avoid risk** – zero tolerance

1 **Minimal risk** – as little as reasonably possible

2 **Cautious** – prepared to accept some limited loss

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

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

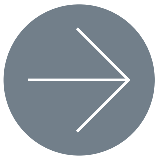
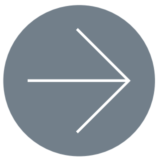
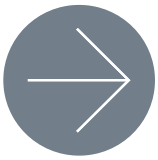
5 **Mature** – confident of setting high levels of risk appetite underpinned by rigorous processes and controls

Our Strategic risks appetite is assessed as level 4 (Seek) as we aim to be innovative in our specialist areas. For Operational risks we adopt level 2 (Cautious) as our customer service is integral to our business model. Our risk appetite for Financial & Compliance is level 1 (minimal) as we work in a highly regulated industry.

Principal Risk	Mitigation	Movement in Year	Commentary
STRATEGIC RISKS			
New product development The Group invests in R&D projects in order to develop innovative new products. Continued growth within existing customers depends upon the successful introduction of these new products. Risks are the late delivery of the projects, the changing regulatory landscape and competitive activity in the market place which may make projects redundant.	Regular review of projects at Board level. Investment in R&D and regulatory resources to stay up to date with technology developments and regulatory requirements. Project approval process with approval steps. Regular Project Steering Board reviews. Post implementation reviews.	↓	There were fewer projects in the year and focus was on enhancement of existing products. Additionally, the product development business processes passed the MDSAP audit during the year with complimentary comments. Thus, the reduced risk level over the year. All product developments are subject to ever increasing regulatory changes. As product developments involve more novel technology or require changes in medical practice in order to maximise benefit the risk level will increase.
Acquisitions Acquisitions are necessary to fulfil the Group's strategy and ambitions. The Group may not be able to find acquisition targets at acceptable prices. There is also a risk that management does not have adequate time and resources to identify, source, negotiate and integrate new acquisitions.	Acquisition criteria have been agreed by the Board and a list of potential targets is reviewed quarterly with the Board. A strong second tier of management has been hired to underpin the running of the business and allow senior executives to spend time on acquisition activity. Acquisition financing capability has been discussed with the NOMAD.	→	Senior executives have engaged with selected potential targets and in some cases dialogue is ongoing. A new role created in second tier management has filled the identified gap in operational management skills. The second tier being strengthened and robust frees executive time and increases chances of successful integration.

Principal Risk	Mitigation	Movement in Year	Commentary
International expansion The strategy is to leverage value by offering products to geographically diverse markets, starting in Europe, Middle East, USA and Far East, working with distributors who can offer a full-service model to support the Group's value proposition. The risk is that we cannot identify suitable partners for new markets or that partners in existing markets fail to meet expectations. Meaningful development of the USA market, the largest medical device market in the world, may require significant investment in resources and may not generate the expected returns or take longer to crystallise those returns.	Founding executives and a recently strengthened international sales management team have extensive experience in identifying distributors and have extensive networks in target markets. Distributor performance targets are set and are regularly reviewed. A measured approach to investing in the USA market is taken with input from the Board. Market research will be undertaken to ensure full understanding of the markets for our products and potential routes to market.	→	Market research into the USA market will be undertaken during 2019/20 ahead of potential investment in later years. Regulatory strategy and planning have been undertaken.
OPERATIONAL RISKS			
Brexit Short-term risks are to the disruption of the logistics of import and export transactions. Tariffs are unlikely on medical devices. Foreign currency volatility may increase. Longer-term risks may be regulatory diversity and potential loss of market access.	A no-deal contingency plan has been developed which includes significant inventory build, securing increased warehouse space and forming a legal entity in Ireland for EU medical device regulatory purposes. The Group has natural hedges for the Euro and a proportion of net exposures is hedged using forward contracts to provide some financial certainty.	↑	As an importer and exporter of medical devices to non-EU countries prior to Brexit we already had processes for managing the documentation for moving goods across borders. Less than 5% of our employees are EU nationals based in the UK and we have been in regular communication regarding their status in the UK.
Dependence on third party principals The Group's business depends on products and services provided by third parties. If there is any interruption to the supply of products or services by third parties or those products or services are not as scalable as anticipated or at all, or there are problems maintaining quality standards and delivering product to specification, or there are problems in upgrading such products or services, the Group's business will be adversely affected. The Group may not be able to find adequate replacements in a timely manner or at all.	Management of the Distributed Products business has been re-organised to ensure greater focus. The Group strives to maintain strong, mutually beneficial relationships with key strategic suppliers and the newly created role of Head of Operations which was filled during the year will support this. Contracts with two key longer-term suppliers have been renewed during the year. Appropriate stock levels are maintained for key products.	↓	Reliance on Distributed Products is reducing as we develop our own manufactured products which is one of our strategic objectives outlined in Our Business Strategy on pages 8 to 14. Progress towards this objective is measured in our key performance indicators on page 20.
Changes in legislation & regulation The medical devices industry is highly regulated and each territory in which the Group operates is subject to its own stringent legal and regulatory regime. Regulatory approvals are required to market and sell medical devices into both the UK and export markets. The risk is that new, stricter regulations prevent product introductions or delay them due to delays in approval. In the EU the Medical Device Regulation ("MDR") which all new medical devices must comply to comes into effect from May 2020.	The Group has stringent internal controls in order to comply with the relevant legal and regulatory conditions in the UK and in its export markets. The Group has a Regulatory Affairs and Quality Assurance department dedicated to liaising with the regulatory authorities to monitor any changes in conditions and ensure continuing compliance with the existing and new conditions.	↑	We made the strategic decision two years ago to make significant investment in regulatory affairs and quality assurance. We have now been certificated to the new international quality management standard for medical devices, ISO13485:2016 as well as the new Medical Device Single Audit Program ("MDSAP"). We are also in the process of planning for the new European regulatory changes under the MDR. Regulatory requirements are increasing but so is our capability to address them.

Principal Risks and Uncertainties continued

Principal Risk	Mitigation	Movement in Year	Commentary
OPERATIONAL RISKS (cont'd)			
IP, data integrity and security The Group has Intellectual Property that it needs to protect. This can be in the form of innovative ideas, marketing specifications, customer requirements and financial data. Our patents and controls may not prevent competitors from independently developing or selling products and services similar to ours, and there can be no assurance that the resources invested by us to protect our IP will be effective, particularly in new markets. All companies are increasingly exposed to threats to access and steal data.	The Group maintains a register of IP and reviews its patents and controls on a regular basis. Key strategic markets are prioritised for protection. The Group has deployed a number of measures to strengthen its protection against cyber security. These include systems access controls, staff training, passwords, updating policies and procedures.		Additionally, the Group complies with GDPR legislation.
Reliance on key individuals The success of the Group depends crucially upon the expertise and relationships of the founder Directors and certain other senior employees. The loss of any of the key individuals could have an adverse effect on the Group.	The Group has a strong, social purpose to save lives and improve outcomes which is motivating to employees. Rewards are competitive. A Long Term Incentive Plan ("LTIP") exists for all senior and key roles that have been identified as key to future growth.		We have invested in the second tier management team and now have a stronger set of core competencies that can help reduce reliance on individuals. A culture of engagement and recognition exists and it is the Group's policy to maintain a safe and pleasant work environment.
Competition The Group operates in a highly competitive market and may face competition from products designed, marketed and supplied by companies with significantly greater resources.	Exceptional customer service and short lead times provide barriers to competition. We have innovative products that are niche in our field helping to add value to our sales call and improve engagement with key decision makers. We work closely with key opinion leaders in neonatology. Our 24/7 customer service is a differentiator which is actively promoted in our domestic markets.		No competitor provides products across our entire range.

Neil Campbell
Chief Executive Officer

30th April 2019

Statement of Corporate Governance

As Chairman of the Board it is my responsibility to ensure that the Group has both an effective corporate governance and Board leadership. In accordance with the requirement of AIM all listed companies have to adopt a corporate code. The Group has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") and this report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code in all respects.

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves performance while reducing or mitigating risks.

QCA PRINCIPLES

Deliver Growth

1. Establish a strategy and business model which promote long-term value for shareholders

The Group's purpose is to improve health outcomes by providing highly advanced medical technology. Our mission is to develop outcome-enhancing products for intensive care patients and to promote these globally. Our strategy is defined clearly in our Business Strategy section of our Annual Report. Our business model is set out clearly in our Annual Report and on our website. Our strategy and business model are underpinned by a clear set of values: patient focus, outcome changing, pioneering and research driven, which reflect our long-term objective of enhancing patient care and delivering business growth and profitability.

Our Key Performance Indicators ("KPI's"), which are set out in the Chief Executive Officer's Review in an earlier section of this annual report and measure growth and profitability reflecting our business model.

2. Seek to understand and meet shareholder needs and expectations

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, including RNS Reach. We also use the Group's website, www.inspiration-healthcare.com for both financial and general news relevant to shareholders.

The Executive Directors meet shareholders and other investors/potential investors at regular intervals during the year and hosted an investor meeting during the year. The Chief Executive Officer and the Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of interim and full year results. They also attend retail shareholder events. The slides used for such presentations are made available on the Group's website under the Annual Reports section.

The Group's NOMAD and broker, Cenkos Securities plc, is briefed regularly and updates the Board during the year on shareholder expectations. The Group retains a professional investor relations company, Cadogan PR, to be the main contact point for our shareholders and to assist us with communicating with and receiving feedback from shareholders and financial analysts.

The Annual General Meeting ("AGM") is regarded as an opportunity to meet, listen and present to shareholders and their participation is encouraged; all Directors attend the AGM and are available to meet shareholders individually or as a group. For each resolution the number of proxy votes received for, against and withheld is circulated to all attendees. The results for the AGM are subsequently published on the Group's corporate website. All 2018 AGM resolutions were passed comfortably.

The Non-executive Chairman, Mark Abrahams and the Senior Independent Director, Bob Beveridge, are available to meet major shareholders if required to discuss issues of importance to them.

3. Take into account wider stakeholder and social responsibilities and their implications for long term success

Our continued success is built on the talented people who work here, and employee engagement forms a major part of our strategy. Everyone at Inspiration Healthcare Group is a valued member of the team, and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. We hold regular all-staff gatherings, including an annual conference, to keep employees updated on business progress and we also operate an incentivised Improvement Ideas scheme. We are a living wage employer.

Statement of Corporate Governance continued

A key element of our business model is to work closely with key opinion leaders in the healthcare system and to develop, evaluate and enhance our propositions in full co-operation with those partners. Our reputation for innovative, outcome-enhancing products and excellent service is key and we regularly seek feedback on the performance of our products.

Our key strategic suppliers are long-term in nature and work with the Group on product innovations. As a medical device company, we regularly assess key supplier performance and engage with them to discuss and agree objectives and to enhance product capability and performance.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for a robust system of internal controls and risk management. The assessment of risks and the development of strategies for dealing with these risks are achieved on an ongoing basis through both a quarterly review of risks by the Board and the way in which the Group is controlled and managed internally. Risk management is integral to the ability of the Group to deliver on its strategic objectives and the Board's appetite for risk is communicated to shareholders in our annual report.

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. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The Board is responsible for reviewing and approving overall Group strategy, approving revenue and capital budgets and plans, for determining the financial structure of the Group including treasury, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business and operational and financial controls, including liaison with the Group's external auditors.

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 to ISO 13485 and MDSAP;*
- *appraisal and authorisation of major capital expenditure, research & development projects; and*
- *dual signatories on all bank accounts.*

Additionally, the Group operates a number of non-financial controls including regulatory compliance, our Business Management System, as well as Health and Safety.

Maintaining a Dynamic Management Framework

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board is made of up three Executive Directors and three independent Non-executive Directors, chaired by Mark Abrahams who has held this post since the reverse acquisition of Inditherm plc by Inspiration Healthcare Ltd in June 2015. Meetings are open and constructive, with every Director participating fully. Meetings alternate between our Crawley head office and the Leicester distribution centre, enabling the Board to meet the senior teams.

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 Non-executive Directors give informal advice to the Executives between meetings and devote sufficient time to be effective in this regard.

The Board meets regularly during the year (12 times in FY2019); a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. Board papers are circulated at least one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board dinners are held from time to time on the evening before meetings and allow broader discussion and development of effective Board relations.

The Group has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors. Changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Chief Financial Officer is also the Company Secretary and is responsible for ensuring that Board procedures are followed and that the Group complies with all applicable rules, regulations and obligations governing its operation. If required, the Directors are entitled to take independent legal advice and, if the Board is informed in advance, the cost of such advice will be reimbursed by the Group.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Non-executive Directors have both a breadth and depth of skills and experience to fulfil their roles. The Chairman is a highly experienced quoted company Director having formerly been Chief Executive Officer of Fenner plc, which was a FTSE 250 constituent. Details of the Directors' experience and areas of expertise are outlined in the Board of Directors section of our Annual Report and in their biographies on our website. They typically meet each year without Executives present and maintain ongoing communications with Executives between formal meetings.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, needed at this stage of the Group's development, including in the areas of medical devices, sales and marketing, product development, finance, innovation, international trading, risk management, corporate governance and M&A.

The Audit Committee Chairman updates his technical and financial experience by attending workshops held by the major accounting firms.

The Chairman of the Remuneration Committee obtains regular updates on best practice for executive remuneration packages and initiates periodic reviews, taking account of changes to the business. Other Directors are regularly kept up to date via the latest governance and business updates from major accountancy or legal firms and via membership of various professional bodies.

All Directors stand for re-election by shareholders each year.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

More formal Board evaluation processes were introduced during 2018. The Senior Independent Director facilitated internal feedback on Board performance via a questionnaire, which was summarised by an independent third party who provided feedback for discussion and review by the Board. Overall the Board is seen to be working well but opportunities for improved effectiveness were identified and agreed. These include reducing the number of meetings from twelve to seven per year and improved agenda planning, focusing two meetings per year on strategic matters and scheduling specific dates for other key areas, e.g. risk management, R&D reviews, financial forecasts, employee engagement, and shareholder feedback. Once these improvements have been realised the Board will consider an external evaluation.

The Board considers succession planning for the Executive Directors on an ad-hoc basis. With further development the Board considers the Commercial Director and the Chief Financial Officer as potential successors to the Chief Executive Officer. Potential successors to the Commercial Director and the Chief Financial Officer have been identified although are not considered immediate replacements. However, external recruitment is currently the most likely source of immediate replacements for any of the Executive Directors.

8. Promote a corporate culture that is based on ethical values and behaviours

The Group's culture is understood and led by the example set by the behaviours of the three Executive Directors, two of who were founders of the original business. Taking into account that the Group is relatively small with less than 100 employees, this is considered an effective means of conveying the Group's approach to ethical behaviour.

Statement of Corporate Governance continued

The common culture is based upon four core values:

- *Patient focus*
- *Outcome changing*
- *Pioneering*
- *Research driven*

By visiting sites during the year, the Board is able to talk to staff and observe behaviours in order to satisfy itself on the status of the culture.

The Group places the health and safety of its workforce as its top priority with health and safety updates being provided at every Board meeting and actions arising are followed up by the CEO.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to high standards of corporate governance. It has joined the QCA and has chosen to adopt the QCA Corporate Governance Code. We review our corporate governance arrangements regularly and expect to evolve these over time as the business grows. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for leading the Board, setting its agenda and monitoring its effectiveness. He meets regularly and separately with the Chief Executive Officer and the other Non-executive Directors.

The Board has revised its a schedule of matters reserved for its decision during the year. These matters 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, treasury policy and dividends;*
- *governance, including the appointment and removal of Board members, remuneration of Directors, set up and delegation of matters to committees and the reviewing of reporting back thereof;*
- *approval of financial statements; and*
- *stock exchange related issues including the approval of communications.*

All Directors receive regular and timely information on the Group's operational and financial performance which is circulated to the Board in advance of meetings.

The Board delegates authority to three committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management. The committees 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 Financial Statements and the review of the Group'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 provided in our Annual Report.

The terms of reference for the Audit Committee can be found on the Group's website.

Remuneration Committee

The report of the Remuneration Committee is set out in our annual report. 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. The committee met 5 times during the year with full attendance. Mark Abrahams attended twice by invitation.

A more detailed terms of reference for the Remuneration Committee can be found on the Group's website.

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. The committee met once this year with full attendance.

A more detailed terms of reference for the Nominations Committee can be found on the Group's website.

Membership of the Board committees is as follows:

	Mark Abrahams	Brook Nolson	Neil Campbell	Bob Beveridge
Audit Committee (AC)	n/a	Member	n/a	Chair
Remuneration Committee (RC)	n/a	Chair	n/a	Member
Nominations Committee (NC)	Chair	Member	Member	Member

The following table sets out the member attendance at Board and Committee meetings during the year ended 31 January 2019:

Board Members	Number of meetings attended			
	Board	AC	RC	NC
Mark Abrahams, Chairman	12/12	n/a	n/a	1/1
Neil Campbell, Chief Executive Officer	12/12	n/a	n/a	1/1
Bob Beveridge, Senior Independent Non-executive Director	12/12	2/2	5/5	1/1
Mike Briant, Chief Financial Officer	12/12	n/a	n/a	n/a
Toby Foster, Commercial Director	12/12	n/a	n/a	n/a
Brook Nolson, Non-executive Director	12/12	2/2	5/5	1/1

Non-members are invited to attend committees as appropriate.

Build Trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe. The Board has formal responsibilities and agendas and three sub-committees; in addition, strong informal relations are maintained between Executive and Non-executive Directors. Non-executive Directors meet with other senior managers and give advice and assistance between meetings. Board dinners are held from time to time to provide opportunities for broader discussions.

The Chief Executive Officer and Chief Financial Officer regularly meet with investors after results announcements have been made and at other shareholder participant events. They also meet regularly with the Group's Nomad/broker and discuss any shareholder feedback – the Board is briefed accordingly.

All Directors attend the Annual General Meeting and engage both formally and informally with shareholders during and after the meeting. The results of voting at the AGM is communicated to shareholders via RNS and on the Group's website.

The Chief Executive Officer and the Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of interim and full year results. They also attend retail shareholder events. The slides used for such presentations are made available on the Group's website under the Annual Reports section.

The Group engages a professional investor relations company to be the main contact point for our shareholders and to assist us with communicating with and receiving feedback from shareholders and financial analysts.

Mark Abrahams
Chairman
30 April 2019

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 of 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 reviewing the Group's authorities matrix, plans for improving the Group's cyber security measures 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 2019, 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; papers outlining the impact of IFRS 16 was specifically considered and the committee concurred that the standard is not expected to have a material impact on the Group's financial results.*
- *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 including specifically: capitalisation of product development spend, deferred tax related to brought forward historical losses and whether or not any expenses should be analysed as exceptional. Where appropriate the committee reviewed papers prepared by management and agreed with the accounting treatment.*
- *Review of significant accounting policies (including changes required as a result of adopting IFRS 15 and IFRS 9 from the year ended 31st January 2019).*
- *Review of provisional accounting under IFRS 16, leasing, which comes into effect for financial years commencing 1 January 2019.*
- *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 fair, balanced and understandable addition to the Annual Report.

External audit

In the year ended 31 January 2019 fees for non-audit services amounted to £1,000 for a subscription to web-based accountancy products and services. The committee was satisfied with the quality of the audit, the degree of challenge and review of the report and accounts and will carry out a formal assessment of audit quality post the year end in 2019.

Risk management and internal control

The committee reviewed a paper from the Chief Financial Officer 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.

During the year the Group reviewed a number of aspects of cyber security including network access, software updates, staff awareness as well as its policies and procedures. The results of the review were reported to the Audit Committee and recommendations for improvements are being implemented.

Key control procedures are as follows:

- *Management responsibility and authorisation controls; an established management structure operates throughout the Group with a single common finance system, 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 is 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.*
- *Strong cash management – the Group maintains tight cash management controls through, for example, delegated authorities and dual signatories on all bank accounts etc. The Board has approved a treasury policy covering counterparty risk and foreign exchange management and the committee reviews compliance with the policy.*

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
30th April 2019

Board of Directors

"The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business."

Neil Campbell

Chief Executive Officer

In 2003, Neil became CEO and founding partner of Inspiration Healthcare Limited, leading them through the reverse acquisition of Inditherm plc and onto AIM in June 2015. Neil has spent 28 years in the Medical Device sector. After beginning his career in medical devices at Smiths Medical, Neil held several sales and marketing positions at Eschmann and Electro Medical Equipment Limited ("EME"). 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, a position he has now held for several years. Until 21 June 2018, Neil held a Non-executive Director position of Neuroprotexeon Limited, a drug-discovery and biotechnology company, in which the Group is a shareholder.

Key Areas of Expertise

Medical device market, market development, product development, regulatory affairs, strategic planning.

Mike Briant

Chief Financial Officer

Mike joined the Board as CFO on 19 September 2016. He is an experienced Finance Director with over twenty years' track record of driving growth in international businesses. A Chartered Accountant, Mike spent over ten years in senior financial roles within Thorn plc and then joined Quadriga Worldwide as Finance Director. In 2002 he moved to LMA International NV ("LMA"), a global anaesthesia company, which he helped to IPO on the Singapore Stock Exchange and double in size to an £80 million company, completing a number of acquisitions. Mike was CFO of LMA until its acquisition by Teleflex Inc.

Key Areas of Expertise

All aspects of financial management, cost control, mergers & acquisitions, public company reporting, risk management.

Toby Foster
Commercial 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 innovative technologies including the Novalung extracorporeal lung assist into the UK critical care market. Toby was appointed Commercial Director on 1 February 2019 and took on the additional responsibility for the Marketing function.

Key Areas of Expertise

Medical device market, sales management, market development, international sales, product launch.

Mark Abrahams
Non-executive Chairman

Mark Abrahams became Chairman of Inspiration Healthcare following the reverse acquisition transaction in June 2015 and prior to that was Chairman of Inditherm plc since 2001. Following the acquisition by Michelin, Mark has recently retired from the Board of Fenner Plc, where he has been both Chairman and Chief Executive Officer for 25 years, during which time 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.

Key Areas of Expertise

Strategy, corporate governance, international M&A, financial management, operational management, investor relations, international business risk management.

Bob Beveridge
Non-executive Director and Senior Independent Director

Bob Beveridge FCA joined the Board 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 Chairman of the Audit Committee of Brady plc and Finsbury Food Group plc and Senior Independent Director of Brady 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.

Key Areas of Expertise

Senior financial skills relating to M&A, investor relations, risk management, financing, audit committees and corporate governance. Digital technology and financial strategy.

Brook Nolson
Non-executive Director

Brook joined the Board 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 is an advisor and non-executive consultant to a number of organisations across various industries.

Key Areas of Expertise

Strategy growth & restructuring, business transformation, product development, sales growth, leadership development.

Directors' Report

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 2019. 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 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 50.

Business review and future developments

Details of the business activities during the year can be found in the Strategic Report on pages 4 to 30.

Political donations

The Group made no political donations during the year (FY2018: £nil).

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Principal Risks and Uncertainties on pages 28 to 30 and note 19 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 22 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 £630,000 (FY2018: £955,000) including expenditure capitalised in accordance with IAS38.

The Directors of the Company who served during the year and up to the date of signing the financial statements were:

Director	Position
M S Abrahams	Non-executive Chairman
N J Campbell	Chief Executive Officer
T Foster	Commercial Director
B Nolson	Non-executive Director
R J Beveridge	Non-executive Director
M J Briant	Chief Financial Officer and Company Secretary

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 2019 and 31 January 2018 and any changes subsequent to 31 January 2019 are disclosed in the Director's Remuneration Report on page 44. Directors' interests in contracts of significance to which the Group was a party during the financial year are disclosed in note 28 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 30 April 2019 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	3,988,726	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 Group's offices, Unit 2 Satellite Business Village, Crawley, West Sussex RH10 9NE at 11.30am on 27 June 2019. 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
30th April 2019

Directors' Remuneration Report

This report covers the financial year ended 31 January 2019.

Responsibilities

The Remuneration Committee has 2 members, Brook Nolson (Chairman) and Bob Beveridge and they have met regularly during the year. 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 30 April 2019	Notice period
M S Abrahams	Chairman	34 months	6 months
N J Campbell	Chief Executive Officer	6 months	6 months
T Foster	Commercial Director	6 months	6 months
R J Beveridge	Non-executive	25 months	6 months
B Nolson	Non-executive	25 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 members of the management team 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 pay are as follows:

Basic salary/fees and benefits

The basic annual salary is subject to an annual review, which takes into account the performance of the Group and the individual 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 2019 is as follows:

	2019	**2018**
N J Campbell	£147,600	£144,000
T Foster	£123,000	£120,000
M J Briant	£123,000	£120,000

Executive pay ratio reporting

Whilst the Group is not obliged to report on this matter the Board wishes for the business to be as transparent as possible on public and social issues. Therefore, as part of a business wide review to consider Gender Pay Gap issues the business also reviewed the Executive Pay Ratio Reporting. The business was pleased that there were no anomalies identified. Executive Pay Ratio Reporting revealed that the highest paid executive receives less than 5 times the average salary within the business which is considered low.

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 Executive Bonus scheme for FY2019 continued to be the same as the previous year, with the bonus being a maximum of 50% of salary. All bonus calculations are excluding benefits in kind and pension contributions. Bonus targets are linked to operational performance across a number of measures including revenue, operating profit, cash flow and health & safety. Against these criteria the Remuneration Committee has awarded bonuses to the Executives for the year ended 31 January 2019 equivalent to 10% (FY2018: 25%) of salary as follows:

	2019	**2018**
N J Campbell	£14,760	£36,000
T Foster	£12,300	£30,000
M J Briant	£12,300	£30,000
	£39,360	£96,000

Pensions

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

Share Options 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 FY2018, we implemented an LTIP (Long term Incentive Plan) for Executives and Senior Management, which is consistent with the Share Scheme as described in the admission document 2015. Nil cost options, which are subject to performance conditions (unless noted), were issued to the Directors as follows:

	2019	**2018**
N J Campbell	65,385	-
T Foster	57,692	-
M J Briant	86,014	135,338[1]
	209,091	135,338

[1] Not subject to performance conditions.

Directors' Detailed Emoluments (audited)

The emoluments of the Directors of the parent Company for the year in accordance with the basis of preparation were as follows:

	Salary £'000	Bonus £'000	Pension Contribution £'000	Benefit in kind £'000	**2019 Total £'000**	2018 Total £'000
M S Abrahams	35	–	–	–	**35**	35
N J Campbell	147	15	7	10	**179**	197
T Foster	123	12	6	10	**151**	165
R J Beveridge	24	–	–	–	**24**	24
B Nolson	24	–	–	–	**24**	24
M J Briant	123	12	6	11	**152**	166
	476	39	19	31	**565**	611

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

Directors' Remuneration Report continued

Share Scheme (audited)

As part of its strategy for Executive and key employee remuneration, the Group established on readmission 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 new Share Option Scheme, the Company may grant both options that qualify as enterprise management incentives under schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 and unapproved options over Ordinary Shares to any employee of the Group and any of its subsidiaries (including Executive Directors), subject to various scheme and individual limits.

No option may be granted under the Share Option Scheme if, as a result, the aggregate nominal value of ordinary shares in the capital of the Company issued or issuable pursuant to options granted during the previous ten years under the Share Option Scheme or any other discretionary employees' share scheme adopted by the Company would exceed 5% of the ordinary share capital of the Company in issue on that date. The Remuneration Committee has the discretion to exceed this 5%, in exceptional circumstances up to a maximum of 10%.

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 achieved a three-year cumulative growth of between 30% and 50% in Earnings Per Share ("EPS"). 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.

In line with our commitment to recruit and retain the very best people we have issued a further 139,512 approved enterprise management scheme options to certain key employees. These options are exercisable at nil cost to the employee and are subject to a performance condition, to be measured over a three-year period ending on 31 January 2020, of growth in earnings per Ordinary Share in issue ("EPS") of 40% or more compounded over the three-year period. If the growth in EPS is less than 40% but greater than 35% the number of Option Shares available for exercise will be capped at 75%. If the growth in EPS is less than 35% but greater than 30% the number of Option Shares available for exercise will be capped at 50%. If the growth in EPS is less than 30% the Options will lapse. During the year 50,000 share options issued in the year ended 31st January 2018 have lapsed due to employees leaving the company. As at 31 January 2019 there are, including Directors, 583,941 share options in existence.

Directors' interests in shares (audited)

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

	30 April 2019 Number	**31 January 2019 Number**	31 January 2018 Number
M S Abrahams	**155,154**	**155,154**	155,154
N J Campbell	**4,536,271**	**4,536,271**	4,536,271
T Foster	**3,899,908**	**3,899,908**	3,899,908

The only interests of Directors in share options as at all dates are set out above under Share Option Scheme. More information can be found on page 41 setting out substantial interests in the Company.

Brook Nolson
Chairman – Remuneration Committee
30th April 2019

Statement of Directors' Responsibilities

in respect of the 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 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 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.

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.

Directors' confirmations

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.*

Independent Auditors’ Report

to the Members of Inspiration Healthcare Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- *Inspiration Healthcare Group plc’s group financial statements and company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the company’s affairs as at 31 January 2019 and of the group’s profit and cash flows for the year then ended;*
- *the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;*
- *the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); and*
- *the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.*

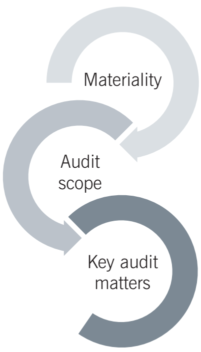
We have audited the financial statements, included within the Annual Report and Financial Statements (the “Annual Report”), which comprise: the consolidated and company statements of financial position as at 31 January 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in shareholders’ equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Our audit approach

Overview

- *Overall group materiality: £155,000 (2018: £155,000), based on 1% of total revenues.*
- *Overall company materiality: £78,000 (2018: £71,000), based on 1% of total assets.*

- *Full scope audit procedures were performed over the company and Inspiration Healthcare Limited.*

- *Carrying value of capitalised development costs.*
- *Recognition of deferred tax asset.*

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditors' Report continued

to the Members of Inspiration Healthcare Group plc

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Carrying value of capitalised development costs Refer to Note 10 (Intangible assets) and Note 1 (Accounting policies). The Group continues to capitalise development costs as it seeks to widen the range of products on offer. Research and development activities have slowed in FY19 as projects have come to market. The recognition of development costs is prescribed by accounting standards (IAS38). The carrying value of these costs is an important area of judgment particularly in respect of the appropriateness of capitalisation and subsequent impairment risk, and as such has been treated as a key audit matter.	We have understood management process for monitoring progress of projects; We have obtained management's assessment of each project and forecast sales plans; We have compared sales forecasts from the previous year to actual results to assess management's ability to forecast; Capitalised costs in the year have been tested to supporting documentation; We have considered the appropriateness of development costs in line with the IAS 38 accounting standard. Based on the results of our audit work, we have concluded the carrying value of development costs is appropriate and consistent with the requirements of IAS 38.
Recognition of deferred tax asset Refer to Note 21 (Deferred Tax). The Group has unrecognised tax losses of £1,291,000 (gross: £7,596,000) arising from the historical trading of Inditherm plc prior to the reverse acquisition by Inspiration Healthcare in 2015. Management have performed an exercise to stream revenue and costs relating to the legacy trade of Inditherm. No taxable profits are forecast in the next two years and management therefore deem the level of uncertainty too high to be able to recognise a deferred tax asset. This has been deemed a key audit matter due to the size of the potential asset and the level of judgement required.	We have obtained and tested management's assessment of the use of historical losses against the 'streamed' trade of the group; We have challenged management to support the forecasts made; We have considered the advice received by management from their tax advisers regarding whether historical losses are available to be carried forward against future profits; We have considered management's plans for research and development and the impact any tax credits will have in offsetting future profits; Based on the results of our audit work, we have concluded that management's assessment is appropriate and consistent with the requirements of IAS 12.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Inspiration Healthcare Group plc is a holding company with all trading going through the subsidiary, Inspiration Healthcare Limited. The entities have a single finance and management team. Both companies report their financial results and position using the Group accounting policies.

In setting our audit scope, we included the main trading entity, Inspiration Healthcare Limited, in addition to the company. This enabled sufficient coverage over all balances to be obtained on a line by line basis.

The audit work has been completed by a single team.

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

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£155,000 (2018: £155,000).	£78,000 (2018: £71,000).
How we determined it	1% of total revenues.	1% of total assets.
Rationale for benchmark applied	Revenue is considered to be the quantitative measure given the most attention by the Group's key stakeholders.	Total assets is the primary measure used by shareholders in assessing the performance of the entity.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £78,000 and £150,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £7,700 (Group audit) (2018: £7,500) and £3,900 (Company audit) (2018: £3,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- *the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or*
- *the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.*

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent Auditors' Report continued

to the Members of Inspiration Healthcare Group plc

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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*
- *certain disclosures of directors' remuneration specified by law are not made; or*
- *the company financial statements are not in agreement with the accounting records and returns.*

We have no exceptions to report arising from this responsibility.

Paul Norbury (Senior Statutory Auditor),

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

30 April 2019

Consolidated Income Statement

for the year ended 31 January 2019

	Note	**2019 £'000**	2018 £'000
Revenue	3	**15,487**	15,495
Cost of sales		**(8,445)**	(8,709)
Gross profit		**7,042**	6,786
Operating expenses	4	**(5,829)**	(5,582)
Operating profit		**1,213**	1,204
Finance income	6	**6**	–
Finance costs	6	**–**	(2)
Profit before tax		**1,219**	1,202
Income tax	7	**(116)**	21
Profit for the year attributable to owners of the parent company		**1,103**	1,223
Earnings per share, attributable to owners of the parent company			
Basic expressed in pence per share	8	**3.60p**	3.99p
Diluted expressed in pence per share	8	**3.56p**	3.98p

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2019

	Note	**2019 £'000**	2018 £'000
Profit for the year		**1,103**	1,223
Other comprehensive expense items that may be reclassified to profit or loss			
Cash flow hedges	19	**(6)**	(3)
Total other comprehensive expense for the year		**(6)**	(3)
Total comprehensive income for the year		**1,097**	1,220

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Company profit and loss account.

The notes on pages 55 to 86 are an integral part of these consolidated financial statements.

Neil Campbell
Director

Mike Briant
Director

Consolidated and Company Statements of Financial Position

as at 31 January 2019

(Registered Number: 03587944)

		Group		Company	
	Note	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Assets					
Non-current assets					
Intangible assets	10	**1,293**	1,209	**–**	–
Property, plant and equipment	11	**408**	461	**–**	–
Investments	12	**111**	111	**7,156**	7,156
Deferred tax asset	21	**–**	–	**11**	–
		1,812	1,781	**7,167**	7,156
Current assets					
Inventories	13	**718**	560	**–**	3
Trade and other receivables	14	**3,107**	3,066	**37**	52
Cash and cash equivalents	15	**2,539**	2,086	**675**	668
		6,364	5,712	**712**	723
Total assets		**8,176**	7,493	**7,879**	7,879
Liabilities					
Current liabilities					
Trade and other payables	17	**(2,210)**	(2,756)	**(127)**	(959)
Financial liability	19	**(9)**	(3)	**–**	–
Contract liabilities	20	**(319)**	(328)	**–**	–
		(2,538)	(3,087)	**(127)**	(959)
Non-current liabilities					
Contract liabilities	20	**–**	(7)	**–**	–
Deferred tax liability	21	**(105)**	(34)	**–**	–
		(105)	(41)	**–**	–
Total liabilities		**(2,643)**	(3,128)	**(127)**	(959)
Net assets		**5,533**	4,365	**7,752**	6,920
Shareholders' equity					
Called up share capital	22	**3,067**	3,067	**3,067**	3,067
Reverse acquisition reserve	22	**(16,164)**	(16,164)	**–**	–
Share based payment reserve	22	**91**	20	**246**	175
Other reserves	22	**(9)**	(3)	**–**	–
Retained earnings		**18,548**	17,445	**4,439**	3,678
Total equity		**5,533**	4,365	**7,752**	6,920

The Company's profit for the year ended 31 January 2019 is £761,000 (2018: loss £530,000).

The notes on pages 55 to 86 are an integral part of these consolidated financial statements.

The Group financial statements on pages 50 to 86 were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:

Neil Campbell
Director

Mike Briant
Director

Consolidated and Company Statements of Changes in Shareholders' Equity

Group	Issued share capital £'000	Share premium account £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Share based payment reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 February 2017	**3,067**	**9,929**	**4,600**	**(16,164)**	**–**	**–**	**1,693**	**3,125**
Profit for the year	–	–	_	–	–	–	1,223	1,223
Other comprehensive expense – Note 22	–	–	_	–	–	(3)	–	(3)
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**–**	**–**	**(3)**	**1,223**	**1,220**
Transactions with owners in their capacity of owners								
Employee share scheme expense – Note 25	–	–	–	–	20	–	–	20
Capital reduction exercise:								
– Issue of B Shares to Capitalise Merger Reserve	4,600	–	(4,600)	–	–	–	–	–
– Cancellation of B Shares	(4,600)	–	–	–	–	–	4,600	–
– Cancellation of Share Premium Account	–	(9,929)	–	–	–	–	9,929	–
Total transactions with owners	**–**	**(9,929)**	**(4,600)**	**–**	**20**	**–**	**14,529**	**20**
At 31 January 2018	**3,067**	**–**	**–**	**(16,164)**	**20**	**(3)**	**17,445**	**4,365**
Profit for the year	–	–	–	–	–	–	1,103	1,103
Other comprehensive expense – Note 22	–	–	–	–	–	(6)	–	(6)
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**–**	**–**	**(6)**	**1,103**	**1,097**
Transactions with owners in their capacity of owners								
Employee share scheme expense – Note 25	–	–	–	–	71	–	–	71
Total transactions with owners	**–**	**–**	**–**	**–**	**71**	**–**	**–**	**71**
At 31 January 2019	**3,067**	**–**	**–**	**(16,164)**	**91**	**(9)**	**18,548**	**5,533**

Consolidated and Company Statements of Changes in Shareholders' Equity continued

Company	Issued share capital £'000	Share premium account £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 February 2017	**3,067**	**9,929**	**4,600**	**155**	**(10,321)**	**7,430**
Loss for the year	–	–	–	–	(530)	(530)
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(530)**	**(530)**
Transactions with owners in their capacity of owners						
Employee share scheme expense – Note 25	–	–	–	20	–	20
Capital reduction exercise:						
– Issue of B Shares to Capitalise Merger Reserve	4,600	–	(4,600)	–	–	–
– Cancellation of B Shares	(4,600)	–	–	–	4,600	–
– Cancellation of Share Premium Account	–	(9,929)	–	–	9,929	–
Total transactions with owners	**–**	**(9,929)**	**(4,600)**	**20**	**14,529**	**20**
At 31 January 2018	**3,067**	**–**	**–**	**175**	**3,678**	**6,920**
Profit for the year	–	–	–	–	761	761
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**761**	**761**
Transactions with owners in their capacity of owners						
Employee share scheme expense – Note 25	–	–	–	71	–	71
Total transactions with owners	**–**	**–**	**–**	**71**	**–**	**71**
At 31 January 2019	**3,067**	**–**	**–**	**246**	**4,439**	**7,752**

For more information see note 22.

The notes on pages 55 to 86 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 January 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	23	**995**	919
Interest paid		**–**	(2)
Taxation received	7(b)	**–**	161
Taxation paid	7(b)	**(147)**	(126)
Net cash generated from operating activities		**848**	952
Cash flows from investing activities			
Interest received		**6**	–
Purchase of property, plant and equipment	11	**(101)**	(254)
Purchase of intangible assets	10	**(24)**	(68)
Capitalised development costs	10	**(276)**	(688)
Acquisition of investment	12	**–**	(5)
Net cash used in investing activities		**(395)**	(1,015)
Cash flows from financing activities			
Finance leases		**–**	(16)
Net cash used in financing activities		**–**	(16)
Net increase/(decrease) in cash and cash equivalents		**453**	(79)
Cash and cash equivalents at the beginning of the year		**2,086**	2,165
Cash and cash equivalents at the end of the year		**2,539**	2,086

The movement in total liabilities for financing activities solely relates to the cash flows for finance leases.

Notes forming part of the Financial Statements
for the year ended 31 January 2019

1 Accounting Policies

Inspiration Healthcare Group plc (the Company) is a public limited company incorporated in England and Wales and domiciled in England. The Company's registered address is Unit 2, Satellite Business Village, Crawley, West Sussex, RH10 9NE and the registered company number is 03587944. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange plc.

The principal activities of Inspiration Healthcare Group plc and its subsidiaries (together, the "Group") continue to be the sale, service and support of critical care equipment to the medical sector including hospitals.

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.

There is no ultimate controlling party.

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which it operates (the functional currency). The Group financial statements are presented in pounds sterling, which is the presentation currency of the Group.

Group

The consolidated financial statements cover the year ended 31 January 2019.

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 or liabilities which are stated at fair value through operating profit or loss and for share based payments which are measured at fair value.

Company

The Company financial statements cover the year ended 31 January 2019.

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.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2019

1 Accounting Policies continued

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)*

› *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 accounting policies of the Company are the same as for the Group.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

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 each year. All subsidiaries have a reporting date of 31 January.

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.

Going concern basis

On the basis of current financial projections and available funds, the Directors are satisfied that the Group and Company have 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 15.

Judgements

The Group applies judgement in how it applies its accounting policies, which do not involve estimation, but could materially affect the numbers disclosed in these financial statements. The key accounting judgements, without estimation, that have been applied in these financial statements are as follows:

- *Taxation Provision*

  In arriving at the tax provision required at the balance sheet date management make a judgement on the accuracy of preliminary tax computations prior to their submission and acceptance by the tax authorities. As a significant investor in research and development expenditure this includes judgement on the accuracy of the calculation of R&D tax credits included within the preliminary computation. Although all endeavours are made to reflect the correct R&D tax credits in the preliminary tax computation the final tax computation submitted to the relevant tax authorities may differ. See note 7(c) for the impact on the tax provision as at 31 January 2019 of R&D tax credit claims made for the year.

- *Investment In Neuroprotexeon Limited ("NPXe")*

  The Group holds its investment in NPXe at cost. The Group considers that the best evidence of fair value of the investment would be the market price for the shares or a transaction price for the company. However, as NPXe is not a publicly traded company it is the Board's judgement a reliable fair value assessment cannot be obtained. It is the Board's judgement that, due to announcements made during the year by NPXe regarding distribution agreements signed and NPXe seeking to complete an IPO on AIM, no impairment of the value held on the balance sheet is considered necessary.

- *Capitalisation of development costs*

  In order to capitalise product development costs, there is a requirement for detailed analysis of the technical feasibility and judgement on the commercial viability of the project. The Board regularly reviews this judgement in respect of relevant development projects. Commercial viability is based on the future prospects for revenue generated through sales of the products that are being developed and expected costs to complete the development, as well as costs to make the products. These estimates are based on historical experience and other factors, including the achievement and timing of regulatory and registration requirements as well other expectations of future events that are believed to be reasonable under the circumstances. Actual results may not be in line with the estimates made. The value of product development costs capitalised during the year was £276,000 (2018: £688,000). Note 10 provides more information on capitalised development costs.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

1 Accounting Policies continued

Accounting Estimates

The Group is required to make judgements based on estimates and assumptions concerning the future in order to fully comply with adopted IFRSs. These judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. 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. The following are areas that are deemed to require the most complex judgements about matters that have potential material impacts on the amounts recognised in the financial statements.

The key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustments in future financial years are as follows:

- *Deferred taxation*

  Judgement is required on whether future profitability is likely in making the decision whether or not to recognise a deferred tax asset. The Group has a potential deferred tax asset which has not been recognised due to the uncertainty of the timing of utilising tax losses. Unused trading losses totalling £7,596,000 arose in Inditherm plc prior to the reverse acquisition by Inspiration Healthcare Limited and change of name to Inspiration Healthcare Group plc in 2015. Following a hive-down exercise undertaken with effect from 31 January 2017 the losses have been transferred to Inspiration Healthcare Ltd. There is no time limit on utilising the brought forward losses, but they can only be set-off against profits generated from the same trading activities they were generated from. Two of the major products in the range have only recently been relaunched. Assessment of future taxable profit of relevant trading activities is based on estimates of future revenue streams (in particular from the recently launched products), costs, investment in research and development together with related assumptions on tax credits receivable on such expenditure, amongst other things. Actual taxable profit and the timing of utilising the brought forward losses may vary from the estimates made. The analysis and assessment of the likelihood of utilising the losses is reviewed on an annual basis. Should all losses be able to be utilised in the future the amount of unrecognised deferred tax as at 31 January 2019 is £1,291,000 (2018: £1,291,000). See also note 21 on Deferred Tax.

- *Impairment – Carrying value of Capitalised Development Costs*

  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 could 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.

  Impairment testing is an area involving management's judgement, requiring assessment as to whether the carrying value of each asset can be supported by the net present value of estimated future cash flows derived from such asset 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;*
  - *future revenue and costs;*
  - *long term growth rates.*

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. The net book value of capitalised development costs at as 31 January 2019 is £1,155,000 (2018: £1,009,000). See note 10 for more information on capitalised development costs.

Additionally, judgement is required on the appropriate amortisation rates applied to the capitalised product development costs of completed developments, which are based on estimates of useful lives of between 5 to 10 years and residual values of the assets involved. Actual product lives may vary from estimates made. Amortisation of product development costs during the year was £130,000 (2018: £7,000). For each year that the actual product life differs from the estimate made, if applied equally across all such developments, the amortisation charge for the year would vary by £22,000 (2018: £1,000).

Notes forming part of the Financial Statements continued
for the year ended 31 January 2019

1 Accounting Policies continued

› *Share based payments*

The Group has issued share options to Executive Directors and other key employees. In arriving at the charge to the Income Statement for Share Based Payments the Board have to apply judgement on the likelihood of the performance conditions of the options being achieved. In doing so the Board takes account of a range of potential outcomes based on annual budgets, future projections and other factors. The Share based payment charge for the year was £71,000 (2018: £20,000).

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 2019

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, or more frequently when events or changes in circumstances indicate that the carrying amount may be impaired. 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.

Capitalised 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.

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 from the asset which varies between 5 and 10 years. Amortisation is recorded in operating expenses. During the period of development, the asset is tested for impairment annually.

Research costs

Research expenditure is written off to the Consolidated Statement of Comprehensive Income in the year in which it is incurred.

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.

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.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2019

1 Accounting Policies continued

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 are stated at cost less provision for any impairment in value and are classified as financial asset at fair value through profit or loss.

This classification depends on the Group's business model for managing the financial assets.

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 with reference to the expected loss method. 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.

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

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

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

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

1 Accounting Policies continued

Derivatives and hedging activities

The Group adopted IFRS 9 *Financial Instruments* hedging requirements with effect from the year ended 31 January 2019. All hedges previously accounted for under IAS 39 continue to qualify for hedge accounting under IFRS 9.

The Group uses forward currency contracts to hedge its exposure to the financial risks of changes in foreign exchange rates, in relation to Euro inventory purchases during the year. The hedging gains and losses are ultimately recognised in profit or loss through cost of sales during the year. The Group does not use derivative financial instruments for speculative purposes.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Forward currency contracts are fair valued at each balance sheet date. Changes in the fair value on the forward currency contracts that are designated and effective as hedges of future cash flows are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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 Group operates an equity settled share scheme for certain employees. The cost of equity settled share based payments is measured at fair value at the date of grant, excluding the effect of non-market based vesting conditions. The cost is recognised in the income statement on a straight-line basis over the vesting period with the corresponding amount credited to equity, based on an estimate of the number of shares that will eventually vest. The fair values are measured using the Black-Scholes model. Please refer to note 25 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.

Revenue recognition

The Group has adopted IFRS 15 Revenue From Contracts With Customers with effect from the year commencing 1 February 2018. The accounting policy for revenue recognition has been updated to reflect the interpretations, judgements and disclosures required by IFRS 15. We have applied the modified retrospective transition method and no transition adjustments have been made to the recognition of revenue as there has been no impact on the timing of recognition of our revenue compared to under the previous accounting standard (IAS 18/11).

The Group either recognises revenue from contracts with customers at a point in time or over time as outlined below.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

1 Accounting Policies continued

Under IFRS 15 any one the 3 criteria below must be met in order for revenue to be categorised as "over time". If none are met then the transaction is deemed to be at a "point in time".

- *Customer receives benefits as performed/another would not need to re-perform*
- *Create/enhance an asset a customer controls*
- *Does not create an asset with alternative use and a right to payment for work to date*

The Group recognises revenue at a point in time where there is a distinct obligation to transfer goods to the customer, none of the above criteria are met and the transfer to the customer of control of the goods has taken place, which is no different to previous policy. The Group exercises judgement on the point at which transfer of control has taken place, which is, dependent upon individual contract shipment terms, typically assessed to be when risk in the goods has been assumed by the customer. The goods supplied are primarily medical devices or parts used in medical devices.

The Group recognises revenue over time where there is an obligation to transfer a service to the customer. This applies to the provision of technical support of products which are owned by the customer, under a service contract running for a contract period, which provides for service visits as well as attendance for non-routine faults during the term of the contract. The Group recognises the revenue evenly over the duration of the contract as the timing of the visits and provision of the service is not predetermined and this, in the judgement of the Directors, is the most appropriate reflection of the service being provided.

The transaction price applied to recognise revenue is the price reflected in the sales invoice submitted to the customer, both for at the point of sale and over time which are invoiced separately.

See note 3 for more information on 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 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.

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 2019 no provision is required (2018: £nil) and management are not aware of any material field issues that would require a provision to be made for products supplied for distribution outside of the manufacturers' warranties.

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. The Board of Directors consider that it is 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 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.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

1 Accounting Policies continued

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.

New standards, amendments and interpretations

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 February 2018:

- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue from contracts with Customers*

The Group had to change its accounting policies following the adoption of IFRS 9 and IFRS15. No material impact to the accounts was noted.

The following accounting standards and interpretations, issued by the International Accounting Standards Board ('IASB') or IFRIC (as endorsed by the European Union), that are effective or endorsed but not yet effective for the first time in the current financial year are:

- *IFRS 16 Leases – effective years commencing after 1 January 2019*

The Group is required to adopt IFRS 16 Leases from 1 February 2019 and the estimated initial impact to the consolidated financial statements on adoption has been reviewed.

IFRS 16 Leases

IFRS 16 deals with the classification, measurement and recognition of leases. The Group has both reviewed and discussed the terms and conditions of its current lease and implied lease contracts. On review, the Group considers the implementation of IFRS 16 under the modified retrospective approach will have an immaterial impact on profit before tax, operating expense will decrease between £125K to £175k whilst depreciation will increase between £125k to £175k and interest will increase between £10k and £30k. EBITDA will increase between £125k to £175k for the year ending 31 January 2020. Both Current Assets and Current Liabilities are expected to increase between £500k to £600k on adoption as at 1 February 2019 with an immaterial impact to Net Assets.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

1 Accounting Policies continued

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.

2 Segmental analysis

Inspiration Healthcare Group operates in a single business segment: Critical Care Medical Devices. Within this segment the Group's sales activities are split into three market sectors: Critical Care, Operating Theatre and Home Healthcare and these sectors are defined and reported in Our business strategy and the Operating and financial review sections of the strategic report. There is no inter-sector trading.

The sectors are defined in the Our Business Strategy on pages 8 to 14.

3 Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical split.

Geographical analysis of revenue for the years ended 31 January 2019 and 31 January 2018 is as follows:

	2019 £'000	2018 £'000
Domestic		
– UK	**9,772**	10,338
– Ireland	**351**	384
International		
– Europe	**2,853**	2,759
– Asia Pacific	**320**	352
– Middle East & Africa	**782**	795
– Americas	**1,409**	867
Total	**15,487**	15,495

Significant categories of revenue	**2019 £'000**	2018 £'000
Revenue recognised at a Point in Time		
– Inspiration Branded Products	**7,180**	6,949
– Distributor Products	**6,341**	6,500
– Other	**272**	212
Revenue recognised Over Time		
– Technical Support	**1,694**	1,834
Total	**15,487**	15,495

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

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

3 Revenue continued

All revenue reported by the Group and the Company is from contracts with customers.

Following the adoption of *IFRS 15 Revenue From Contracts With Customers* with effect from the year commencing 1 February 2018 no transition adjustments have been made to the recognition of revenue as there has been no impact on the timing of recognition of our revenue compared to under the previous accounting standard. The additional disclosures required by IFRS 15 are included in this note 3, in note 1 Accounting Policies, and other notes forming part of the financial statements where appropriate.

The relationship between the timing of the satisfaction of the Group's performance obligations and the typical timing of payments from contracts with customers is as follows:

- *For revenue recognised at a point in time a receivable is recognised when the goods are delivered, which completes our performance obligation. At this point in time the consideration is unconditional because only the passage of time is required before payment is due. Payment is typically due between 30 and 60 days following delivery of the goods.*
- *For revenue recognised over time, payment is typically received annually in advance of the service contract commencing. The performance obligations are met over the duration of the contract. A Contract Liability is recognised and adjusted at each reporting period to reflect unsatisfied performance obligations based on a straight-lined apportioned basis over the term of the customer contract. Included in revenue for the year is £328,000 which had been included in Contract Liabilities at 1 February 2018 (2018: £368,000). See note 20 on Contract Liabilities for more information.*

The Group does not currently have any material value of contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. Contract Liabilities are detailed in note 20.

The contracts from customers do not include any variable consideration. There are no obligations for returns or refunds other than any required by law in the United Kingdom.

Costs associated with the fulfilment of the contracts from customers are either, in the case of revenue recognised at a point in time, recognised at the same time as the revenue is recognised, or, in the of case revenue recognised over time, as incurred. No costs of obtaining contracts are capitalised.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

4 Expenses by nature

	2019 £'000	2018 £'000
Inventories recognised as an expense	**8,024**	8,306
Other cost of sales	**421**	403
Employee benefit expense	**3,749**	3,611
Depreciation of property, plant and equipment		
– owned assets	**151**	146
– leased assets	**–**	2
Amortisation of intangible fixed assets	**213**	82
Trade receivables loss allowance/(recovery)	**7**	(2)
Loss on disposal of intangible and tangible assets	**5**	10
Foreign exchange losses	**6**	18
Operating lease rentals	**168**	181
R&D expenditure	**17**	30
Other expenses	**1,513**	1,504
Total cost of sales and operating expenses	**14,274**	14,291
The numbers above include:		
Auditors' remuneration		
Group audit services – statutory	**32**	27
Company audit services – statutory	**26**	26
Total audit services – statutory	**58**	53
Group non-audit services	**–**	–
Company non-audit services	**1**	6
Total non-audit services	**1**	6

Non-audit services provided were £1,000 for a subscription to web-based accounting products and services.

During FY2018 non-audit services provided were £5,000 for share option scheme training and £1,000 for a subscription to web-based accounting products and services.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2019

5 Employees

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Aggregate employee costs are as follows:				
Wages and salaries	**3,205**	3,144	**90**	194
Social security costs	**366**	356	**9**	16
Other pension costs	**107**	91	**–**	9
Share option charge	**71**	20	**71**	20
Total	**3,749**	3,611	**170**	239

Employee costs include the costs of the Executive Directors but not the Non-executive Directors, along with severance payments of £nil (2018: £23,000).

Company employment costs are recharged from a subsidiary company, Inspiration Healthcare Limited.

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

	Group	
	2019	2018
Management and Administration	**26**	27
Sales	**30**	30
Development and Quality	**11**	6
Total	**67**	63

No employees are directly employed by the Company.

Key management emoluments (including Executive Directors)

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Aggregate emoluments:				
Emoluments of the Directors and key management personnel	**546**	592	**–**	91
Contributions to defined contribution pension scheme on their behalf	**19**	19	**–**	3
	565	611	**–**	94
Emoluments of highest paid Director	**172**	190	**–**	25
Contributions to defined contribution pension scheme	**7**	7	**–**	1
	179	197	**–**	26

The number of Directors for whom retirement benefits are accruing under defined contribution pension schemes during the year were 3 (2018: 3).

No Directors exercised share options during the year (2018: none).

This note should be read in conjunction with the Directors' Remuneration Report on pages 42 to 44.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

6 Finance income and costs

	2019 £'000	2018 £'000
Finance income		
Bank interest receivable	**6**	–
Finance costs		
Other interest payable	**–**	(2)

7 Income tax

(a) Analysis of tax charge for the year	2019 £'000	2018 £'000
Domestic current year tax*		
UK corporation tax –		
current year	**149**	145
prior year adjustment	**(104)**	(187)
Total current tax expense/(credit)	**45**	(42)
Deferred tax (see note 21)		
origination and reversal of temporary timing differences	**15**	17
prior year adjustment	**56**	4
Total deferred tax	**71**	21
Tax expense/(credit) on profit on ordinary activities	**116**	(21)

* All tax in both 2019 and 2018 arose in the UK.

(b) Analysis of current tax assets and liabilities	2019 £'000	2018 £'000
Net liability at the beginning of the year (see note 16)	**(70)**	(77)
Tax payments		
Final payments relating to prior year	**70**	50
Payments on account relating to current year	**77**	76
Total tax payments made during the year	**147**	126
Tax receipts in relation to prior year	**–**	(161)
Current year UK corporation tax charge	**(149)**	(145)
Other	**(2)**	–
Prior year adjustment	**104**	187
Net asset/(liability) at the end of the year (see note 16)	**30**	(70)

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

7 Income Tax continued

(c) Factors affecting tax charge for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK 19.00% (2018: 19.16%) as explained below:

			Effective Tax Rate	
	2019 £'000	2018 £'000	**2019 %**	2018 %
Profit on ordinary activities before taxation	**1,219**	1,202		
Tax using the effective UK corporation tax rate of 19.00% (2018: 19.16%)	**232**	230	**19.0**	19.2
Effects of:				
Fixed asset differences	**(5)**	–	**(0.4)**	–
Non-deductible expenses	**14**	9	**1.2**	0.7
Timing differences	**(14)**	–	**(1.2)**	–
Additional deduction for research and development	**(63)**	(77)	**(5.1)**	(6.4)
Adjustments to tax charge in respect of prior years	**(48)**	(183)	**(4.0)**	(15.2)
Total tax expense/(credit)	**116**	(21)		
Effective tax rate			**9.5**	(1.7)
Effective tax rate adjusted for significant prior year amendments			**13.5**	13.5

The effective tax rate excluding significant prior year amendments are similar for both FY2019 and FY2018. The largest factor impacting the adjusted effective tax rate is the value of R&D tax credits. This depends upon the level of expenditure incurred in research and development on qualifying projects, which may vary from year to year. Amendments in respect of prior years largely reflect the difference between the tax calculation for accounts purposes and the final tax returns. The main differences relate to claims for qualifying R&D tax credits.

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.

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.

(d) 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 £7,596,000 and are potentially available for relief against future trading profits generated from the same trade. See note 21 Deferred Tax, for more information.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

8 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.

	2019 £'000	2018 £'000
Profit		
Profit attributable to equity holders of the company	**1,103**	1,223
Numerator for underlying earnings per share calculation	**1,103**	1,223

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

	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**30,667,548**	30,667,548
Dilutive effect of potential ordinary shares: Share options	**316,520**	66,449
Diluted weighted average number of shares in issue during the year for the purposes of diluted earnings per share	**30,984,068**	30,733,997

The number of share options have been prorated for the time they have been in place, see note 25 for further information.
The basic and diluted earnings per share for the year are as follows:

	Basic 2019 pence	**Diluted 2019 pence**	Basic 2018 pence	Diluted 2018 pence
Earnings per share	**3.60**	**3.56**	3.99	3.98
Adjust for: Significant prior year tax amendments	**(0.16)**	**(0.16)**	(0.52)	(0.52)
Underlying earnings per share	**3.44**	**3.40**	3.47	3.46

An underlying earnings per share and a underlying 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.

9 Dividends

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 Review on page 21.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

10 Intangible assets

Group	Development costs £'000	Intellectual property £'000	Software costs £'000	Total £'000
Cost				
At 1 February 2017	456	661	285	1,402
Capitalised in the year	688	–	68	756
Disposals in the year	(126)	(385)	–	(511)
At 1 February 2018	**1,018**	**276**	**353**	**1,647**
Capitalised in the year	276	–	24	300
Disposals in the year	–	–	(5)	(5)
At 31 January 2019	**1,294**	**276**	**372**	**1,942**
Amortisation				
At 1 February 2017	128	655	84	867
Charge in the year	7	5	70	82
Disposals in the year	(126)	(385)	–	(511)
At 1 February 2018	**9**	**275**	**154**	**438**
Charge in the year	130	1	82	213
Disposals in the year	–	–	(2)	(2)
At 31 January 2019	**139**	**276**	**234**	**649**
Net book value				
At 31 January 2019	**1,155**	**–**	**138**	**1,293**
At 31 January 2018	1,009	1	199	1,209

Company	Intellectual property £'000	Total £'000
Cost		
At 31 January 2019 & 31 January 2018	**136**	**136**
Amortisation		
At 31 January 2019 & 31 January 2018	**136**	**136**
Net book value		
At 31 January 2019 & 31 January 2018	**–**	**–**

Intangible assets are amortised on a straight line basis and the amortisation is included within Operating expenses within the Group's Consolidated Income Statement on page 50.

Software costs relating to the ERP system are held at cost £328,000 (2018: £317,000), net book value £112,000 (2018: £171,000) and have a remaining economic life of 2 years.

Intellectual property arising on reverse acquisition have been previously reviewed for impairment and fully impaired in 2016. This remains appropriate.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

11 Property, plant and equipment

Group	Leasehold improvements £'000	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 February 2017	226	264	993	33	1,516
Additions in the year	41	9	173	31	254
Disposals in year	–	(214)	(302)	(23)	(539)
At 1 February 2018	**267**	**59**	**864**	**41**	**1,231**
Additions in the year	7	3	91	–	101
Disposals in year	–	–	(42)	(10)	(52)
At 31 January 2019	**274**	**62**	**913**	**31**	**1,280**
Depreciation					
At 1 February 2017	6	258	854	33	1,151
Charge in the year	29	2	114	3	148
Disposals in year	–	(214)	(292)	(23)	(529)
At 1 February 2018	**35**	**46**	**676**	**13**	**770**
Charge in the year	28	3	114	6	151
Disposals in year	–	–	(39)	(10)	(49)
At 31 January 2019	**63**	**49**	**751**	**9**	**872**
Net book value					
At 31 January 2019	**211**	**13**	**162**	**22**	**408**
At 31 January 2018	232	13	188	28	461

Depreciation charged for the financial year is split between cost of sales £17,000 (2018: £13,000) and operating expenses £134,000 (2018 £135,000) in the Consolidated Statement of Comprehensive Income.

Plant, machinery and office equipment includes leased assets of £nil (2018: £24,000) with a net book value of £nil (2018: £nil). The related depreciation charge for the year was £nil (2018: £2,000).

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

12 Investments

Group	£'000
Financial asset at fair value through profit or loss	
Cost	
At 31 January 2019 and 2018	111
Net book value	
At 31 January 2019 and 2018	111

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.

The Group has a holding of 9.6% (8.6% on a fully diluted basis taking into account share options and loan conversion rights of other investors) at 31 January 2019.

The Group has the right, amongst other conditions, to appoint a Director. Neil Campbell resigned as a Non-executive Director of Neuroprotexeon Limited on 21 June 2018.

The investment in Neuroprotexeon is held at cost, see Judgements section within note 1.

An impairment review was carried out by the Directors at 31 January 2019 and no impairment is considered necessary.

Company	£'000
Cost	
At 31 January 2019 and 2018	7,156
Net book value	
At 31 January 2019 and 2018	7,156

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

12 Investments continued

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 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, Fleming Way, Crawley, England, RH10 9NE

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

Inspiration Healthcare Ireland Limited*	Dormant	Indirect	100	Ordinary

Incorporated: 14 January 2019
The registered office of the above company is:
The Black Church, St. Mary's Place, Dublin, D07 P4AX

* Entities exempt from the requirement to have a statutory audit

13 Inventories

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Raw materials	**1**	9	**–**	3
Finished goods	**717**	551	**–**	–
	718	560	**–**	3

Inventories are presented net of provisions of £165,000 (2018: £179,000) 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 2019

14 Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade receivables	**2,994**	2,821	**–**	–
Loss allowance	**(20)**	(17)	**–**	–
Net trade receivables	**2,974**	2,804	**–**	–
UK Corporation tax receivable (see note 16)	**30**	–	**–**	–
Other taxes and social security	**8**	26	**8**	26
Other debtors	**13**	14	**–**	–
Prepayments and accrued income	**82**	222	**29**	26
	3,107	3,066	**37**	52

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 arising from contracts with customers taking the value based on the most likely outcome. Using the simplified approach the historical default rate of 0.06% is also taken into account when assessing expected credit loss. Trade receivables includes specific provisions at 31 January 2019 of £14,000 (2018: £17,000). The adoption of IFRS 9 has had an immaterial impact on the trade receivable specific provision.

Amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand.

At 31 January 2019 the trade receivables which were past due but not impaired for the Group were £768,000 (2018: £802,000) and company £nil (2018: £nil) 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:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Up to three months	**598**	626	**–**	–
Between four and twelve months	**170**	176	**–**	–
	768	802	**–**	–

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2018: £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:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Pounds sterling	**1,978**	2,474	**37**	52
Euro	**700**	434	**–**	–
US Dollars	**429**	158	**–**	–
	3,107	3,066	**37**	52

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

15 Cash and cash equivalents

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

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

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Pounds sterling	**1,946**	1,567	**664**	659
Euro	**328**	280	**6**	5
US Dollars	**259**	236	**5**	4
JPY	**6**	3	**–**	–
Balances per statement of cash flows	**2,539**	2,086	**675**	668

The Group currently use two banks; Royal Bank of Scotland plc and HSBC Bank plc. Moody's give long term ratings of A2 for both Royal Bank of Scotland plc and HSBC Bank plc as at 31 January 2019.

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Royal Bank of Scotland plc	**1,864**	1,417	**–**	–
HSBC Bank plc	**675**	668	**675**	668
Cash	**–**	1	**–**	–
Balances per statement of cash flows	**2,539**	2,086	**675**	668

16 Current tax

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

	2019 £'000	2018 £'000
UK corporation tax receivable/(payable) (see notes 14/17)	**30**	(70)

At the year end date the Group has not recognised a separate receivable in respect of potential research and development tax claims (2018: £nil).

Notes forming part of the Financial Statements continued
for the year ended 31 January 2019

17 Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade payables	**1,304**	1,599	**37**	8
UK corporation tax payable (see note 16)	**–**	70	**–**	–
Other taxes and social security	**366**	287	**–**	–
Amounts payable to subsidiary undertakings	**–**	–	**23**	808
Other payables	**12**	50	**–**	–
Accrued expenses	**513**	728	**58**	127
Provision for other liabilities and charges (note 18)	**15**	22	**9**	16
	2,210	2,756	**127**	959

The fair value of trade and other payables approximates to book value at 31 January 2019. Trade payables are non-interest bearing and the average credit period taken for trade purchases is 46 days (2018: 45 days). Accruals are normally settled monthly throughout the financial year.

Amounts due to Group undertakings are non-interest bearing, unsecured and repayable on demand.

18 Provision for other liabilities and charges

The provision for closure of facilities relates to the exceptional cost taken during 2017 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.

Group	**Group Closure of facilities £'000**	**Company Closure of facilities £'000**
At 31 January 2018	22	16
– Utilised during the year	(7)	(7)
At 31 January 2019	**15**	**9**

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

19 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 Principle Risks and Uncertainties report on pages 28 to 30.

The Group holds the following financial instruments:

	Note	2019 £'000	2018 £'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	14	**2,974**	2,804
Other receivables	14	**13**	14
Financial assets at fair value through profit or loss (FVPL)	12	**111**	111
Cash and cash equivalents	15	**2,539**	2,086
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables	17	**1,844**	2,399
Derivative financial instruments			
– Used for hedging	19(a)	**9**	3

As at 31 January 2019 all the above are due or mature in under three months with the exception of derivatives which are due or mature in under twelve months.

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

19(a) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. The Group's accounting policy for its cash flow hedges is set out in note 1.

The Group has the following financial instruments.

› *Forward foreign exchange contracts*

Forward foreign exchange contacts are fair value adjusted through other comprehensive income within reserves (note 22 (d)) using the rate which would have been achieved should the contracts have been instructed at the year end. All contracts held will be settled within 12 months after the reporting period.

Hedge effectiveness is determined at the inception of the hedge relationship to ensure that an economic relationship exists between the hedged item and hedging instrument.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

19 Financial risk management and financial instruments continued

19(b) 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.

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 15.

19(c) 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 at least a 90 day period.

At 31 January 2019 and 31 January 2018, the Group's liabilities had contractual maturities which are summarised as follows:

2019	**Carrying amount £'000**	**Total £'000**	**1 year or less £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**
Trade payables	(1,304)	**(1,304)**	(1,304)	**–**	**–**
2018					
Trade payables	(1,599)	(1,599)	(1,599)	–	–

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.

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

19 Financial risk management and financial instruments continued

19(d) 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.

19(e) Foreign currency risk

The Group has entered into a number of forward foreign exchange contracts to mitigate an element of the Groups exposure to foreign currency risk. The Board keeps this risk under regular review. There is a degree of natural hedge due to the balance of imports and exports.

19(f) 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.

19(g) 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.

20 Contract liabilities

Contract Liabilities arise from unsatisfied performance obligations on rental, managed service, service or maintenance contracts where revenue is recognised over time. 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 2019	319	–	–	–	–	**319**
31 January 2018	328	6	1	–	–	**335**

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

21 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% (2018: 17%).

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Net liability at beginning of year	**(34)**	(13)	**–**	–
(Charge)/credit to the profit and loss for the year	**(71)**	(21)	**11**	–
Net (liability)/asset at end of year	**(105)**	(34)	**11**	–

The elements of deferred taxation provided for are as follows:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Accelerated capital allowances	**(117)**	(34)	**–**	–
Short term timing differences	**12**	–	**11**	–
Deferred tax (liability)/asset	**(105)**	(34)	**11**	–

At the year end date the Group had gross unused losses of £7,596,000 (2018: £7,596,000) potentially available to offset against future profits. Brought forward losses transferred to the Group due to the reverse acquisition amount to £7,596,000. The Group has received advice that these losses can be carried forward and utilised against future taxable profits of the same business from which they were generated. A streaming methodology has been devised to estimate profits from this business. This has been projected forwards and due to anticipated ongoing investment in development of the product range with consequent benefits of R&D tax credits it is estimated that taxable profits will not be generated for a number of years. Given a number of uncertainties inherent in the estimations, including revenue generated from recent product launches and the quantum of R&D tax credits, no deferred tax has been recognised in respect of these losses.

The amounts of deferred tax not recognised are as follows:

	2019 £'000	2018 £'000
Unused tax losses	**1,291**	1,291

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

22 Shareholders' equity

22(a) Called up share capital

Share capital	Number of shares (Allotted & Issued)	Share capital £'000	Total £'000
At 1 February 2018	30,667,548	3,067	3,067
At 31 January 2019	**30,667,548**	**3,067**	**3,067**

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.

22(b) Reverse acquisition reserve

The reverse acquisition reserve of £(16,164)k (2018: £(16,164)k) arose on the reverse acquisition of Inditherm plc.

22(c) Share based payment reserve

The share based payment reserve of £91k (2018: £20k), Company £246k (2018: £175K), represents the expense recognised in the Consolidated Income Statement in relation to the Group share option scheme. See note 25.

22(d) Other reserves

Other reserves of £(9)k (2018: £(3)) represents other comprehensive income arising on the gains or losses on derivatives that are designated and qualify as cash flow hedges.

23 Note to the Consolidated Statement of Cash Flows

	2019 £'000	2018 £'000
Profit before taxation	**1,219**	1,202
Adjustments for:		
Net finance (Income)/Expense	**(6)**	2
Depreciation and amortisation	**364**	230
Employee share scheme expense	**71**	20
Loss on disposal of tangible asset	**3**	10
Loss on disposal of intangible asset	**3**	–
(Increase)/Decrease in inventories	**(158)**	218
Increase in trade and other receivables	**(11)**	(575)
Decrease in trade and other payables	**(474)**	(130)
Decrease in contract liabilities	**(16)**	(58)
Cash generated from operations	**995**	919

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

24 Commitments

(a) Capital commitments

At 31 January 2019, the Company had capital expenditure commitments totalling £nil (2018: £45,000).

(b) 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, Crawley and Newtownards. During the year £168,000 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (2018: £181,000).

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

Group	Land and buildings		Other	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Within 1 year	**82**	64	**61**	71
In the second to fifth years inclusive	**310**	239	**21**	95
After five years	**105**	164	**–**	–
	497	467	**82**	166

Company	Other	
	2019 £'000	2018 £'000
Within 1 year	**6**	6
In the second to fifth years inclusive	**9**	15
After five years	**–**	–
	15	21

Notes forming part of the Financial Statements continued

for the year ended 31 January 2019

25 Share based payments

The Group operates an employee share option scheme which is available to a number of employees and is designed to provide long term incentives for senior managers and above to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or receive any guaranteed benefits.

The amount of options that will vest depends on the Group's total return to shareholders (TSR) measured as a direct result of EPS growth over a performance period of 3 years. Once vested, the options remain exercisable for a period of two years.

When exercisable, each option is convertible into one ordinary share.

Details of the share options outstanding at 31 January 2019 and movements during the year by exercise price is shown below:

	2019		2018	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 February	**£nil**	**285,338**	–	–
Granted during the year	**£nil**	**348,603**	£nil	285,338
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**£nil**	**(50,000)**	–	–
As at 31 January	**£nil**	**583,941**	£nil	285,338

There were no options exercisable and no options expired during the year covered.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	**Expiry date**	**Exercise price**	**Share options 31 January 2019**	Share options 31 January 2018
8 November 2017	7 November 2027	£nil	**235,338**	285,338
7 November 2018	6 November 2028	£nil	**348,603**	–
Total			**583,941**	285,338
Weighted average remaining contractual life of options outstanding at the end of the year			9.4 years	9.8 years

The assessed fair value at grant date of options granted during the year ended 31 January 2019 was £0.69 (2018: £0.61) per option which is determined by the Black-Scholes pricing model.

The key model inputs for options granted during the year ended 31 January 2019 included:

- *Grant date: 7 November 2018 (2018: 8 November 2017)*
- *Share price at grant date: £0.73 (2018: £0.66)*
- *Exercise date: 31 January 2021 (2018: 31 January 2020)*
- *Exercise price: £nil (2018: £nil)*

An amount of £71,000 (£2018: £20,000) has been recognised as a charge within administrative expenses in the Consolidated Income Statement and a credit to retained earnings within equity.

There were no cash settled share-based payment transactions.

Notes forming part of the Financial Statements continued
for the year ended 31 January 2019

26 Contingent liabilities

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

As at the 31 January 2019 Inspiration Healthcare Limited has committed to underwrite £74k of components purchased by a subcontracted manufacturer.

27 Pension schemes

The Group made contributions in respect of defined contribution pension arrangements of Group £107,000 (2018: £91,000) and Company £nil (2018: £9,000). At the year end the amount of contributions payable to the schemes were Group £nil (2018: £nil) and Company £nil (2018: £nil).

28 Related party transactions

Neuroprotexeon Limited

At the year end date the Group held 9.6% (2018: 10.0%) of the issued ordinary share capital of Neuroprotexeon Limited (8.6% fully diluted (2018: 8.6%)). Further information relating to the investment is disclosed in note 12.

Neil Campbell resigned as a Non-executive Director of Neuroprotexeon Limited on 21 June 2018.

Key management

Directors control 28% of the voting shares of the legal parent company. Directors interests in shares are disclosed in the Remuneration Report on page 44.

Key management comprise the Group's Executive and Non-executive Directors. Remuneration of Executive and Non-executive Directors is set out in note 5 and the Director's Remuneration Report on page 43.

Lease of Leicestershire Facility

The Leicestershire facility at Earl Shilton is rented on an arms length basis from a self-invested pension plan controlled by Neil Campbell, Toby Foster, Simon Motley, Malcolm Oxley and Graham Walls. The lease was renewed on an arm's length basis during April 2018.

Other Shareholder Information

Link Asset Services

The Company's registrars, **Link 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.signalshares.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

A simple service to buy and sell shares is provided by Link Asset Services. There is no need to pre-register and there are no complicated application forms to fill in and by visiting www.linksharedeal.com you can also access a wealth of stock market news and information free of charge.

For further information on this service, or to buy and sell shares visit www.linksharedeal.com or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 08:00 – 16:30, Monday to Friday excluding public holidays in England and Wales).

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply. Link Asset Services is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Link Asset Services is a trading name of Link Market Services Limited and Link Market Services Trustees Limited. Share registration and associated services are provided by Link Market Services Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Link Market Services Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

The registered office of each of these companies is The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

www.linkassetservices.com

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 Link Asset Services who will be pleased to merge your accounts.

General shareholder enquiries should contact:

Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Tel: 0871 664 0300.

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. The helpline is open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk

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, 1st Floor, First Point, Buckingham Gate, London Gatwick Airport, West Sussex, RH6 0NT
	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	Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

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)

Notice of Annual General Meeting

This document should be read as a whole.

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 11:30am on 27 June 2019 is set out in 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 Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11:30am on 25 June 2019. 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:

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

Notice of Annual General Meeting continued

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 27 June 2019 for the following purposes:

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

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 2019 together with the Directors' and auditors' reports on those financial statements.
2. To approve the Remuneration Report for the year ended 31 January 2019.
3. To re-elect Mark Simon Abrahams as a Director of the Company.
4. To re-elect Neil James 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 re-elect Michael John Briant 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 resolutions 10 and 11 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions:

10. That the Company may send or supply documents or information to members by making them available on a website.
11. 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 £1,022,251, 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, 27 June 2020, 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.

12. That, subject to the passing of Resolution 11 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 11 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.
13. 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 27 June 2020 or the close of the next annual general meeting of the Company and the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

BY ORDER OF THE BOARD

Company Secretary: **Mike Briant**

Date: 23 May 2019

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

Notes to the Annual General Meeting

1. A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars at Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 11:30 am on 25 June 2019. 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, Link 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.

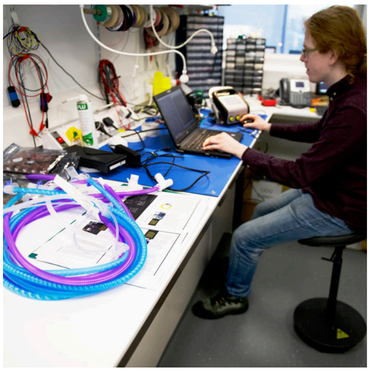
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who 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 RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed voting service provider(s)), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertified Securities Regulations 2001.

5. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast) Shareholders must be registered in the Register of Members of the Company at close of business on 25 June 2019 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.



Headquarters and Registered Office:

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

inspiration-healthcare.com

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2019