INSPIRATION
HEALTHCARE GROUP

Innovate | Create | Inspire

Annual Report and Financial Statements **2022**

Our Mission

Our mission is to provide high quality innovative products to patients and caregivers around the world that help to improve patient outcomes, while driving efficiencies of healthcare organisations with patient focused customer service and technical support.

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Group Highlights

FINANCIAL

Group Revenue

£41.1m

FY2021: **£37.0m**

Gross Margin

50.2%

FY2021: **48.7%**

Net cash position[2]

£9.3m

FY2021: **£10.7m**

Operating Profit

£4.3m

FY2021: **£3.2m**

Adjusted EBITDA[1]

£6.4m

FY2021: **£5.6m**

Proposed final dividend

0.41p

per share

[1] Earnings before interest, tax, depreciation, amortisation, impairment, share based payments and non-trading items.

[2] After significant investment in capital expenditure: Facilities, R&D and IT systems.

STRATEGIC

- Export growth and realising synergies within the enlarged Group
- Successfully integrated SLE and Viomedex into the Group
- Investment in new manufacturing and technology centre in the UK
- China/Japan key registrations approved for SLE6000 ventilator with major orders from distribution partners
- Project Wave patient recruitment/patient range extension
- R&D Expenditure increased to 9% of revenue

OPERATIONAL

- Strengthened and expanded Management
- Queen's Award for Enterprise and Innovation for SLE Limited for its OxyGenie® software based algorithm
- Roll-out of the Group's Enterprise Resource Planning system into Viomedex and SLE
- Introduction of new and improved electronic quality management system throughout the Group
- Renewed long-term Distribution Agreement with Micrel
- Charitable giving initiative launched and implemented
- Introduction of new Group logos and unified branding
- Adopted a number of well-being initiatives for employees

POST-YEAR END

- Launch for diagnosing antibiotic induced hearing loss in UK and Ireland in conjunction with genedrive plc

About the Group

inspirationhealthcaregroup.plc.uk

Inspiration Healthcare (AIM: IHC) is a global provider of medical technology for use in critical care & operating theatres with a focus on neonatal care and a distributor for infusion therapies. The Group provides high-quality, innovative products to patients around the world which help to improve patient outcomes, and it actively invests in innovative product opportunities and disruptive technologies.

The Group reports its revenue in three areas of its business: Acute Care (which includes neonatal intensive care and the operating theatre); Service (a range of maintenance and repair options with spare parts); and Infusion Therapy (a UK distribution business).

The Group also acts as a distributor for third party companies that wish to access the UK and the Republic of Ireland's health systems using the Group's sales and service expertise and knowledge of these healthcare providers. The therapy areas in which we distribute products such as Infusion Therapy, Respiratory and Developmental Care add value to our product portfolio.

The Group invests for growth through its Research and Development function holding numerous patents on its technology and has strong links with academic Key Opinion Leaders around the world and supports clinical research in the field of neonatal intensive care.

The Group sells neonatal intensive care and operating theatre equipment globally through a network of distributors into over 75 countries. Products range from highly sophisticated capital equipment through to single use disposables all of which can help improve outcomes of extremely sick patients. The blend of capital and disposables gives the Group a blend of one-off and recurring revenue streams.

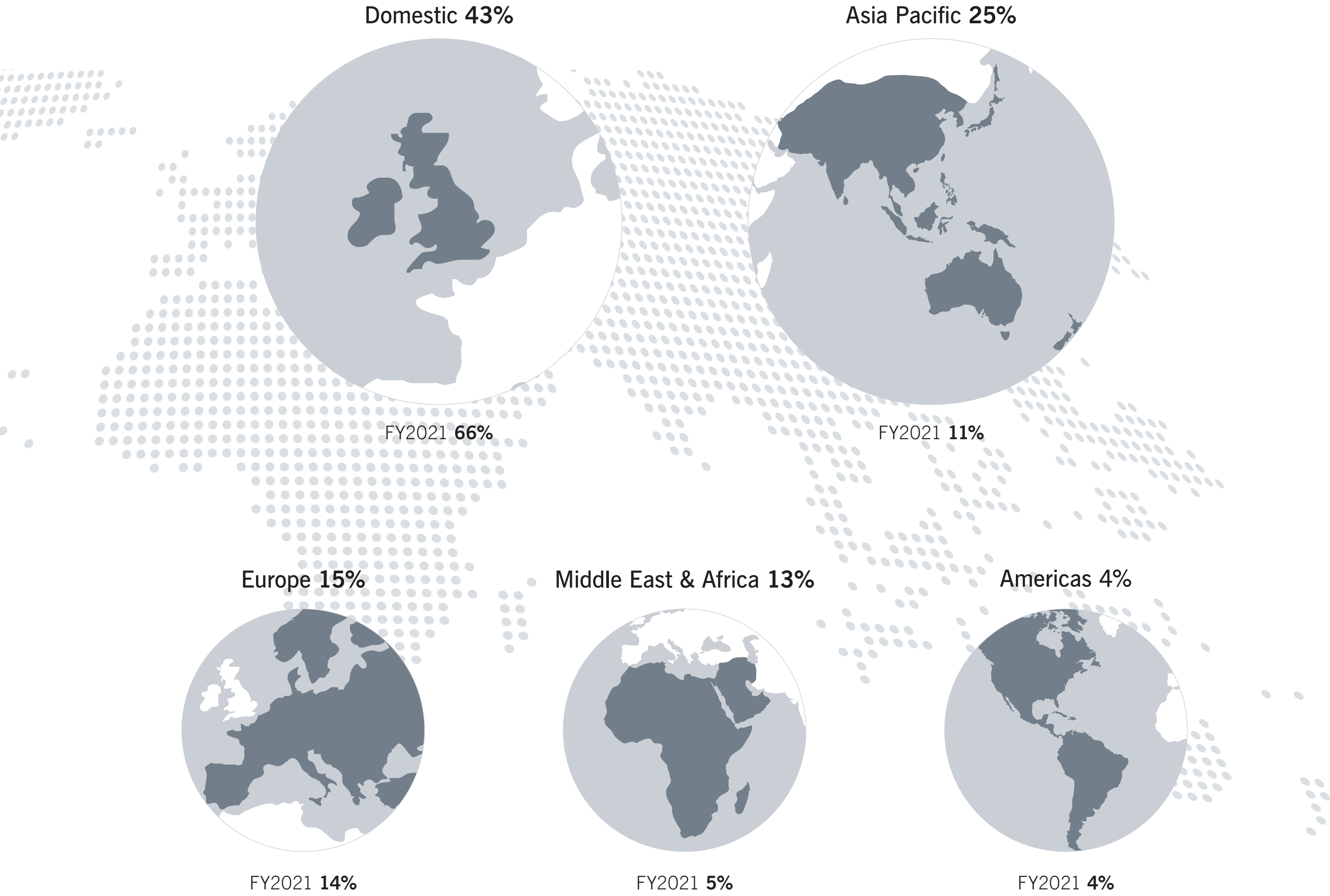
The Group's operating companies have a harmonised quality management system, albeit locally implemented, and sell a range of Branded Products where the Group controls the Intellectual Property and on which the Group has a strategic focus and invests in Research and Development. Additionally, the companies sell Distributed Products which add value to the Group and offer Technology Support to customers requiring maintenance and training along with ownership and usage options including rentals and emergency hire.

In the UK and Ireland the Group offers direct sales for most of its products supported by Technology Support offering on site and return to base repair and maintenance along with 24/7 emergency hire of equipment and long-term lease arrangements for its own brand products.

Global Market Revenue

We sell directly into the UK and Ireland ("Domestic") and partner with established independent distributors in the rest of the world actively selling in over 75 countries.

Percentage of Revenue by Market



Our Business

We look at our business in different ways for Market Sectors and Revenue Streams:

Market Sectors (excluding freight)

Acute Care[1] £29.5m
(FY2021: £27.7m)

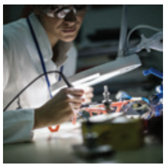
The hospital setting mainly neonatal intensive care and also the operating theatre and adult/paediatric intensive therapy units.

Infusion Therapy £7.0m
(FY2021: £6.0m)

A distributed product portfolio that is focused on various infusion therapies in different settings including the patient's home or the hospital. We have a growing business around infusion products for various treatments.

Service £4.2m
(FY2021: £3.0m)

Our revenue derived for our service activities including planned preventative maintenance, repairs and spare parts.



Revenue Streams (excluding freight)

Branded Products £22.5m
(FY2021: £11.5m)

Where we are the legal manufacturer of the product and we control the intellectual property.

Distributed Products[1] £13.6m
(FY2021: £22.2m)

Where we sell products from a third party predominantly in the UK and Ireland and in some cases worldwide.

Technology Support £4.6m
(FY2021: £3.0m)

Where we offer usage and ownership options (including short and long-term rentals), maintenance programmes and training to allow users to maximise their experience with our Group's products.

[1] FY2021 Distributed Products and Acute Care revenue includes £7.3m of one off Covid-19 revenue

Business Model

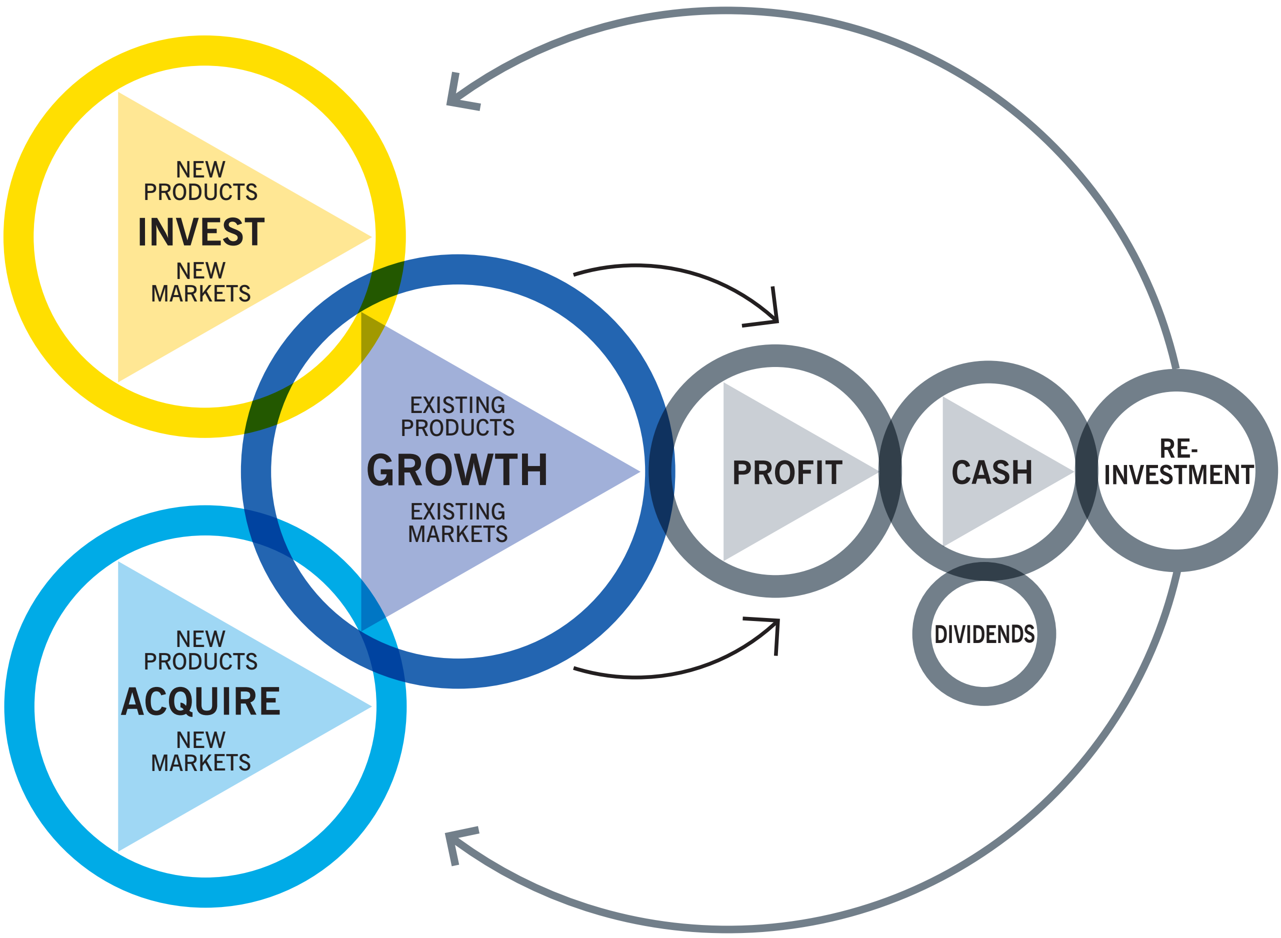
We are a fully integrated medical technology company covering everything from new product development, manufacturing, sales and marketing along with post-sales support.

We invest in our product portfolio to develop new products and technologies and, along with regulatory approvals, investment in sales and marketing activities, we develop new markets.

The products move from development and over time help to grow our business organically as they become established products in existing markets.

We also distribute technology for third party manufacturers which supplements and complements our Branded Products and add value to our customers.

Our business model has always been to be cash generative from operations as we sell existing products into existing markets. During the product life cycle they generate profits and cash for the Group which in turn we use to re-invest in our business through R&D or by acquisitions for future growth. As we have matured we can afford to pay a dividend to our shareholders.



Chairman's Report

"We are agile in our approach to managing the challenges ahead and remain confident in our growth prospects"

2021/22 Highlights

- Export growth and realising synergies within the enlarged Group.
  Exports grew by 87%
- Investment in new manufacturing and technology centre in the UK.
  Longer-term growth and ambitions led us to review the suitability of our facilities in Croydon
- Charitable giving initiative launched and implemented.
  A committee made up entirely of employees
  A number of donations through this initiative have been approved
- Introduction of new Group logos and unified branding.
  Will help our customers around the world identify companies within the Group
- Adopted a number of well-being initiatives for employees.
  Allowing employees to work from home up to 40% of the time
  Introduced a compressed working week, where employees can request to work four long days and have an extended weekend

Mark Abrahams
Chairman

Welcome to this annual report where I have the pleasure of discussing the achievements of the enlarged Group despite the prevailing headwinds of Covid-19. This year sees the first full year including the reporting of SLE, our transformational, award-winning transaction completed in July 2020 and it is pleasing to see what progress has been made this year.

Last year, I reported on the achievements of the Group during a year that we had supplied over 500 ventilators for the NHS in its battle against Covid-19 from our overseas manufacturing partners, alongside helping in the Ventilator Challenge project that saw a further 13,000 ventilators manufactured, whilst maintaining growth and continuing the integration of SLE.

This year, we had no such one-off revenues from Covid-19 (FY2021: £7.3million), only our own on-going sales. Therefore, what is extremely pleasing is that our revenues grew across the Group to £41.1million (FY2021: £37.0million) whilst improving overall gross margins given the lockdown conditions around the world during the last two years. Despite the issues caused by Covid-19 remaining throughout the year, our post tax profits were up to £3.6million (FY2021: £2.8million) and our cash generation remained strong with closing cash at the financial year-end of £9.3million (FY2021: £10.7million).

This performance was underpinned by our expansive distribution network where the network from the acquisition of SLE has enhanced and enlarged the Group's capability around the world. Our exports grew by 87%. Some of this growth was due to cross selling opportunities that were identified when we acquired SLE, being able to sell disposables from other businesses in the Group has allowed us to win business where we would not previously have.

I would like to thank our distribution partners and end users around the world for their continued support of our products whilst battling their own local Covid-19 related conditions. We look forward to bringing more products to them over the coming years through regulatory clearance and product development to bring greater success. We should not forget that we have had challenges this year in visiting hospitals and supporting patients. Essential visits only have been allowed, but with all the precautions needed to maintain the safety of our employees.

Chairman's Report continued

Just over a year ago we decided to give increased focus to improving the performance of our Infusion Therapy team through additional investment in resources. I am delighted to say that the results of these small changes have been truly remarkable and that in the UK, our sales of Infusion Therapy products have grown by 16%. We are now looking at how we can continue to add to the momentum in this area in the UK and Ireland to achieve even greater growth next year.

The regulations in the industry continue to create a challenge to most companies as the European Union transitions from the Medical Devices Directive to the Medical Devices Regulation. As we are integrating three companies together each with their own quality management systems and regulatory approvals, we have decided to make an investment in a new electronic quality management system. There has been good progress with this throughout the year as our team aligns processes and procedures to make us more efficient, effective and maintain our compliance.

As with most industries, our input costs in the UK, in terms of materials (especially 'silicon chips'), inbound freight and energy have been hit hard by inflationary pressure, and similarly our distributors have to also manage their costs (such as freight) and local market costs. Managing these changing costs in a rapidly changing environment has been challenging and being able to improve our margins to 50.2% (FY2021: 48.7%) shows great resilience in our product portfolio and our ability to extract efficiencies across the Group. We have taken advantage of being able to look at the resources across the Group and made some restructuring changes. This has allowed us to focus resources where they are most needed for longer-term growth.

Looking at our longer-term growth and ambitions led us to review the suitability of our facilities in Croydon and after careful consideration we decided to invest in a new manufacturing and technology centre in the UK as our main centre for R&D and Manufacturing of our capital equipment, especially the SLE brand of ventilators. We have been working on our sustainability over the past few years, but planning a new facility allowed us to concentrate on creating something very special for our future. Over the year many of our team, led by our Chief Operating Officer Brook Nolson, have spent time planning our move to a new state-of-the-art purpose designed facility. The move includes a 'soft start' during May to validate all processes and systems whilst maintaining production at our old facilities along with the associated regulatory approvals.

"Looking at our longer-term growth and ambitions led us to invest in a new manufacturing and technology centre in the UK"

Integration of the recently acquired companies into the Group has gone well, and we now have new logos and branding that will help our customers around the world identify companies within the Group. Additionally, we have standardised across the Group with one Enterprise Resource Planning ("ERP") system. This allows our teams across the Group to extract data more readily from all operating companies giving management information more quickly.

Our people underpin the business and finding a location within a short distance of the current premises was difficult but important. It allows us to retain our loyal and dedicated team whilst being able to offer a modern, uplifting working environment. We want to be an exemplar of British Medical Technology and the new facilities focus heavily on reducing our carbon footprint with passive ventilation and green spaces to reduce our heating, energy efficient lighting, charging points for electric cars, along with better well-being spaces for our employees. We continue to invest in our people and look to develop the talented employees we have as we grow.

Unfortunately, social distancing and recommendations of working from home have meant that many of our colleagues have yet to meet one another in person and we hope this will change over the coming year. We have carefully considered how we can integrate well-being for all our employees along with both aligning and improving our employee benefits. Initiatives such as an electric car scheme and cycle to work, alongside salary sacrifice for employee pensions, have been combined with flexible working. Having listened to what our employees wanted, along with recruiting new members of the team we have chosen to be progressive with the location of working for certain roles; allowing employees to work from home up to 40% of the time, or work from another location within the Group if it is more convenient.

Additionally, we have introduced a compressed working week, where employees can ask to work four long days and have an extended weekend and approximately one third of our staff have chosen this option. This flexible approach has been appreciated by our team and coupled with being able to work at different sites we have become a modern flexible employer.

Last year, we detailed information about a charitable giving initiative we were implementing. In order to distribute monies from the Charities Aid Foundation to which a donation was made during FY2021, we have a committee made up entirely of members of staff who review requests for donations from small medical based charities and determine whether they fit with our values. A number of donations through this initiative have been approved and we look forward to being able to support more charities in the future.

Every year I thank our employees for their loyalty and hard work, this year perhaps these words are even more deserved, especially for those who, despite lockdowns and the worries over new variants of Covid-19, managed to have record months and a record year.

Outlook statement

The beginning of our new fiscal year started with promise, the Covid-19 pandemic was nearly over but the war in Ukraine quickly made the world outlook look very different. Like many companies, although we are not dependent on oil and gas, we recognise that there will be increased inflationary pressures in all markets in the forthcoming months which will put additional pressure on suppliers and customers. However, our Group has shown remarkable resilience over the past few years and been able to grow despite the macro-economic conditions. In the current financial year our order book remains high and demand for our products remains strong. We are agile in our approach to managing the challenges ahead and remain confident in our growth prospects.

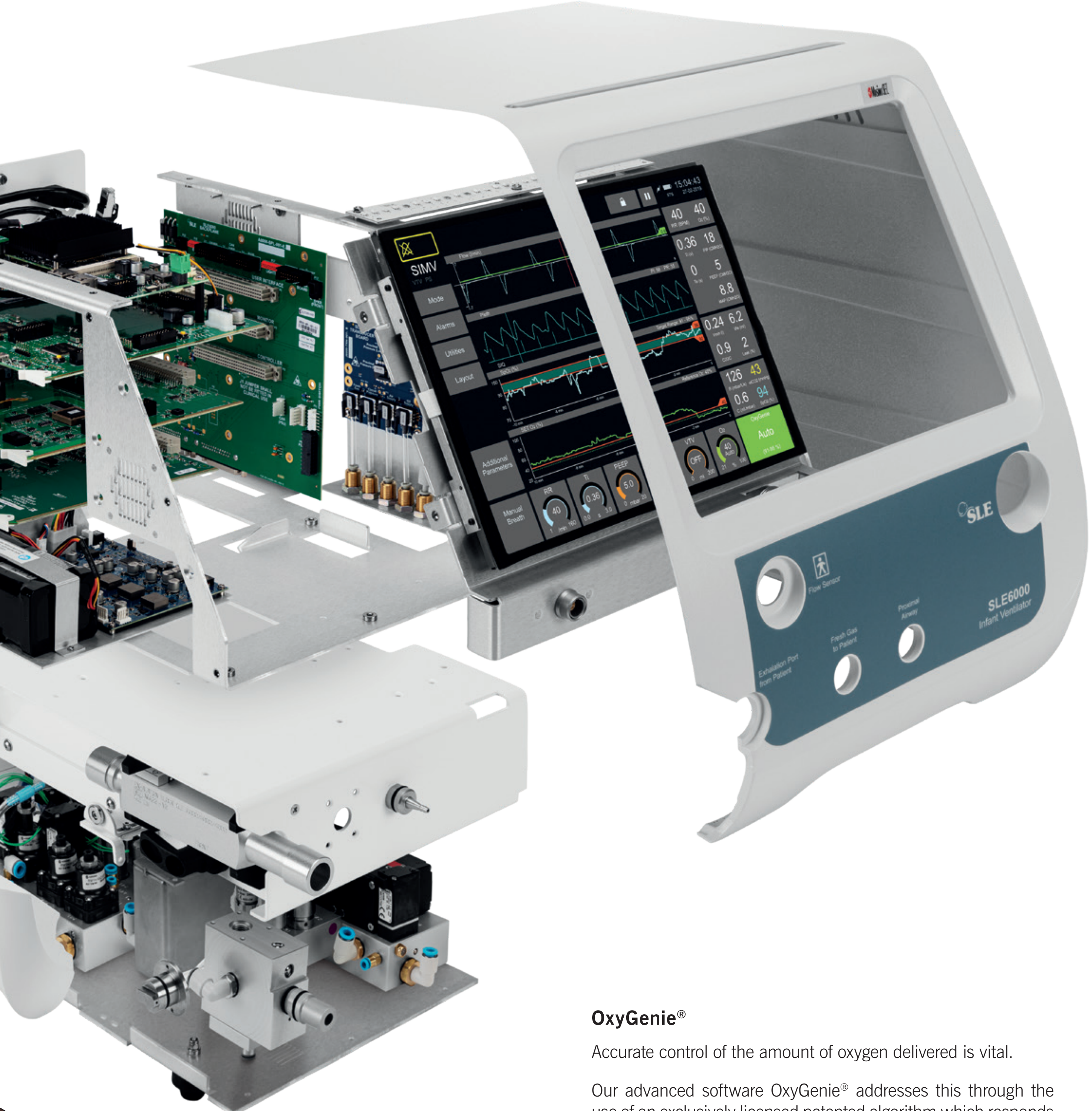
Mark Abrahams
Chairman
3 May 2022

Innovate

Advanced neonatal ventilator - SLE6000

The SLE6000 ventilator is advanced medical technology designed specifically for the most vulnerable patients who can weigh as little as 500g. It's design enables precise delivery of extremely small volumes of vital breathing gases to tiny infant lungs during ventilation, less than a teaspoon of gas per breath.

We manufacture ventilators which offer all modes of ventilation for the neonate, from non-invasive modes such as CPAP and High Flow through to complex invasive modes such as High Frequency Oscillation.



OxyGenie®

Accurate control of the amount of oxygen delivered is vital.

Our advanced software OxyGenie® addresses this through the use of an exclusively licensed patented algorithm which responds automatically to changes in the baby's blood oxygen saturations, allowing the ventilator to quickly make adjustments to maintain oxygen levels within safe limits.

Our Business Strategy

"We are committed to reducing our impact on the planet wherever possible and undertake regular reviews of our practices"

Our Business

Inspiration Healthcare Group is an ethical Company with high principles in business. We take our responsibilities towards ESG (Environmental, Social and Governance) seriously and are always looking at ways to improve the way we operate our business, especially around issues that affect society as a whole.

Environmental

We are committed to reducing our impact on the planet wherever possible and undertake regular reviews of our practices to do so. Our aim is to have all operating companies within the Group working towards internationally recognised standards such as ISO14001 with the aim of being accredited to these standards.

We have already initiated some changes to reduce our carbon footprint such as a policy to convert all company car users to fully Electric Vehicles /or hybrid (for exceptionally high mileage users only) by the end of 2023. We recycle wherever possible and adopt proactive working with suppliers on new materials and production methods to reduce environmental impact. Our operating companies, where applicable, comply to the WEEE (Waste Electric and Electronic Equipment) Regulations in Europe.

We are actively involved with our Trade Body, the ABHI (the Association of British HealthTech Industries) and provide input into sustainability initiatives for our industry, our Chief Operating Officer, Brook Nolson, is a member of the sustainability working party at the ABHI. We intend to place much greater emphasis on this area of our business over the next few years as we take a more holistic approach to our supply chain and the design of new products.

Our new manufacturing and technology centre in Croydon will reduce our carbon footprint over time with low energy heating and ventilation systems and lighting along with more efficient workspace. Our New Product Development processes consider the environmental impact of our products throughout their life.

Social

As a medical technology company we are deeply embedded in society to improve the outcomes for patients around the world. We are committed to using technology to improve patients' lives but will do this in a way that has maximum benefit for society. We have also set up a charitable giving initiative, focused on neonatal research which we hope will have a significant impact on the lives of premature and sick babies in the future.

We are an ethical employer and create a positive working environment for our employees. We aim to have roles that challenge, engage and develop our teams to their fullest potential. We are an equal opportunities employer and we aim to promote from within the Company wherever possible to give all our employees the chance of improving themselves and support them with relevant training.

We have considered our employees overall well-being. Through our Group's HR team, we have recently launched the following initiatives:

- 'Blended Working Policy' allowing employees to work from home for up to 40% of their time
- Trialling of a compressed working week, allowing employees to choose whether they would like to work a 4-day compressed working week and benefit from a 3-day 'weekend', that if successful will be offered to our employees in the future
- Improved parental pay for all new parents, including adoptions as well as, additional paid time off for those parents who have a premature baby
- Mental Health and Well-being App providing employees access to support if and when needed.

In addition to the above, we monitor gender pay and recognise that we benefit from a diverse workforce as this brings about diversity of thinking which in turn will improve the Group's performance. Finally, we invest in training and development of all of our employees so that no matter where they are in our business they can flourish.

We are committed to ethical business practices and ensure all our employees understand their obligations to further ensure that business is conducted in a fair and transparent manner.

Our operating companies have codes of conduct for how employees should expect to be treated and treat others. As a global supplier we respect cultures around the world. However, we never compromise on certain areas of our business and we have policies around issues such as modern slavery, bribery and corruption and money laundering to ensure we are adopting best practice in these areas.

Governance

As a Company listed on the Alternative Investment Market of the London Stock Exchange we follow the Quoted Companies Alliance good practice on Governance. Our Board consists of both Executive and Non-executive Directors. The Non-executive Directors are independent and are there to help guide us where needed along the path of best practice of Corporate Governance and ensure everything we do is of the highest level of governance and transparency.

Our Business Strategy continued

Our Products

We have a range of leading edge products manufactured in-house or to our exacting standards through third party contract manufacturers to supply around the world.
For information on each product please visit our websites.

We view our revenue streams in three distinct areas:

Branded Products, Distributed Products and Technology Support.

Branded Products

Our branded products are those which we sell under our own brand, usually as the legal manufacturer with control over the intellectual property and place these products on the market around the world.

We invest in R&D activities across our range of products to ensure our products are at the forefront of medical science as well as recognising the products environmental impact during its life.

Each product brand is distinct but follows the same ethos of improving patient outcomes using leading edge technology.

Distributed Products

Our Distributed Products are where we sell products from a third party manufacturer predominantly in the UK and Ireland and in some cases worldwide. These are products for which we have an agreed relationship to sell the products in certain territories, mainly the UK and Ireland, although in some instances further afield.

Distributed Products complement our own Branded Product portfolio and add value to our customer proposition as we can offer a more comprehensive product range.

We look to find manufacturers to partner with who have great technology in niche areas where we can truly add value as a partner and their products truly add value for us. This win-win approach has served us well and helped us offer a wonderful range of technology from around the world to our customers.

Technology Support

Our Technology Support offers usage and ownership options, service including planned preventative maintenance programmes, repairs and spare parts and training courses to allow users to maximise their experience with our Group's products.

Not all our customers want the same thing in terms of ownership or maintenance support, some wish to rent/hire equipment, some like to do their own maintenance, others prefer us to do it for them. Our flexible approach offers short and long-term rental of equipment for a specific patient or period.

We offer planned preventative maintenance directly or through our distribution partners, with genuine spare parts, and technical training. In our more complex products, we offer different levels of training to ensure that clinicians by the bedside understand the maximum benefits our technology can deliver.

Our Business Strategy continued

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

Global Reach

We sell directly into the UK and Ireland (“Domestic”) and partner with established independent distributors in the rest of the world. Our partners actively sell in over 75 countries around the world.

This model gives us the best of both worlds, as we can develop and support the direct market, giving access to Key Opinion Leaders (“KOL’s”) for knowledge of market trends that feed into new product development and first-hand product feedback via a team of clinically minded sales people.

We can use the local knowledge and expertise of like-minded distributors, who can sell our products alongside others in their portfolio, and add value to their customers the way we do domestically. These distributors often introduce us to local KOL’s in their country which in turn feeds into our knowledge base for future product development.

In all international markets, regulations are becoming more widespread to ensure patient safety. It is important that we have an expert team to help work with distributors so that localisation of products, such as 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.

Our Markets

Acute Care

The Acute Care market is the hospital setting where we sell to neonatal intensive care units and also obstetric departments and operating theatres. We are privileged to work in markets that involve trying to save the lives of some of the most fragile patients. Over 15 million babies are born prematurely every year (approx. 1 in 10 live births) and globally 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 2018 (Source: World Health Organisation).

The technology in our Branded Products is aimed at giving all patients the best possible outcome whether it is a baby that has been born prematurely, or a patient undergoing surgery and needing to be kept warm.

Infusion Therapy

We have a dedicated team selling a range of distributed products for Infusion Therapy for applications such as parenteral feeding and chemotherapy. This area is rapidly growing and although we do not invest in R&D for these products, it is an important part of our business.

Service

Our Service offering covers various products both own brand and third party, including those that we may not have exclusive distribution rights to. This allows us to add value to our customers around the world with technical support and spare parts.

Create

New manufacturing and technology centre

Our new state-of-the-art facilities have been purposely designed to strengthen the Group's R&D capabilities, where the latest thinking in the design and development of life saving medical technology can be showcased.

Minimising the Group's impact on the environment and maximising the use of the most sustainable products and solutions has been integrated into the design of the state-of-the-art facility while also providing an environment which nurtures multi-disciplinary working.

This is an exciting stage of our integration and enabling the Group to further recognise the synergies available to us.

"Our new facilities will give us an amazing platform for growth in a new state-of-the-art manufacturing and R&D facility where we can be proud to design, develop and produce leading edge medical technology to help improve the outcomes of premature babies around the world"

Neil Campbell
Chief Executive Officer

Green working

- Maximising the use of the most sustainable products and solutions integrated into design
- Environmentally friendly heating and cooling will be utilised rather than air conditioning
- Internal green spaces have been incorporated to absorb carbon dioxide in a natural way
- Electric car charging points and bike storage installed

Employee focused

- Increasing capacity by more than 50% to support our growth ambition
- Excellent design and test laboratories for new product development
- Ergonomic "sit and stand" desks
- Automated parts of warehouse for greater efficiency
- Breakout areas for enhanced cross collaborative working
- Designed to enhance efficient working

Educational facilities

- Education suite for clinical application training
- Technical Support training suite for Engineer training
- Improved internal presentation and communication capabilities

Chief Executive Officer's Review

"We now have a product range the envy of many in the neonatal intensive care space. We are now on a journey to bring more of these products through our expanded distribution network to drive our growth internationally"

Welcome

The past year has been a year of integration and investment for the Group. We acquired Viomedex in September 2019 and SLE in July 2020, it was inevitable that 2021 would be a year that we start to integrate the business more fully and take advantage of the synergies we now have in an enlarged Company. Within the last couple of years, we have transformed from employees of around 80 to now over 200, turnover of £18million to now over £41million and systems that were suitable for a smaller business are being transformed into systems that will allow us to grow substantially in the future.

We now have a product range the envy of many in the neonatal intensive care space, with high end ventilators supplemented and complemented by respiratory disposables, thermo-regulating and resuscitation products that help the baby from the first breath of life, along with equipment to help determine injury to the newborn brain. We are now on a journey to bring more of these products through our expanded distribution network to drive our growth internationally.

Neil Campbell
Chief Executive Officer

The bringing together of our people has been challenging due to the pandemic, but I am proud to see what they have managed to achieve in the past 12 months. We now have one Enterprise Resource Planning ("ERP") system in place across all our companies, we have one sales team and we have re-branded and are realising cross-selling opportunities. This would be difficult in a normal year but the progress we have made in the past 12 months or so is outstanding.

I have always considered Medical Devices as Medical Technology, they involve a vast array of complex engineering solutions to deliver safe function for clinical staff to improve the outcomes of patients. When we consider the challenges our products face to help doctors, nurses and therapists around the world treat babies weighing as little as 350g, every aspect of the product can be seen to solve complex technically challenging problems.

Whether it is a ventilator, with electronics, pneumatics and software-based control systems, that deliver accurate amounts of air and oxygen to the most fragile of patients, or disposable silicone prongs that sit just inside the baby's (yet to be fully formed) nose ensuring the most delicate of tissue is treated gently but the therapy prescribed is given accurately, our Group truly is a technology leader.

It is as a medical technology company, that I can say we have had a successful year with revenue growth of over 11% to £41.1million and sales of our Branded and Technology Support products accounting for 66% of our revenues. We have truly transformed from when we started out as a distributor in 2003 to where we are today a global technology provider and leader.

"We have seen the Group come together this year and grow as a technology company with greater reach as well as make progress of a number of initiatives that will allow future long-term growth"

Chief Executive Officer's Review continued

It was a proud day for the Group when our subsidiary, SLE Limited, were given a Queen's Award for Enterprise: Innovation for the OxyGenie® software algorithm. This software can be built into the SLE6000 ventilator and automatically keeps the baby's oxygen saturation at the prescribed levels. This innovative control system, invented by Prof Peter Dargaville and Dr Tim Gale and their team at the University of Tasmania, is already proving a commercial success and independent research is showing the benefits to users and patients alike.

We have faced our challenges in the last financial year with Covid-19 and the consequences that it has brought. Despite input costs rising rapidly, outstripping efficiency savings we would normally expect to see, we have been able to sell higher margin, value added Branded Products and overall it is pleasing to report that margins actually increased to 50.2% compared to 48.7% last year.

Research And Development

Over the year our R&D team have faced several challenges. Firstly, the job of developing new features and designing new products to ensure our product range was the best it could be; secondly, there was the no small matter of progressing the Technical Documentation for our products going through CE mark approvals under Medical Device Regulations ("MDR") to ensure they meet the new requirements and, finally, helping to resolve supply chain issues that were consuming the world, especially for 'silicon chips'.

Our engineering and procurement teams worked tirelessly to select and validate new components and suppliers to minimise impact of scarce components and keep the factory running. Thankfully, at least for the time being, the worst is over and, with re-engineered designs to use more readily available components and some astute procurement working with our supplier partners, we are in a much better place and can be confident looking forward that we could withstand similar supply shortages.

We started recruitment of the Project Wave clinical trial, the first trial organised by the Group. Due to various reasons, primarily due to Covid-19, recruitment was slower than hoped and consequently we took the opportunity to widen the recruitment by lowering the age of the baby from 27 weeks gestational age to 24 weeks gestational age. We now have momentum in the recruitment and we look forward to hearing the results in due course.

"It was a proud day for the Group when our subsidiary, SLE Limited, were given a Queen's Award for Enterprise: Innovation for the OxyGenie® software algorithm that can be built into the SLE6000 ventilator"

Sales and Marketing

Our sales and marketing approach has always been to help caregivers understand the true clinical value of the technology we offer. To us, it is vitally important to support our customers through clinical training and support, we do this directly in the UK and internationally through helping our distributors offer a similar approach to their customers. We are investing in clinical training and our new Croydon manufacturing and technology centre will encompass training and education for all the Group's products.

We are seeing more growth in the FirstBreath nCPAP range which was developed at Viomedex. We believe this product will be a natural successor to the Inspire nCPAP product and we are now in a great position to roll this out around the world as regulatory approvals permit.

In the UK there are several areas of note:

- In Acute Care, our planned exit from our distribution agreement for the Acutronic Fabian ventilators has allowed us to concentrate on selling the SLE products directly in the UK and Ireland. This has been a great success and our team have won a number of accounts with the SLE6000 where its OxyGenie® closed loop oxygen control algorithm software has been extremely well received.
- We have also made good progress with our Patient Warming System used in surgery. With its numerous advantages such as low energy use, it has grown in popularity as the NHS looks to reduce its carbon footprint. We have introduced a dedicated sales team to focus on this area and improved our 'rental' offering to remove the barriers to ownership.
- Our Infusion Therapy area has benefited from a different management focus and additional resources. By offering exceptional customer support, even throughout Covid-19, coupled with excellent products, Infusion Therapy has grown by in excess of 15% on top of a record year last year.

Export markets in general and Asia-Pacific in particular, have grown in importance since we acquired SLE now accounting for 57% of our Group revenue (FY2021:34%). We continue to see good activity in all export markets for SLE, and although the revenue of some Inspiration brands were effected by Covid-19, we have seen renewed interest in these products. When we acquired SLE and Viomedex, it was with international growth in mind. The synergies between these two product ranges have started to be realised with distributors being able to access a greater range of products and subsequently we have gained sales that would not have been possible before.

The growth internationally is an excellent achievement given the limited amount of travel that we have been able to undertake this year and we moved into the new financial year with a strong order book. We look forward to being able to spend more time with our distribution partners when the pandemic abates, and we can travel more freely which in turn should drive future growth.

We launched a new website at Group level to help differentiate from the operating companies, giving our investors and customers platforms that are appropriate for their needs. We will continue to refine our digital strategy and online presence going forward as we further integrate the brands. Our Marketing team has been strengthened by the appointment of Laura Edwards as Group Head of Marketing. We were pleased to attend Arab Health in Dubai in January, it would appear there is a desire to return to face-to-face exhibitions and conferences in our industry, and it gave us an opportunity to show our new corporate branding as we bring the three companies together for the first time on the international stage.

Chief Executive Officer's Review continued

Quality and Regulatory

As I have said many times in the past, our industry is highly regulated and there have been untold pressures on regulators around the world, partly due to the changing legislation, and partly due to the need to react urgently to devices for Covid-19.

Therefore, it is of real note that we achieved registration (and subsequent sales) of the SLE6000 in China and Japan. We have also been working hard with aligning our product range with the needs for the new Medical Device Regulations (EU) and the UKCA mark.

Within the Group we currently have four Notified Bodies supporting our companies, over the next 12 months we will work towards reducing this to partners that can accommodate all the Group's needs going forward. One of the key investments over the last 12 months has been the introduction of a new and improved electronic document management system which will aid our compliance and add efficiencies to our processes. This will also help as we submit our products to the FDA for approval in the USA as data required for regulatory filing can be more easily accessed.

Manufacturing & Supply chain

SLE recorded their largest volume of ventilators manufactured in a 12-month period during FY2022. It should not be forgotten that this was against a background of having to plan for shortages of components and resolve those issues on a day-by-day basis to ensure we could work efficiently. Even the supply of cardboard boxes became an issue that needed to be overcome, packaging forms part of the medical device.

Supply chain challenges were noted across our business, including our single use, disposable production at our Viomedex site, despite these challenges across our Group, we achieved a record year. Logistics were stretched at times to be able to bring products and components in and turn them around for onward shipping. We have worked hard with our partners around the world and thank them for their help and support.

Our Charitable Initiative

Last year we set up a charitable giving initiative within the Group, aimed at donating small amounts of money to charities that are aligned with our philosophies. Charities can request donations and a committee chaired by Dr Peter Reynolds (VP Clinical, Innovation and Compliance) and made up of four staff members from across the Group review requests and agree donations they see appropriate. As well as supporting neonatal charities, I am pleased to say that the committee has also agreed to donate £20,000 to the Disaster Emergency Crisis ("DEC") for the tragedy that is happening in Ukraine.

Our Employees

Our employees have been tremendous over the last year, working diligently to ensure another record year under very trying circumstances, I cannot thank them enough for their hard work and dedication to the Group.

During the last year we have been looking at initiatives to offer a better working environment across the Group to our employees. We have brought SLE benefits in line with the rest of the Group in addition to continuing to enhance benefits across the Group. We value our employees and understand that we have all suffered from the stresses caused by Covid-19.

In June we 'stopped our world' for the day and gave everyone a 'well-being day' to take time off and relax, a gesture greatly appreciated by everyone. We subsequently have brought in policies to allow employees to work from home up to 40% of their week and have introduced a trial 4-day compressed week, allowing employees to opt to work 4 longer days and have an extended weekend. We will continue to look at innovative ways to improve the well-being of our employees.

Investment

Investment for our future continues to be a theme in our Group. We have made strong progress bringing every operating company onto the Group's standard ERP system which will give better data and business analytics. Coupled with this, we have brought in a new electronic quality management system software that can link to our ERP system to be able to ensure efficient and effective compliance.

Using the cash on our balance sheet we have decided to deploy our capital in two key other areas that will have long lasting impacts on our business: new facilities and Research & Development. Our new purpose built manufacturing and technology centre will build the foundation for future growth for many years whilst giving a modern working environment for our employees. We have adopted a sustainable approach to manufacturing, investing in automation to improve efficiencies. As well as the new factory, we will have a new technical support centre for returning products and a new R&D centre. Investment in new product development will be key to our long-term growth, and as a percentage of revenue we invested 9% this year (FY2021: 4%) and expect to maintain this going forward to bring new technologies into new markets around the world.

Future

As we move forward we recognise more and more about the need to reduce our impact on the environment around us. We acknowledge that the NHS in England & Wales require suppliers to be 'net zero' by 2045 and NHS Scotland by 2040, our ambition is to be ahead of this and we are well on our way, with our offering of electric cars to our employees (compulsory for senior management), our new environmentally friendly manufacturing and technology centre, our new products will be developed to reduce their impact in manufacturing, usage and disposal and a commitment to keep improving. We continue to seek out ways of reducing our environmental footprint.

We have seen the Group come together this year and grow as a technology company with greater reach as well as make progress on a number of initiatives that will allow future long-term growth. We will continue to challenge ourselves to reduce our carbon footprint as we grow our business around the world, but with a strong portfolio of products we feel that we are in a great position to accelerate our growth.

KEY PERFORMANCE INDICATORS ("KPI's")

	2022	2021
Revenue growth[1]	**11%**	108%
Proportion of revenue from international markets[2]	**57%**	34%
Revenue from Branded Products[3]	**55%**	31%
Growth in revenue from Branded Products[4]	**96%**	113%
Revenue generated from products developed[5]	**5%**	3%
Gross margin[6]	**50%**	49%
R & D of revenue[7]	**9%**	4%
Adjusted EBITDA margin[8]	**16%**	15%
Adjusted Operating margin[9]	**10%**	12%
Underlying diluted EPS[10]	**6.1p**	7.6p

FY2021 KPI's include both 'one off' Covid-19 revenue and revenue generated by SLE Limited from date of acquisition

1 Year-on-year growth in reported revenue as per Consolidated Income Statement.

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. This year International revenue benefited from a full year's contribution from SLE Limited as reported in the Operational and Financial Review on page 30.

3 The proportion of total revenue generated from Branded Products. This includes products where we are the legal manufacturer. Our aim is to increase the proportion of revenue generated from such products.

4 Year-on-year growth in Branded Products.

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

6 Gross profit expressed as a percentage of total revenue as a result of increasing the revenue measures above.

7 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.

8 Adjusted earnings before interest, tax, depreciation, amortisation, share based payments and non-trading items as a percentage of total revenue. Adjusted 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 Adjusted EBITDA margin over time.

9 Operating profit before exceptional items as a percentage of total revenue. Our aim is to increase operating margin over time.

10 Underlying diluted EPS is measured before non-trading non-trading items and add back of amortisation of intangible assets acquired through business combinations. See note 8 to the Financial Statements for more information.

Neil Campbell
Chief Executive Officer
3 May 2022

Inspire

The most vulnerable patients

We are on our journey to becoming a world leader in medical technology. Our technologies are designed to support some of the most vulnerable patient groups from their first breath and early journey through hospital. Additionally we offer products for monitoring temperature during surgery and supplementary Branded Products with the distribution of excellent medical technology.

This is underpinned by our servicing offering which is designed to ensure consistent high-quality care. We are driven by our patients and by our company values; outcome changing, research driven, pioneering and patient focused.

Our success is propelled by a team who are dedicated to our patients and are driven to improve the challenges faced by healthcare professionals globally.

- Every year, an estimated 15 million babies are born preterm[1,3] and this number is rising[2].
- Preterm birth complications are responsible for approximately 1 million deaths in 2015 – the largest cause of mortality in infants aged under 5 (18%)[2].
- Our neonatal intensive care portfolio is designed to support the most vulnerable patients from the first moments of life.

Sources:

[1] Before 37 completed weeks of gestation

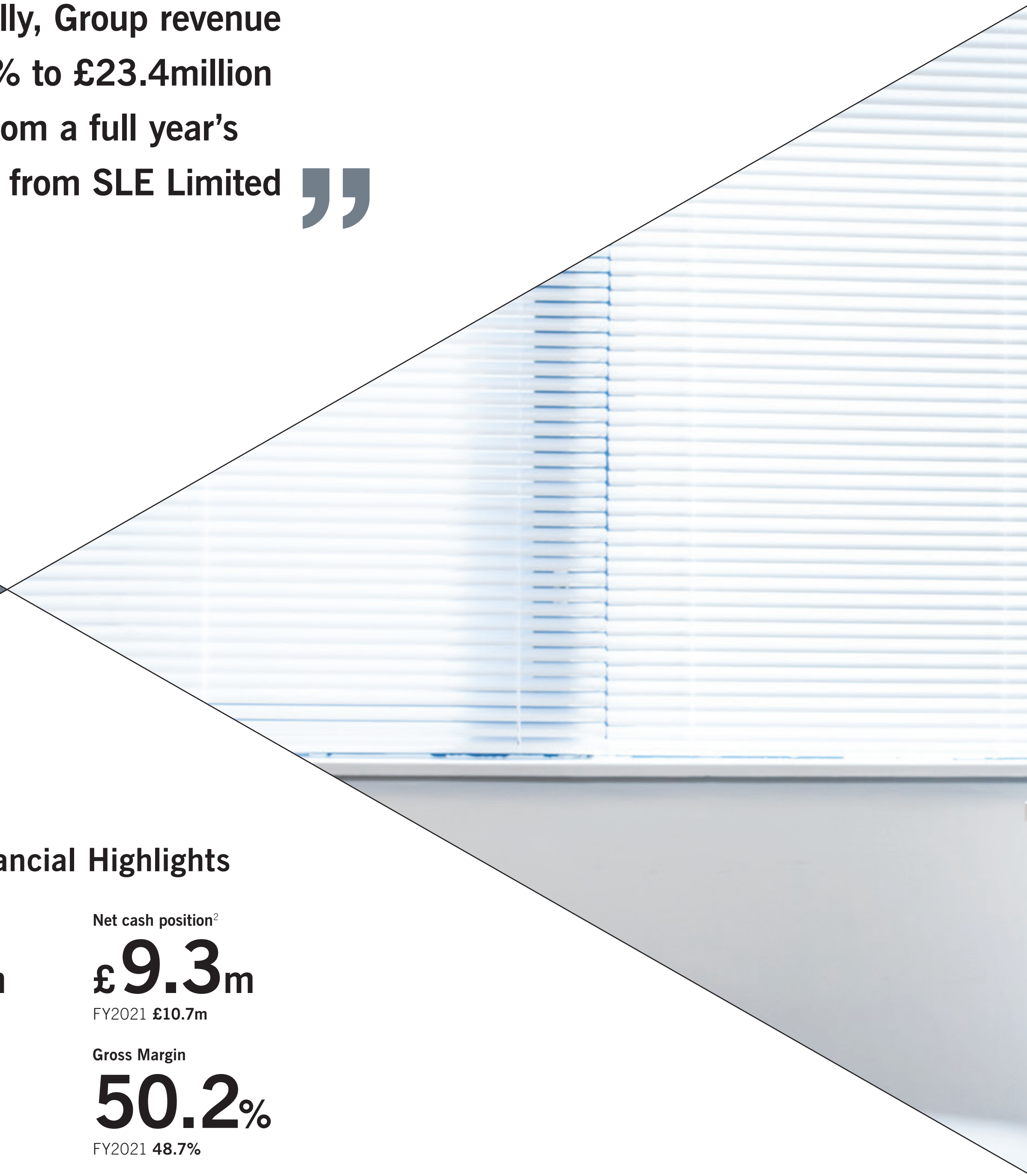
[2] Global, regional, and national causes of under-5 mortality in 2000-15 – Liu L et al 2016

[3] Global, Regional & National estimates of levels of preterm birth 2014 – Chawanpaiboon et al 2019

"Our technologies are designed to support some of the most vulnerable patient groups from their first breath and early journey through hospital"

Operating and Financial Review

> **Internationally, Group revenue grew by 87% to £23.4million benefiting from a full year's contribution from SLE Limited**



2021/22 Financial Highlights

Group Revenue
£41.1m
FY2021 **£37.0m**

Net cash position[2]
£9.3m
FY2021 **£10.7m**

Adjusted EBITDA[1]
£6.4m
FY2021 **£5.6m**

Gross Margin
50.2%
FY2021 **48.7%**

Operating Profit
£4.3m
FY2021 **£3.2m**

Proposed final dividend
0.41p
per share

[1] Earnings before interest, tax, depreciation, amortisation, impairment, share based payments and non-trading items.
[2] After significant investment in capital expenditure: Facilities, R&D and IT systems.

Jon Ballard
Chief Financial Officer

I am delighted to report that the Group performed ahead of market expectations for the financial year ended 31 January 2022 ("FY2022").

Revenue

Group revenue increased by 11% to £41.1million (FY2021: £37.0million).

Group domestic revenue increased by 3% to £17.6million, excluding £7.3million of one off Covid-19 specific revenue received during the prior year. This is reflective of the full year impact of the acquisition of SLE Limited, replacement of third party ventilator sales with SLE ventilators offset by the exclusion of £7.3million of Covid-19 specific revenues in the prior year.

Internationally, Group revenue grew by 87% to £23.4million benefiting from a full year's contribution from SLE Limited.

Branded Products

Branded Product revenue grew 96% to £22.5million in the year primarily benefiting from the acquisition of SLE Limited. Increased sales of the Group's AlphaCore[5] Patient Warming System, Cosytherm[2] and LifeStart also contributed reflecting customers desire to adopt new practices.

Distributed Products

Distributed Product revenue decreased by 9% to £13.6million in the year, excluding £7.3million of Covid-19 revenue received during the prior year. This is reflective of the replacement of third party ventilator sales with the SLE brand of ventilators offset in part by strong performance across Infusion Therapy.

Technology Support

Technology Support revenue including technical support increased by 52% to £4.6million in the year, again benefiting from a full year's contribution from SLE Limited, a one off receipt of £0.2million and further success in relation to the rental initiative of our AlphaCore[5] patient warming system totalling £0.3million.

Operating and Financial Review continued

Gross Profit

Gross Profit of £20.6million (FY2021: £18.0million) increased by 14% due to both a year-on-year increase in revenue and an improved gross margin which increased from 48.7% to 50.2%. Gross margins primarily benefited from improved revenue mix towards Branded Product margins offset in part by increases in cost of goods.

Operating Profit

The Group reported Adjusted Operating Profit of £4.3million (FY2021: £4.3million).

Administrative expenses increased by 11%. This increase included a full year of overheads associated with SLE Limited, increased depreciation primarily as a result of IFRS 16 accounting treatment in relation to the lease on the new Croydon facility and continued investment in personnel to maintain revenue growth.

There were no non-trading items in the year. Prior year non-trading items totalled £1.0million of which £0.6million related to expenses incurred in relation to the acquisition of SLE Limited and £0.4million representing full and final settlement of the contingent consideration arrangements relating to the acquisition Vio Holdings Limited (the parent Company of Viomedex Limited).

The Group delivered Operating profit of £4.3million, an increase of 31% on the prior year. The growth was due to the decrease in non-trading items offset in part by increased depreciation as a result of the IFRS 16 accounting treatment in relation to the lease on the new Croydon site.

Adjusted EBITDA amounted to £6.4million, an increase of £0.8million over the prior year mainly due to increased revenue and improved gross margin offset in part by increased administrative expenses. Adjusted EBITDA margin improved from 15.2% to 15.6%.

	2022 £'000	2021 £'000	**Change £'000**
ADJUSTED EBITDA	**6,422**	5,611	**811**
Depreciation	(1,069)	(606)	(463)
Amortisation of intangible assets	(837)	(622)	(215)
Impairment of intangible assets	–	(47)	47
Impairment of right of use asset	(122)	–	(122)
Share Based Payment	(139)	(78)	(61)
ADJUSTED OPERATING PROFIT	**4,255**	4,258	**(3)**
Non-trading items:			
Acquisition related expenses	–	(579)	579
Final settlement of deferred consideration	–	(435)	435
OPERATING PROFIT	**4,255**	3,244	**1,011**

“The Group delivered Operating Profit of £4.3million, an increase of 31% on the prior year”

Investment in R&D including capitalised development costs amounted to 9% (FY2021: 4%) of revenue.

Taxation

The Group has recorded a tax charge of £370,000 (FY2021: £318,000). The effective tax rate in FY2022 was 9% (FY2021: 10%). For more detail see note 7 of the Consolidated Financial Statements.

Earnings Per Share

Basic EPS and diluted EPS were 5.28p and 5.22p per share respectively (FY2021: 5.10 and 5.07p).

Underlying diluted EPS[1] was 6.10p per share, down 19% on FY2021 of 7.57p. The year-on-year decrease is attributable to the non recurrence of the one off Covid 19 revenue of £7.3million received during FY2021 and the full year impact of the shares issued to acquire SLE Limited, offset by the impact of a full year profit from the SLE acquisition. See note 8 for further information.

[1] EPS Reconciliation from Diluted EPS

	2022 **pence**	2021 pence
DILUTED EARNINGS PER SHARE	**5.22**	5.07
Adjusted for:		
Non-trading items	–	1.82
Amortisation of intangible assets acquired through business combinations	0.88	0.68
UNDERLYING DILUTED EARNINGS PER SHARE	**6.10**	7.57

Cash Flow

Cash and cash equivalents as at 31 January 2022 amounted to £9.3million, a decrease of £1.4million over the prior financial year-end reflecting the increased investment in both research and development and infrastructure. Net cash generated from operating activities was £3.6million, £1.2million lower than in FY2021. Cash outflow on investing activities totalled £4.0million (FY2021: £14.1million), of which £2.2million related to capitalised development expenditure and £1.8million relating to purchase of software and property, plant and equipment as the Group continues to integrate key systems across the business and invest in state-of-the-art facilities.

The Group has a £5million Revolving Credit Facility ("RCF") in place which was not utilised during the year and remained undrawn at the year-end.

Net Assets

The value of non-current assets as at 31 January 2022 totalled £26.4million (FY2021: £19.2million).

The year-on-year increase of £7.2million relates to both an increase in capitalised product development of £2.2million and an increase in right of use assets primarily relating to the new Croydon site. Inventory decreased to £6.5million (FY2021: £8.2million) due to improved working capital management and manufacturing process.

Trade and other receivables increased by £4.1million to £9.3million (FY2021: £5.2million) due to sales growth and phasing. Trade and other payables decreased by £0.2million to £6.6million (FY2021: £6.8million).

Net Assets increased by £3.3million or 11% to £34.9million as at 31 January 2022.

Dividends

The interim dividend of 0.205p per share (FY2021: 0.2p) was paid on 29 December 2021. The Board is recommending a final dividend of 0.41p per share (FY2021: 0.4p) to make a total dividend for the year of 0.615p per share (FY2021: 0.6p). If approved by shareholders, the final dividend will be paid on 29 July 2022 to shareholders on the register on 1 July 2022.

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 8 to 11 and the Chief Executive Officer's Review on pages 22 to 27.

Key performance indicators are discussed on page 27.

Share Price During the Year

The range of market prices during the year 1 February 2021 to 31 January 2022 was 88.5p to 150p and the mid-market price of the Company's shares at 31 January 2022 was 102.5p.

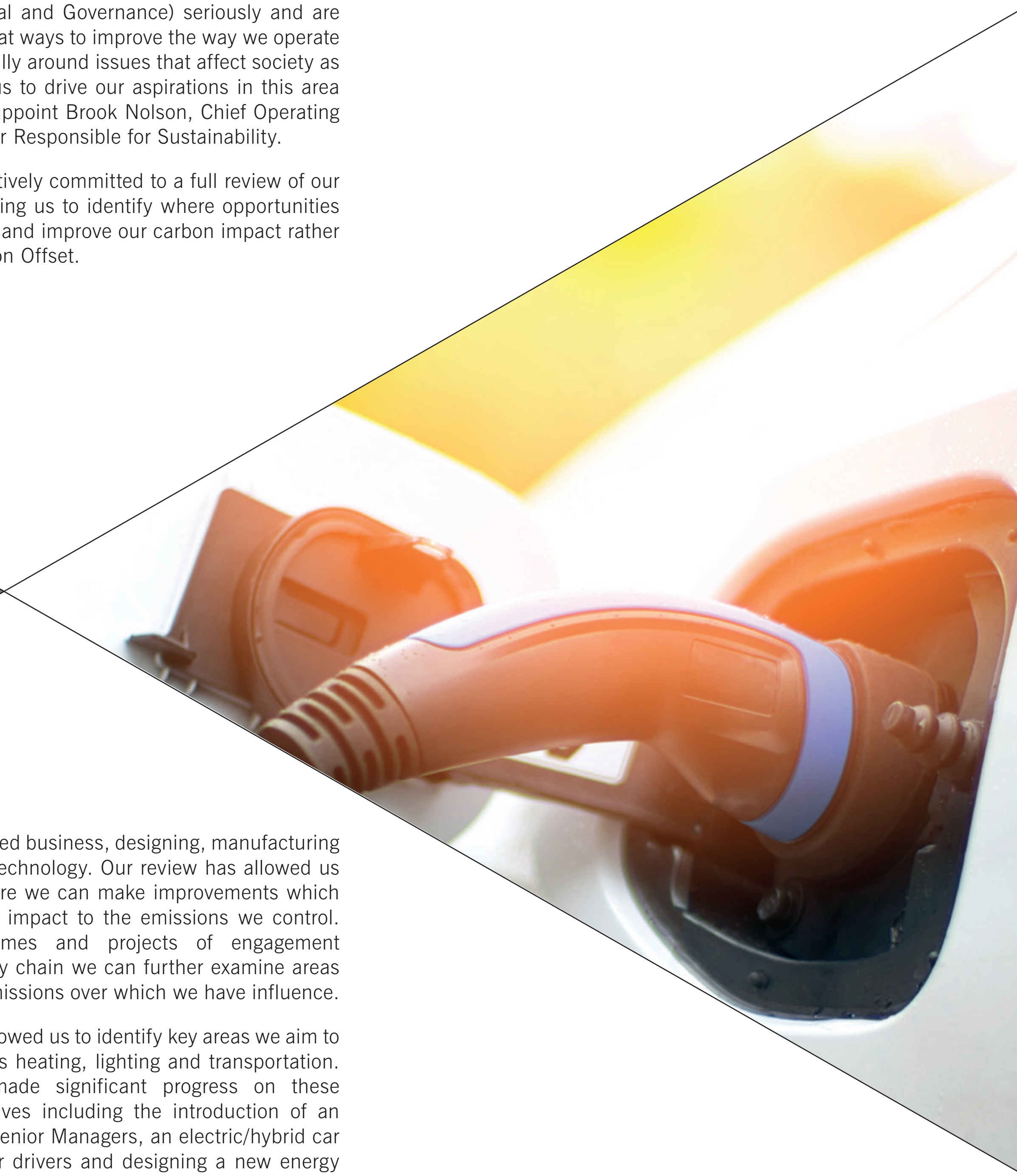
Jon Ballard
Chief Financial Officer
3 May 2022

Environmental and Sustainability

Reducing our impact on the environment

We have always taken our responsibilities towards ESG (Environmental, Social and Governance) seriously and are continuously looking at ways to improve the way we operate our business, especially around issues that affect society as a whole. To enable us to drive our aspirations in this area we were pleased to appoint Brook Nolson, Chief Operating Officer as the Director Responsible for Sustainability.

As a Group we proactively committed to a full review of our carbon impact, allowing us to identify where opportunities exist for us to reduce and improve our carbon impact rather than relying on Carbon Offset.



We are a fully integrated business, designing, manufacturing and selling medical technology. Our review has allowed us to identify areas where we can make improvements which will offer an obvious impact to the emissions we control. Developing programmes and projects of engagement throughout our supply chain we can further examine areas of improvement in emissions over which we have influence.

This approach has allowed us to identify key areas we aim to target quickly such as heating, lighting and transportation. We have already made significant progress on these environmental initiatives including the introduction of an electric car fleet for Senior Managers, an electric/hybrid car fleet for company car drivers and designing a new energy efficient manufacturing and technology centre in Croydon to include bio-sustainable electricity, low energy lighting and low energy heating and ventilation.

We implemented industry measurement tools in accordance with Scope 1, 2, & 3 to gain an understanding of our current environmental impact. This information has given us our starting point towards being Net Zero for directly controllable emissions by 2035.

How we will achieve our targets?

2020

Introduction of electric vehicles for Senior Managers.

Board and Senior Management assignments for developing a circular economy solutions.

2021

Implemented scope 1 & 2 emissions measurement.

Registered with Climate Hub to gain access to climate assessment tools.

Procured 100% REGO-backed electricity contracts.

Appointed Brook Nolson Chief Operating Officer as the director responsible for sustainability.

2022

New Croydon manufacturing and technology centre opens with low carbon footprint.

Conducting audit for waste reduction planning to reduce waste volumes.

96% of car fleet electric vehicles/ hybrid.

2023

New products will include a carbon reduction plan to reduce footprint.

100% Electric vehicles/hybrid for all users targeted for 2023.

Future

Meet NHS targets and reporting.

Target net carbon zero by 2035 for all emissions we directly control.

Our current environmental metrics:

METRIC	FY2022
Scope 1 Emissions (CO_2 tonnes)	64
Scope 2 Emissions (CO_2 tonnes)	116
Scope 3 Emissions (CO_2 tonnes)	27
Water usage m^3	465
Vehicle fleet EV	54%
Vehicle fleet hybrid/EV (combined)	96%
Packaging weights (tonnes)	38

Principal Risks and Uncertainties

Overview of our Principal Risks

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 on the following pages. This list comprises the material risks post mitigating actions and is drawn from a more complete list of risks which are reviewed quarterly by the Board.

Principal Risks	Potential Exposure	Page
STRATEGIC		
Loss of Key Distribution Principal agreements		38
New Product Development		38
Acquisitions		39
International Growth		39
Sustainability		40

Principal Risks	Potential Exposure	Page
OPERATIONAL		
Dependence on third party suppliers and supply chain interruption		41
Reliance on key individuals		41
Changes in legislation and regulation		42
Health and Safety		42
IT Systems and Cyber Security		43
Production moving to new facilities in 2022		43

Key Risk Trend

Increasing Stable Decreasing

"The experiences of Covid-19 and Brexit demonstrated the resilience of our business model and the agility and commitment of our employees"

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 risk 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.

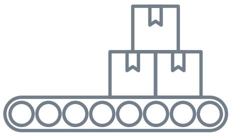
Our risk appetite for Financial & Compliance is level 1 (Minimal) as we work in a highly regulated industry and have valuable Intellectual Property to protect.

The acquisition of SLE Limited in the prior year transformed the scale of the Group and its risk profile. We are a medical technology business, supplying lifesaving and essential medical equipment for which there is ongoing strong demand and a high degree of regulation.

The experiences of Covid-19 and Brexit demonstrated the resilience of our business model and the agility and commitment of our employees. Our business operations continue in full, with the majority of our employees adopting our blended working policy.

Covid-19 still remains a risk to our business in the following areas:

- **Production:** We may find difficulties in the supply chain for materials and transport.

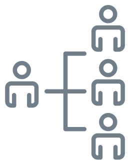


  We have mitigated this by reviewing components and changing where necessary to components that are more readily available, placing forward orders, working with long standing suppliers and we have registered for Government backed schemes for essential suppliers for priority freight.

- **Employees:** Our employees may fall ill or have loved ones who need looking after.

  Throughout the year we followed national guidance on home working where appropriate. This allowed us to keep our factories open and producing much needed medical technology and allowing to keep our teams safe. Since the start of the year, we have been encouraging our teams back to the offices and believe our compressed working week and hybrid working model will ensure that we remain efficient and productive as well as safe, giving our employees a better work/life balance.

- **Customers:** It is difficult to engage with customers as before as hospital staff concentrate on Covid-19 related activities. International travel is heavily affected and has limited face-to-face interaction with distributors.



We have implemented remote interaction through video conferencing platforms such as Teams and Zoom and have only visited for face-to-face meetings where appropriate.

Principal Risks and Uncertainties continued

Principal Risk

STRATEGIC

Loss of Key Distribution Principal agreements

The loss of any of the Group's largest distribution agreements to sell medical devices on behalf of third parties may have a material impact on the Group's business, prospects, financial condition or results of operations. Major account reviews take place regularly and plans are mutually agreed. Our strategy is based upon the added value of our supply chain and if necessary alternative product suppliers can be sourced.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
The Group is increasing the proportion of sales from products where we own the intellectual property to minimise this risk. The acquisition of SLE Limited has led to the termination of one of the largest distribution contracts (Vyaire) within the Group. Long-term contracts are typically signed but if a distributorship should be lost, all efforts will be made to replace the revenue with alternative products.		The proportion of Branded Product sales has increased from 31% to 55%. The Vyaire contract has been ended by mutual agreement. The distribution contract with Micrel has been signed for a further three years.	

New Product Development

The Group invests in R&D projects in order to develop innovative new products. It works with an advisory panel in order to prioritise opportunity areas. Continued growth within existing customers depends upon the successful introduction of these new products. Concerns arise due to the late delivery of the projects, the changing regulatory landscape and competitive activity in the market-place which may make projects redundant.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
Projects are reviewed regularly by the Board and total R&D investment is increasing in the forthcoming year. The appointment of a Group Head of R&D and a Vice President - Clinical, Innovation and Compliance gives greater linkage between marketing plans and R&D priorities. The alignment of systems and processes across the Group has given greater visibility to tracking projects.		With the acquisition of SLE, the R&D team and its capability is greatly increased, but regulatory bottle necks are expected in the industry due to capacity within the regulators including those within clinical trials due to needing to catch up post Covid-19.	

Principal Risk

STRATEGIC continued

Acquisitions

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

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.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
Common business system and processes have been implemented across recently acquired sites and will comprise the basis for the integration of any future acquisitions. The Executive team have developed a robust model to evaluate acquisition prospects and identify synergies.		The SLE integration continues to proceed in line with best expectations and gives assurance in the quality of our business model, processes and team in relation to our evaluation of acquisitions	

International Growth

The Group has a wide range of export markets which provide potential for growth.

Geopolitical conditions could have an impact on our markets.

Meaningful development of the US 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.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
It is impossible to plan for every eventuality however, early visibility, quick action and effective teamwork has been effective in minimising risks. A US market research project has commenced to determine the appetite for certain products within the Group.		The acquisition of SLE Limited has significantly expanded the Group's export markets. Export sales have increased from 34% to 57% of total. The Covid-19 pandemic was managed well within the Group but the full impact on the world economy remains unknown. It is too early to determine the impact of the conflict in Ukraine to the Group's business. The Group revenue in this region is less than 5% of total.	

Principal Risks and Uncertainties continued

Principal Risk

STRATEGIC continued

Sustainability

The Group manufactures a range of disposable and capital equipment sourcing components from around the world and shipping finished goods globally.

Recently the NHS in England announced it intends to be Net Zero by 2045, with the NHS in Scotland wishing to be Net Zero by 2040. As other health systems around the world follow suit, the Group risks losing its ability to sell goods unless it embraces carbon reduction and adopts a sustainable approach to its operations

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
The Group has an Executive Director with responsibility for Sustainability (Brook Nolson). We are monitoring our Scope 1, 2, and 3 emissions and take action as appropriate to reduce them whilst growing our business. A new manufacturing and technology centre in Croydon is being developed with carbon reduction in mind, along with a policy for electric vehicles and other initiatives which are underway, including trailing a compressed working week and hybrid working.	New	Our new manufacturing and technology centre in Croydon will be an example of best practice in low energy manufacturing. Other initiatives already undertaken would imply that the Group is ahead of where many SME Health Tech companies are in terms of their environmental impact.	

Principal Risk

OPERATIONAL

Dependence on third party suppliers and supply chain interruption

The operational capability of the Group depends critically on the efficiency and speed of its supply chain.

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.

Macro-economic factors like Brexit, Covid-19 and the conflict in Ukraine have provided challenges.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
The Group maintains appropriate stock levels of the most critical items to maintain customer service levels and mitigate this risk. These are constantly under review due to current issues in supply chain. Sourcing decision making is now embedded in operational planning processes. Supplier management is reviewed as part of Quality Management System. A disaster recovery plan exists and is reviewed regularly. The pandemic impact was beyond any scenarios envisaged. The Group demonstrated resilience due to systems, planning processes and quality of team.		Improved operational planning processes have reduced this risk during the year. The Group has implemented its ERP system into SLE Limited and Viomedex Limited to give greater visibility to planning, stock management and forecasting. Engineering work has reduced risk to certain components. It is expected that current supply chain issues of components widely reported will ease during 2022, although the recent conflict in Ukraine may make these issues last longer than thought at the beginning of the financial year. Supply chains are expected to be disrupted for longer due to the conflict in Ukraine.	

Reliance on key individuals

The success of the Group depends crucially upon the expertise and relationships of the Directors and certain other senior employees. The loss of any of the key individuals could have an adverse effect on the Group.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
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 management roles. It is the Group's policy to maintain a safe and pleasant work environment. The Group has an excellent benefits package and has recently introduced a compressed working week to add to flexible working to improve employee's work/life balance.		The Remuneration Committee ensures remuneration packages retain and motivate the Executive Team and Senior Managers. Enlarged Group and strengthened management reduce potential impact of any loss.	

Principal Risks and Uncertainties continued

Principal Risk

OPERATIONAL continued

Changes in legislation and 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 to ensure the Group's products are safe and compliant. Regulatory approvals are required to market and sell medical devices into both the UK and export markets.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
The Group has stringent internal controls in order to comply with the relevant legal and regulatory conditions in the UK and in its export markets and a Quality Assurance and Regulatory Affairs department dedicated to liaising with the regulatory authorities to monitor any changes in conditions and ensure continuing compliance with the existing and new conditions. A Group Head of QARA oversees regulatory and compliance matters and investment in a new document management system will further reduce risks.		For the EU all products are certified to 2024 as part of the transition to MDR. The UKCA mark is required by June 2023. Preparation for key products to remain in the UK are underway and we are working with relevant Notified Bodies to ensure we will be able to meet this timetable. We are implementing a new document management system to improve traceability and compliance.	

Health and Safety

The importance of Health and Safety is widely recognised across the Group.

Failure to adhere to health and safety regulations within the workplace not only puts our employees at risk but could carry serious financial, reputational, and legal risk.

We recognise that everyone has a right to work in a safe and pleasant environment free from adverse events.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
The Board requires Health and Safety to be discussed at the beginning of every Board meeting based on a report from the Executive Director responsible for Health and Safety (currently the Chief Operating Officer). The Group has a highly qualified Health and Safety Manager reporting directly to the Chief Operating Officer. The Group undertakes regular Health and Safety training for all employees using an on-line training portal that records training for audit purposes. Initiatives are run regularly to remind employees that Health and Safety is everyone's priority.		Improved procedures have been implemented and the Health and Safety capability significantly increased. Metrics are reviewed monthly by the Board and action taken should these start to show a negative trend. The business has a proactive approach to all aspects of Health and Safety and constantly reviews internal and external risks to enable training where appropriate. An employee Health and Safety focus group has been established and meets on a quarterly basis to ensure all areas of the business have a voice.	

Principal Risk

OPERATIONAL continued

IT Systems and Cyber Security

The Group relies heavily on IT systems for its operational activities.

Two main areas of concern are:

- Human Error: People accidentally or deliberately manipulating data
- Third party hackers gain access to our systems or network.

Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
IT support is complemented by an external third party which allows a broader horizon scan of activity and access to best practices.		The Audit Committee will carry out a "deep dive" review on cyber-security in 2022. By migrating all businesses onto a common IT system, we have harmonised controls and reporting.	

Production moving to new facilities in 2022

The Group plans to move its main production facilities into a new, purpose-designed manufacturing and technology centre during Spring 2022 and there is a risk of short-term disruption to production and therefore sales during the Spring and Summer.

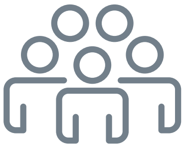
Mitigation	Movement in Year Risk Trend	Commentary	Potential Exposure
We have a strategy that minimises any impact on manufacturing or despatch of our products. Our plan allows for a soft start allowing time to test and verify ever function and department prior to enacting a phased departmental move. With all the tooling and equipment being new we will not experience a delay due to transfer. We have increased production to hold slightly higher levels of finished goods in stock. Final transfer of the manufacturing environment will not complete until all the new systems are fully operational. Due to the introduction of our ERP and new automated warehousing systems, we are able to commence stocking in the new facilities at the same time as continuing warehousing from the current locations.	New	Led by the Chief Operating Officer, the H&S, Production Engineering, Facilities, IT, QA/RA and Manufacturing Teams, are represented at the construction planning and programming fortnightly meetings to ensure that integration is as seamless as possible. Representation and management of the contracts is done with a professional design team, Chief Operating Officer, and the Project Managers.	

Companies Act Section 172 Statement

Key stakeholders affected by the decision | **Key decisions made in the year and how these decisions were made** | **How do we engage with our stakeholders?**

EMPLOYEES

Employees are key to the Group's success, and we rely on a committed workforce to help us achieve our business objectives.



Enhanced flexible working arrangements

The Board took the decision to enhance its parental leave and pay policy, as well as to offer a new compressed 4-day working week.

Management circulated a survey to all employees to understand preferences towards a compressed 4-day working week. While the survey demonstrated that most employees were supportive of a compressed working week, the Group also recognised that working extended daily hours during the compressed week may not be suitable for all employees and could impact work/life balance for some. Recognising this, the Board agreed to offer the compressed working week arrangement to employees on an "opt-in" basis.

We engage with our employees in a number of different ways, including, via our intranet platform, weekly newsletters and regular all-staff briefings. This year, the Group held a series of virtual Question Time seminars, giving employees the opportunity to ask questions about the business.

The Group also operates an incentivised improvement ideas scheme to increase engagement and drive forward idea generation and sharing of good practices.

For more information on how the Group engages with its employees, refer to our Statement of Corporate Governance – QCA Principle 3A on page 47

Improved health and safety protocols

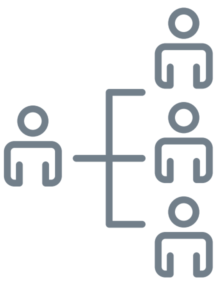
The Health and Safety of our employees is of upmost importance to the Group. The Board appointed a new Group Health and Safety Manager during the year, who reports directly to the COO. In addition, the Board agreed that regular health and safety training and strong communication channels for our employees should continue to be a top priority.

Several new initiatives have been rolled out during the year, including our STAR - Stop, Think, Act, Report - initiative, which was designed to raise awareness on the importance of reporting near misses and unsafe conditions. The STAR initiative was rolled out successfully across the Group in Q4 through our intranet platform.

The Group also introduced advanced driver training to those who drive on business who fall within certain criteria.

CUSTOMERS

Successful engagement with our customers is paramount to meeting our strategic objectives and growing our business.



Increased online training to customers and in-person distributor meetings

During the year, we ramped up online training of our products. We also held several international distributor meetings. These meetings were well attended and aimed to bring distribution channels together and introduce the benefits of the SLE acquisition to our distribution networks.

Our sales teams and senior management engage with our customers through regular meetings and through participation in local events and exhibitions. Throughout the year we held several online and in-person conferences.

We also continue to engage with our customers through a variety of channels including our websites, social media platforms, virtual exhibitions, virtual sales and training meetings and email engagement including customer feedback surveys.

Continued commitment to new research and development centre

The Group has invested in a new state-of-the-art research and development lab in our new premises in Croydon as discussed in the Chairman's Report pages 8 to 11 and the Chief Executive Officer's Review on pages 22 to 27.

Communicated through investor presentations throughout FY2022, regarding investment in new facilities. Further communications through the Group's social media channels are ongoing during FY2023. Various employee presentations held throughout the year.

Key stakeholders affected by the decision	Key decisions made in the year and how these decisions were made	How do we engage with our stakeholders?
SUPPLIERS		
Managing our supply chain and engaging effectively with our suppliers is critical to the smooth running of our operations. Through continued engagement with our suppliers, we have built positive, long-lasting partnerships. 	As part of our continued commitment to our supplier relationships, the Group aimed to increase visits to supplier sites (when Covid-19 restrictions allowed) and to continue to hold regular quarterly meetings with all our suppliers. The Group also implemented a new ERP system to give greater visibility to planning, stock management and forecasting.	Senior Management engages with our suppliers through regular meetings, held at least quarterly and more frequently as needed. The Group has increased visits to supplier sites when Covid-19 restrictions have allowed, During the year, the Group reviewed its critical supply chain and through supply chain management, the Group engages regularly with these suppliers through a mix of virtual and face-to-face meetings.
INVESTORS		
The Group understands the importance of communicating regularly with its investors. Building long-term relationships with all our shareholders is critical to the future growth of the business. 	The Group decided to pay an interim dividend in December 2021 and recommended a final dividend also. For more information on the total dividend for the year, refer to the Directors' Report on pages 56 to 59.	The Group regularly communicates with its shareholders through investor presentations, roadshows, and retail shareholder events. Institutional investors visited our Croydon site in December for a factory visit and company presentation. For further information on how the company engages with its investors, refer to our Statement of Corporate Governance – QCA Principle 2 on page 46.

Neil Campbell
Chief Executive Officer
3 May 2022

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. 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.

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 thereby underpinning the Group's long-term success.

During the year under review, we successfully integrated SLE Limited into the Group, including the implementation of our standard ERP financial management system. Consequently, we reviewed our governance processes to reflect the enlarged organisation.

Our statement of corporate governance can also be found on our website.

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 provide high quality, innovative products to patients and caregivers around the world that help to improve patient outcomes and efficiencies of healthcare organisations with patient focused customer service and technical support.

Our strategy is defined clearly in Our Business Strategy (on pages 14 to 19). Our business model is set out clearly on page 7 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 ("KPIs"), which are set out in the Chief Executive Officer's Review on page 27 measure various growth and profitability metrics, 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.inspirationhealthcaregroup.plc.uk 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. 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 sentiment and expectations.

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. However, because of the pandemic, this year's AGM was a closed meeting. For each resolution the number of proxy votes received for, against and withheld is circulated to all attendees. All 2021 AGM resolutions were passed comfortably.

When circumstances allowed in December the Executive team hosted institutional investors at our Croydon site for a factory visit and company presentation. Feedback was very positive.

In January 2022, the Chairman, Mark Abrahams, and Remuneration Committee Chair, Liz Shanahan, met with major institutional investors to discuss governance and reporting matters. Following these meetings the Board discussed the points raised and agreed some improvements to annual reporting around ESG and other KPI's.

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

The Board considers that it has operated in full regard of its responsibilities under section 172 of the 2006 Companies Act as outlined in the Strategic Report on pages 44 to 45. The Group's Purpose is widely understood and drives the decision-making which aims to optimise the long-term value of the business.

A. People. Our continued success is built on the talented people who work here, and employee engagement forms a major part of our strategy. Our senior independent Director has the additional responsibility of representing employees' interests at the Board and has hosted two all Company "question time" meetings, where employees are able to ask questions to the Executive Team. He is also the Board level point of contact for the Group's whistleblowing policy.

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 are a living wage employer and offer equal opportunities regardless of race, sex, gender identity or reassignment, age, disability, religion or belief, marital status, pregnancy and maternity or sexual orientation. During the year we implemented and enhanced our Parental leave and Pay policy as well as flexible working arrangements including a blended working policy as well as a compressed 4-day working week which has been adopted by about a third of our workforce.

The health and safety of our workforce is our most important consideration and features as the first item on each board meeting agenda. We have introduced a comprehensive set of processes and measures to keep our people safe, and we continue to enforce a strong set of Covid-19 protocols in our offices

We hold regular all-employee on-line meetings to keep employees updated on business progress and we also operate an incentivised Improvement Ideas scheme. Due to the pandemic, we were unable to hold our normal annual conference for all employees but intend to hold one as soon as circumstances allow.

B. Customers. 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 Vice President of Clinical, Innovation and Compliance has considerable experience as a neonatal consultant in the NHS and ensures high levels of engagement with the medical community.

C. Suppliers. Our key strategic suppliers are long-term in nature and work with the Group on product innovations. As a medical technology 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 quarterly updates from the executive team followed by Board review and challenge.

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 this Annual Report. The Board review the Risk Register formally every 6 months and Board reports from the Executives are discussed at Board meetings where 'ad hoc' risks are discussed and action to mitigate them undertaken.

Statement of Corporate Governance continued

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 and 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
- the Group's operating companies all maintain Quality Management Systems certified to ISO 13485:2016 for industry regulatory compliance
- a comprehensive system of reporting health and safety performance along with other well-being matters to the Board
- appraisal and authorisation of major capital expenditure, research & development projects
- dual signatories on all bank accounts

Maintaining a Dynamic Management Framework

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

The Board is made of up three Executive Directors and three independent Non-executive Directors, chaired by Mark Abrahams. Meetings are open and constructive, with every Director participating fully. Meetings take place at our various sites or through 'virtual' meetings using platforms such as TEAMS or ZOOM. Face to face meetings are preferable as it allows the Board to see different operating facilities and meet other employees.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman 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 as planned as well as ad-hoc meetings relating to such matters that arise from time to time; 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. All have experience of being on other Boards of companies listed on the London Stock Exchange. Details of the Directors' experience and areas of expertise are outlined in the Board of Directors section on pages 54 and 55.

The Board undertakes an appraisal process to see how the mix of skills, experience and behaviours match with the Company's ambitions and 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, external communications, product development, finance, innovation, international trading, risk management, corporate governance, and M&A.

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

The Chair 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

A calendar of meetings and principal matters to be discussed is agreed at the start of the year. The Board held nine scheduled meetings in the year, two meetings during the year focused on strategic matters and the remaining seven meetings focused on specific key matters, including risk management, R&D reviews, financial forecasts, employee engagement, and shareholder feedback. Following changes made after the SLE acquisition the Board intends to use an externally facilitated evaluation process during 2022.

The Board considers succession planning for the Executive Directors on an ad-hoc basis.

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, one of whom was the founder of Inspiration Healthcare Limited. Taking into account that the Group is relatively small with approximately 200 employees, this is considered an effective means of conveying the Group's approach to ethical behaviour. The common culture is based upon four core values:

- Patient focus
- Outcome changing
- Pioneering
- Research driven

The integration of SLE provided an opportunity to align Health and Safety and HR processes, as well as aligning the quality management and ERP systems used throughout the Group, which bought a more cohesive culture to the Group by allowing employees access to the same data platforms. An extensive communication programme on the Group's culture and priorities was carried out to ensure that the SLE team understand the Group's expectations and processes.

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

The Board reviews 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 recently reviewed the schedule of matters reserved for its decision and a full copy is published on the Group's website.

Statement of Corporate Governance continued

Matters reserved for Board decision include:

- overall business strategy including Environmental, Social and Governance
- review of key operational and commercial matters including health and safety
- review of significant risks, risk appetite, and controls following report on effectiveness of controls from the audit committee
- review of key financial 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
- stock exchange-related issues including the approval of communications

All Directors receive monthly information on the Group's operational and financial performance and a full set of board papers 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 (Chair) and Liz Shanahan. 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. A separate report of the Audit Committee activities is on pages 52 and 53.

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 on pages 60 to 65. The Remuneration Committee has two members, Liz Shanahan (Chair) 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 employees.

The 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 (Chair), Bob Beveridge, Liz Shanahan 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.

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:

	M ABRAHAMS	L SHANAHAN	N CAMPBELL	B 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 2022.

BOARD MEMBERS	NUMBER OF MEETINGS ATTENDED			
	Board	AC	RC	NC
M Abrahams, Chairman	9/9	n/a	n/a	0/0
N Campbell, Chief Executive Officer	9/9	n/a	n/a	0/0
B Beveridge, Senior Independent Non-executive Director	9/9	5/5	3/3	0/0
B Nolson, Chief Operating Officer	9/9	n/a	n/a	n/a
L Shanahan, Non-executive Director	9/9	5/5	3/3	0/0
J Ballard, Chief Financial Officer	9/9	n/a	n/a	n/a

Non-members are invited to attend committees as appropriate.

In addition to the Board committees the Group holds Senior Executive Team meetings on a regular basis, led by the Chief Executive Officer.

Build Trust

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

The Board has formal responsibilities and agendas and three sub-committees; in addition, strong informal relations are maintained between Executive and Non-executive Directors. During the last year most meetings have taken place online and Non-executive Directors have continued to meet with other senior managers and give advice and assistance online. Two board dinners have been held during the year to provide opportunities for broader discussions.

The Chief Executive Officer and Chief Financial Officer 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 to discuss any shareholder feedback – the Board is briefed accordingly.

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 retains a financial public relations firm to assist it in ensuring that key messages reach the appropriate audiences.

Mark Abrahams
Chairman
3 May 2022

Audit Committee Report

The Audit Committee comprises two members: Bob Beveridge, a chartered accountant with recent and relevant financial experience, and Liz Shanahan. It met five times during the year with 100% attendance. The Chief Financial Officer and external auditors attended all meetings at the invitation of the Committee Chair. The Committee also met with the external auditors without the presence of Executive Directors or management.

Role

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the Financial Statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Main Activities

The main items of business carried out by the committee in the year included:

- consideration of matters of judgement and other key audit matters
- review of interim and full year Financial Statements and Annual Report
- consideration of the external audit report
- going concern review
- review of the risk management process and internal control procedures
- meeting with the external auditor without management present
- review of the FY2022 audit plan and audit engagement letter
- review of effectiveness of the external auditor

“The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed”

Financial Reporting

The Committee has recently concluded that the Annual Report and Financial Statements for the year ended 31 January 2022, taken as whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's business model, strategy and performance.

During the year, the Committee considered the following key matters of judgement:

- Capitalisation of product development spend
- Valuation of goodwill and intangible assets arising from the acquisition of Viomedex and SLE and any possible impairment indicators
- Appropriateness of the Group's segmental reporting
- Alternative performance measures; reviewed rationales and methodology of calculations

In terms of Going Concern the committee considered a range of scenarios for both the budget and the three-year business plan including a reasonable worst-case scenario. It was concluded that the going concern basis is appropriate.

External Audit

The FY2021 audit process was extended due to unforeseen complexities arising from the legacy finance system in SLE Limited. The Committee agreed to recommend publishing the Preliminary unaudited results, following a detailed review of audit work and assurances that the remaining procedures were not material.

The Committee carried out a detailed assessment of the root causes and lessons learned in terms of strength of team, clarity of responsibilities, project management and communication systems. SLE Limited has been migrated on to the Group's standard ERP system during the year which will enable significant efficiencies. The plan for FY2022 incorporates these learnings and the delivery of the plan closely monitored by the Audit Committee. The Committee considered a number of factors to assess the auditor's objectivity and independence, including their internal procedures, the degree and nature of challenges and scepticism shown by the partner. The Committee is satisfied with the independence, objectivity and expertise of BDO (the Group's external auditors) and has approved the FY2022 audit plan. A full review will take place after the completion of the FY2022 audit.

Risk Management and Internal Controls

The risk register is reviewed half yearly in the Board meetings, following a process agreed by the Audit Committee to identify and report strategic, operational and financial risks, the procedures in place to mitigate those risks and uncertainties and the potential impact on the Group.

The Committee reviewed this report and reported its views to the Board. The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 36 to 43.

During the year the Viomedex and SLE businesses were migrated to the Group's standard ERP system. There is strong automation and segregation of duties enforced within this system. Post year-end the committee will review an updated analysis of the control environment and make any necessary recommendations for improvement.

Key control procedures continue as follows:

- **Management responsibility and authorisation controls** – the Group has an established management structure in place, and clearly defined levels of responsibility. In addition, the Group has an authorisation matrix and delegation of authorities are built into the ERP system. The Group also has a comprehensive monthly financial reporting process.
- **Corporate planning process** – an annual plan and three-year strategic plan is updated each year and approved by the Board. Following approval of the annual budget by the Board financial performance and variances against budget are analysed and reported monthly and challenged centrally.
- **Key Performance Indicators ("KPI's")** – a set of operational, financial and non-financial KPI's are reported each month to the Board.
- **Strong cash management** – the Group maintains tight cash management control through, for example, delegated authorities and dual signatories on all bank accounts. The Board has approved a treasury policy covering counterparty risk and foreign exchange management.

Conclusion

The Committee considers it has acted in accordance with its responsibilities. The Chair of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Bob Beveridge
Chair, Audit Committee
3 May 2022

Board of Directors

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 30 years in the Medical Device industry. Neil has had an extensive career in medical devices in international sales and marketing in neonatal intensive care and operating theatre products, as well has having direct sales experience in the UK and Australia. Neil has previously also been a Director of Neuroprotexeon Ltd a drug/device development Company and currently is an advisor to the Infant Centre (the Irish perinatal research centre) in Cork. Neil has a degree in Engineering Technology and a Diploma in International Trade.

KEY AREAS OF EXPERTISE

Medical device market, market development, international sales and marketing, product development, regulatory affairs, strategic planning, M&A.

Jon Ballard Chief Financial Officer

Jon Ballard FCA joined Inspiration Healthcare as Group Financial Controller in June 2017 and was appointed as Chief Financial Officer in July 2020. A Chartered Accountant, Jon has over 20 years' experience in both practice and industry across a range of businesses from SMEs to Listed Companies, of which the previous eight have been within the Medical Device industry. Jon previously worked for CR Bard within the UK business. Jon has a degree in Physiology from the University of Bristol.

KEY AREAS OF EXPERTISE

Financial planning and analysis, financial control, budgeting, audit.

Brook Nolson Chief Operating Officer

Having supported Inspiration Healthcare as a consultant since 2013, Brook joined the Board as Non-executive Director in June 2015 and Chair of the Remuneration Committee Following the acquisition of SLE, he stepped down from his previous roles and became Chief Operating Officer for the Group. Brook has considerable experience in managing manufacturing, implementing strategic development plans and using technology and ERP system-based solutions to maximise productivity. Brook is a member of The Cambridge Institute for Sustainability Leadership (CISL) having completed his studies in Sustainability Management for the Corporate Environment with Cambridge University. Previous Group Directorships include: Birse Group plc, Willmott Dixon Group and Morgan Sindall plc.

KEY AREAS OF EXPERTISE

Corporate sustainability Leadership, strategic growth, restructuring, business transformation, product development, leadership and management development.

Mark Abrahams Non-executive Chairman

Mark Abrahams FCA became Chairman of Inspiration Healthcare Group plc following the reverse acquisition transaction in June 2015 and prior to that was Chairman of Inditherm plc since 2001. Mark has recently retired from the Board of Fenner Plc, following the acquisition by Michelin, 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 has also held roles as Vice Chair of Leeds Teaching Hospitals Trust and Non-executive Chairman of the Darby Group Plc. He is a Chartered Accountant and a Companion of the Institute of Management. He was 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

Bob Beveridge FCA, Non-executive Director and Senior Independent Director, joined the Board in August 2015 and is Chair of the Audit Committee. Bob has wide ranging Non-executive Director and public company experience; he is currently Chairman of the Thames Valley Berkshire Local Enterprise Partnership, Audit Committee Chair of Finsbury Food Group plc and member of the audit committee of the Health Foundation. Previously he was Group Finance Director of McBride plc, Marlborough Stirling plc and Cable and Wireless Communications plc. In 2021, Bob became Employee Representative to the Board.

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.

Liz Shanahan Non-executive Director

Liz Shanahan joined the Board as a Non-executive Director in October 2020. She is Chair of the Remuneration Committee and a member of the Audit Committee.

Until 2014, she was Global Head of Healthcare & Life sciences at the NYSE- listed management consultancy, FTI Consulting Inc., who had, in 2007, acquired the communications business, Santé Communications, which she had founded in 1995.

Liz is also a Non-executive Director of the AIM listed company, Celadon Pharmaceuticals plc and as Director & Trustee of CWPlus, the charitable arm of Chelsea & Westminster Foundation Trust Hospital in London, where she was a Non-executive Director for over five years. She is also a member of the organisation's Innovations Advisory Board.

Liz has a degree in Computer Programming & Maths from University College Cork, and she is an alumnus of the University of Virginia, Darden School of Business.

KEY AREAS OF EXPERTISE

Pharmaceutical & Healthcare Industry expertise, Financial including M&A, Risk management, Public Policy, ESG strategy, International Markets, Communications & Investor Relations.

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 2022 ("FY2022"). 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 plc.

Going Concern

The Group provides critical care equipment to the NHS, to private healthcare providers and to distributors who provide the equipment to other healthcare systems internationally. With a focus on neonatal intensive care the use of the Group's products are not something that can be reduced by election or choice and consequently demand for the Group's products is likely to continue or increase with the continuation of the Covid-19 pandemic.

Although the Group has no information to suggest such a scenario might occur the Group has modelled a significant downside scenario based on the main risks to the Group, as identified in the Principal Risks and Uncertainties on page 36 to 43 of the Annual Report, including a significant downturn in forecast revenue of 15% which would not result in a requirement to draw on the Revolving Credit Facility in the going concern period.

Based on the above, available funds of £7.9million and access to an undrawn £5million Revolving Credit Facility ("RCF") as at 31 March 2022, plus the ability to implement some mitigating actions identified by the Board in response to a significant trading downturn, the Directors believe that the Group has sufficient liquidity to meet obligations as they fall due for at least twelve months from 3 May 2022 and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis. Further information on the Group's cash resources as at 31 January 2022 is given in note 16 of the Financial Statements.

"With a focus on neonatal intensive care the use of the Group's products are not something that can be reduced by election or choice"

Results and Dividends

The results of the Group are set out in detail on page 72. An interim dividend of 0.205p per share (FY2021: 0.2p per share) was paid on 29 December 2021. The board is recommending a final dividend of 0.41p per share (FY2021: 0.4p per share) to make a total dividend for the year of 0.615p per share (FY2021: 0.6p per share).

Business Review and Future Developments

Details of the business activities during the year can be found in the Strategic Report on pages 4 to 45.

Political and Charitable Donations

No charitable donations were made during the year (FY2021: £250,000). No political donations were made (FY2021: £nil).

Financial Instruments and Risk Management

Disclosures regarding financial instruments are provided within the Principal Risks and Uncertainties on pages 36 to 43 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 Shares 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 £3.7million (FY2021: £1.6million) including expenditure capitalised in accordance with IAS38.

Involvement of Employees

All employees are valued members of the team and our aim is to help every individual achieve their full potential.

For information on how we engage with our employees, refer to our section 172 statement on pages 44 and 45.

Customers

A key element of the Group's 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. The Group plans to continue investment in R&D to enhance its products, get more regulatory clearances around the world and bring its innovative product range to more customers and ultimately help more babies survive.

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
B Nolson	Chief Operating Officer
J Ballard	Chief Financial Officer and Company Secretary
B J Beveridge	Non-executive Director
L A Shanahan	Non-executive Director

Further information relating to the Board is detailed on pages 54 and 55.

Directors' Report continued

Directors' Interests in Shares and Contracts

Directors' interests in shares of the Company at 31 January 2022 and 31 January 2021 and any changes subsequent to 31 January 2022 are disclosed in the Directors' Remuneration Report on page 65.

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

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Substantial Interests

At 3 May 2022 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
BGF Investment Management Ltd	10,560,000	15.5%
Premier Miton Group plc	6,876,114	10.1%
Berenberg Bank	5,715,170	8.4%
Octopus Investments Nominees Limited	4,425,000	6.5%
N J Campbell	4,416,646	6.5%
S G Motley	4,111,628	6.0%
T Foster	3,755,283	5.5%
Liontrust Asset Management	3,279,520	4.8%
Canaccord Genuity Group Inc	2,969,971	4.4%

Annual General Meeting

Details of the arrangements for the Annual General Meeting ("AGM") and the resolutions to be proposed will be provided in a separate notice of the AGM that will be sent to shareholders.

Re-appointment of Independent Auditors

BDO 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.

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 UK adopted International Accounting Standards 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 UK adopted International Accounting Standards 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
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business
- prepare the Financial Statements in accordance with the rules for the London Stock Exchange for the companies trading securities on AIM

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 ensuring the annual report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

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.

Jon Ballard
Company Secretary
3 May 2022

Directors' Remuneration Report

I am very pleased to be able to present my second Directors' Remuneration Report as Chair of the Remuneration Committee, on behalf of the Board, for the financial year ended 31 January 2022 ("FY2022").

Overview of Year

The challenges of Covid-19 remained with us throughout 2021/22, and again, despite those challenges, the Group once again delivered a strong financial performance for FY2022. We are pleased to be able to propose a final dividend of 0.41p per share this year. The organisation continued to grow, with a strong focus on the integration of SLE Limited and a focus on our move to our new Croydon site. The Committee has reviewed the current remuneration policy and has made some adjustments. Directors short and long-term remuneration, as detailed below, continues to reflect the Group's strong performance during the year. Our Chief Financial Officer and Company Secretary, Jon Ballard and our Chief Operating Officer, Brook Nolson, have now both settled well into their roles.

Membership

The Remuneration Committee has two members, Bob Beveridge, and myself, Liz Shanahan.

The Committee has met formally three times but regularly had informal discussions during the year. The Committee's responsibilities include; setting, reviewing and recommending to the board the remuneration policy for Executive Directors, certain aspects of other senior executives remuneration and reviewing and approving the rules of share incentive plans.

Executive Remuneration Policy

The Committee has followed the Quoted Companies Alliance ("QCA") guidance and is fully appraised of the FRC UK Corporate Governance Code 2018. Our reporting sits in the enhanced category for most aspects of the QCA guidance. Our aim is to ensure that it continues to be appropriate in supporting the Group's strategy and that it remains aligned with stakeholders' interests, in particular our shareholders and reflects evolving best practice and regulatory developments. The Committee endeavours to offer competitive remuneration packages that align with the Group's strategy and deliver on the short, medium and long-term objectives of the organisation. The Committee wants to ensure that we have packages that are fair, attract and appropriately incentivise the right calibre senior executives to the organisation and retain those individuals. We also want a remuneration policy that is challenging, appropriate and reflective of the Company's culture.

The remuneration agreements, as part of their contract of employment, for this level of executive are a mix of fixed remuneration and a performance-based remuneration which are designed to incentivise them; but not to detract from the goals of corporate governance.

The composition of each Director's remuneration is based on a fixed element together with a short and longer-term performance related element and are reviewed annually by the Committee. 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. In the event of any early termination, the Committee would seek to mitigate cost to the Group whilst dealing fairly with each individual case.

The Non-executive Directors, including the Chairman, each have a letter of appointment for a three-year term. Under the terms of the letters either party can serve 6 months written notice to terminate the arrangement. The maximum compensation payable in the event that appropriate notice is not given will be the equivalent to the notice term of the Director's fees. For the most recently appointed Non-executive Director, the term is 4 months. As of 3 May 2022, the Chairman has served on the Board for 6.8 years, Bob Beveridge has served for 6.7 years and I have been in place for 1.4 years.

The Executives fixed packages consist of basic salary, pension contributions of 5% of basic salary on a matched contribution basis, a vehicle allowance, private healthcare insurance and a death in service insurance scheme.

The performance related aspects consist of an annual bonus scheme between 50% and 100% of salary based on agreed performance criteria and a long-term incentive plan ("LTIP")[1]. The LTIP award is in the form of a nil cost nominal value share option over ordinary shares. The market value of the options granted to each of the executives, (number of options multiplied by the share price of the date of grant) equated, in the aggregate, to 30% of base salary respectively.

No Director participates in decisions about their own remuneration package.

Workforce Engagement and Workforce Remuneration

With the acquisition of SLE Limited in 2020, there were inevitably some misalignments between the remuneration policies across the Group. As part of our commitment to the 'S' in ESG, in the last 12 months, there has been some significant work to align those policies with a review and harmonisation of salaries across the Group. In addition, we implemented a number of new strategies including life insurance across all employees, improved annual leave programmes and the number of other additional employee benefits. We launched a progressive parental leave and pay programme, which includes specific provisions for those whose babies need neonatal intensive care and we have been trialling a compressed week programme which gives employees the option to compress their hours into a four-day working week. Our SAYE scheme, launched in 2020 which was designed to encourage our workforce to engage in the long-term future of the business and to reward them for their commitment, remains well subscribed. To date 74 employees have participated and 425,650 shares have been committed.

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. There remains a small gap between our female and male ratios, an improvement on 2021 and we remain committed to monitoring and neutralising it. Executive Pay Ratio Reporting remains stable, with the highest paid executive receiving just over 5 times the average package within the business and 10 times the lowest package.

Executive Remuneration for year ending 31 January 2022

Fixed Aspects

Because of the increases given in 2020, none of the executives received a salary increase in FY2022. The Executive Directors continue to receive pension contributions of 5% of basic salary or money purchase scheme on a matched contribution basis. Other benefits, which comprise the provision of a vehicle allowance or company car, private healthcare insurance and a death in service insurance scheme, have remained unchanged.

Performance Related Aspects

Bonus

The maximum annual bonus achievable for the executives varies between 50% and 100% of basic salary. Historically, the targets have been primarily set by reference to a mixture of challenging financial targets and a Health and Safety target, which the Committee considers to be strategically important for the Group. In FY2022, the financial targets were based on performance measures which are revenue, EBITDA, new product development and cash flow. The Health and Safetytarget is based on having no reportable incidents, see Table 2. For this year, the financial performance of the Group resulted in an actual bonus achievement, as a percentage, of just over 80%, for the executives. Details are set out in Table 1.

[1] Under the rules of the 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 (unless otherwise noted). 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.

Directors' Remuneration Report continued

Table 1: Directors' Remuneration (Audited)

Remuneration Breakdown

	Salary		Benefits		Pensions		Annual Bonus	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
EXECUTIVES								
N Campbell	**200**	183	**14**	8	**10**	9	**82**	143
B Nolson[1]	**160**	93	**13**	2	**8**	2	**131**	93
J Ballard[2]	**130**	66	**12**	4	**7**	3	**53**	45
T Foster[3]	**–**	58	**–**	4	**–**	3	**–**	54
M Briant[4]	**–**	54	**–**	6	**–**	3	**–**	13
NON-EXECUTIVES								
M Abrahams[5]	**45**	29	**–**	–	**–**	–	**–**	–
B Beveridge	**30**	26	**–**	–	**–**	–	**–**	–
L Shanahan[6]	**30**	8	**–**	–	**–**	–	**–**	–
B Nolson[1]	**–**	38	**–**	–	**–**	–	**–**	–
	595	555	**39**	24	**25**	20	**266**	348

	Total Fixed Remuneration		Total Variable Remuneration		Total Remuneration	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
EXECUTIVES						
N Campbell	**224**	200	**82**	143	**306**	343
B Nolson[1]	**181**	97	**131**	93	**312**	190
J Ballard[2]	**149**	73	**53**	45	**202**	118
T Foster[3]	**–**	65	**–**	54	**–**	119
M Briant[4]	**–**	63	**–**	13	**–**	76
NON-EXECUTIVES						
M Abrahams[5]	**45**	29	**–**	–	**45**	29
B Beveridge	**30**	26	**–**	–	**30**	26
L Shanahan[6]	**30**	8	**–**	–	**30**	8
B Nolson[1]	**–**	38	**–**	–	**–**	38
	659	599	**266**	348	**925**	947

[1] Brook Nolson was a member of the board until 6 July 2020 as a Non-executive Director and from 7 July 2020 as Chief Operating Officer. The Non-executive Director salary for 2021 reflects a significantly increased time commitment to support specific projects.

[2] Jon Ballard joined the board on 1 July 2020

[3] Toby Foster resigned from the board effective 7 July 2020

[4] Mike Briant resigned from the board effective 30 June 2020

[5] During 2021 Mark Abrahams sacrificed three months salary in favour of a charity for nurses who were impacted by Covid-19

[6] Liz Shanahan joined the board on 26 October 2020

Table 2: Annual Bonus Performance Criteria FY2022

Annual Bonus – 50% of Salary CEO & CFO, 100% of Salary COO

Measures	% of Bonus CEO & CFO	% of Bonus COO
Cap Profit – EBITDA	27.5	32.5
Cap Revenue – Sales	10.0	15.0
Cap Year-end Net Cash	6.5	6.5
New Product Development	2.5	2.5
Health and Safety	3.5	3.5
Successful migration of SLE Limited	0.0	30.0
Employee engagement measured	0.0	5.0
Customer service levels and satisfaction	0.0	5.0
Total	50.0	100.0

Priorities and executive remuneration for year ending 31 January 2023

The Committee continually assesses and review's the policy, mindful at the moment of the ongoing uncertainty brought on by the war in the Ukraine as well as Covid-19 on supply chains and the continued growth of the business. The Committee concluded that on balance the executive remuneration arrangements are appropriate, with some small changes in performance criteria. We considered the inclusion of some criteria to reflect a growing desire to reflect our ESG strategy, but have agreed that it will be more appropriate to do that next year.

Salary

We have agreed a modest increase in salary for the Executive Directors for FY2022 of 3.5%, in line with the rest of the workforce.

Annual bonus

The bonus arrangements for Executive Directors in FY2023 are detailed below, see Table 3, with some specific operational targets for the Chief Operating Officer.

Long-term Incentive plan ("LTIP")

As outlined last year, the original performance measures used for Enterprise Management Incentive ("EMI") were inconsistent with the Group's strategic objectives and were revised. The measures now used are based 40% on new product introductions and 60% on revenue growth. The EMI in place from FY2018 continued to utilise the historic parameters. The Committee has assessed performance against targets for the 2018 LTIP, which performance period runs from 1 February 2018 to 31 January 2021, resulting in 100% vesting of this element for the three-year period to 8th November 2021. Neil Campbell and Jon Ballard both received the right to exercise 65,385 and 23,252 options respectively on 7 April 2022.

The LTIP lapsed in 2019 and 2020 and we reintroduced and refined it last year. As of 31 January 2022, there are, including Directors, 477,538 (FY2021: 251,837) share options in existence. For Directors total interest in shares, see Table 6.

Table 3: Annual Bonus Performance Criteria FY2023

Annual Bonus - 100% of Salary

Measures	% of Bonus CEO & CFO	% of Bonus COO
Cap Profit - EBITDA	60.0	25.0
Cap Revenue - Sales	22.5	7.5
Cap Year-end Net Cash	5.0	5.0
New Product Development	10.0	10.0
Health and Safety	2.5	2.5
Successful migration to new site	0.0	30.0
Customer service levels and satisfaction	0.0	10.0
Supplier service levels and satisfaction	0.0	10.0
Total	100.0	100.0

Directors' Remuneration Report continued

LTIP

The revised LTIP for our Executive Directors, which was launched last year, remains in place and continues to be reflected in similar awards to a number of senior employees. The rolling programme runs over three-year cycles and has a 2-year holding period, post vesting with clawback criteria. The scheme consists of nil cost options, which are subject to performance conditions (unless noted).

As a growth business our performance criteria aim to achieve a balance between incentive, governance and fairness. We have made no changes to our performance criteria for this year, which the Committee have approved, and the Board have endorsed.

Table 4: LTIP performance criteria

2022 LTIP – measures – over 3 years – evaluated on YE 31 Jan 2024

Measures	Weighting %
Revenue growth	60.0
Product launches	40.0
Total	100.0

There is an underpin of a baseline EBITDA percentage also required.

Table 5: Outlines all outstanding share awards, with performance conditions, granted to Directors under the LTIP

Number of shares awarded under award

	On 01 February 2021	Granted during the year	Exercised during the year	Lapsed during the year	**At 31 January 2022**	Date of Award	Performance Period	Exercising Date	Expiry Date
N CAMPBELL									
	65,385	–	–	–	65,385	08 Nov 18	01 Feb 18 31 Jan 21	07 Nov 21	06 Nov 28
	–	50,000	–	–	50,000	07 May 21	01 Feb 21 31 Jan 24	07 May 24	06 May 31
	65,385	**50,000**	**–**	**–**	**115,385**				
J BALLARD									
	6,250	–	–	–	6,250	08 Nov 17	01 Feb 17 31 Jan 20	08 Nov 20	07 Nov 27
	23,252	–	–	–	23,252	08 Nov 18	01 Feb 18 31 Jan 21	07 Nov 21	06 Nov 28
	–	32,500	–	–	32,500	07 May 21	01 Feb 21 31 Jan 24	07 May 24	06 May 31
	29,502	**32,500**	**–**	**–**	**62,002**				
B NOLSON									
	–	40,000	–	–	40,000	07 May 21	01 Feb 21 31 Jan 24	07 May 24	06 May 31
	–	**40,000**	**–**	**–**	**40,000**				

Table 6: Directors' and Company Secretary's interests in share capital (audited)

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

Directors' Interests

	31 January 2022	31 January 2021
M S Abrahams	**256,576**	256,576
N J Campbell	**4,416,646**	4,551,646
J Ballard	**15,375**	15,375
B Nolson	**34,323**	34,323
L Shanahan	**35,000**	–

The only interests of Directors in share options as at all dates are set out in the Share Option Scheme section above. More information can be found in the Directors' Report on pages 56 to 59 setting out substantial interests in the Company.

Conclusion

The year ending 31 January 2022 has been a year of growth and consolidation for all our employees. Despite the ongoing, external, challenges, the entire workforce, including our executive team, continued to run the business, seamlessly, throughout year, making sure the delivery of care to neonates was uninterrupted. The Group once again delivered a strong operational and financial performance, and this is once again reflected in the Directors' remuneration.

Liz Shanahan
Chair Remuneration Committee
3 May 2022

Independent Auditor's Report

to the members of Inspiration Healthcare Group Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Inspiration Healthcare Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed the directors budgets and forecasts for the period to January 2024. We tested the arithmetic accuracy of these budgets and forecasts;
- We evaluated the accuracy of the previous budgets, through comparison of the FY22 budget to actual results achieved in FY22;
- We assessed the appropriateness of the key assumptions used in forecasts; we compared the revenue growth forecasts with the revenue growth in the current year and prior year (excluding one-off Covid-19 revenue). We considered whether the cost increases are reasonable given the forecast increase in revenue. We also considered the impact of the ongoing conflict in Russia and Ukraine on the going concern of the Group;
- We reviewed stress tested forecasts and discussed with the directors the assumptions made, and considered the likelihood of the downside scenario arising and the reasonableness of the directors available mitigating actions. We have also performed further stress testing to consider the impact of changes in overhead expenditure on the cashflows of the group;
- We compared budgeted results against post year-end management accounts to assess the accuracy of the directors' forecasts;
- We reviewed the adequacy and consistency of the going concern disclosures in the financial statements in light of the directors going concern assessment; and
- We reviewed the minutes of post year-end Board meetings and held discussions with those charged with governance to identify any significant changes to business operations that would impact going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

<table>
<tr><td>Coverage</td><td>88% (2021: 95%) of Group profit before tax
95% (2021: 100%) of Group revenue
93% (2021: 100%) of Group total assets</td></tr>
<tr><td>Key audit matters</td><td><table><tr><td></td><td>2022</td><td>2021</td></tr><tr><td>Revenue Recognition
*Acquisition accounting of S.L.E Limited</td><td>Y
N</td><td>Y
N</td></tr></table>The acquisition accounting of S.L.E Limited was not considered to be a key audit matter in the current year as this was a one off event occurring in the prior year with no recurring matters for consideration in the current year.</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole:
£198,000 (2021:£184,000) based on 5% (2021: 5%) of Profit before tax (2021: Profit before tax before certain non-trading items)</td></tr>
</table>

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We have identified two significant components within the group being Inspiration Healthcare Limited and S.L.E. Limited which were subject to full scope audits. The non-significant components were subject to specific audit procedures. All audit work on both significant and non-significant components was performed by the group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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 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.

Independent Auditor’s Report

to the members of Inspiration Healthcare Group Plc

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue Recognition (Note 1 and note 3)	Within Inspiration Healthcare Group revenue includes the sale of Branded and distributor products recognised at a point in time and the provision of technology support services recognised over time. We consider there to be a risk of fraud and error connected with recognising revenue in the correct period around year end (cut off) as there is an element of judgement involved in determining when control passes to the customer. We also consider there to be a fraud risk in relation to technology support revenue arising as a result of the judgement involved in determining the period covered by the contract and from the inappropriate or incorrect calculation of the split between revenue and the contract liability. Following the acquisition of S.L.E. Limited, the group has significantly expanded the number of international markets that it operates in, which may drive more complexities in revenue recognition. We therefore consider there to be a risk of fraud and error over compliance with IFRS 15 Revenue from Contracts with Customers (“IFRS15”) for revenue contracts with overseas customers and distributors.	We have checked that the Group’s policy for revenue recognition for all trading entities is in line with the requirements of IFRS 15. We completed cut off testing by tracing a sample of January 2022 and February 2022 invoices for the sale of goods through to supporting documentation to check that these items had been appropriately accounted for in the correct period. We have selected a sample of technology support transactions in the year, agreed these through to invoice and recalculated the contract liability as at year end based upon the term outlined within the invoice or contract, as applicable. We reviewed a sample of post year end credit notes raised to check that any items relating to the financial year under audit had been appropriately provided for and did not relate to revenue recognised within the year which was subsequently reversed. For a sample of revenue recognised for overseas distributors, we have obtained copies of the agreements to confirm revenue was recognised in accordance with the terms of the contract. We tested all unusual journal posting combinations involving revenue accounts within the general ledger and agreed these through to supporting documentation. **Key Observations** Based on the procedures performed we did not identify any indicators to suggest that revenue has not been recognised in accordance with the group’s accounting policy.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2022 £	2021 £	2022 £	2021 £
Materiality	198,000	184,000	188,000	180,000
Basis for determining materiality	5% of Profit before tax	5% of Profit before tax excluding certain non-trading items	95% of Group materiality	97% of Group materiality
Rationale for the benchmark applied	Profit before tax is a key benchmark for users of the financial statement of the Group.	Profit before tax is a key benchmark for users of the financial statements of the Group. Non- trading items were considered to be one off in relation to the acquisition of S. L. E. Limited and was therefore adjusted for.	Parent company materiality was capped at £188,000 to respond to aggregation risk.	Parent company materiality was capped at £180,000 to respond to aggregation risk.
Performance materiality	148,500	119,600	141,000	117,000
Basis for determining performance materiality	75% of Group materiality as this was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement.	65% of Group materiality as there were changes in management in the year and significant changes to the Group structure, and as a result process and controls.	75% of parent company materiality as this was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement.	65% of parent company materiality as there were changes in management during the year and significant changes to the Group structure, and as a result processes and controls.

Component materiality

We set materiality for each component of the Group based on a percentage of between 64% to 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £130,000 to £188,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £8,000 (2021: £7,300). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report

to the members of Inspiration Healthcare Group Plc

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Through discussion with those charged with governance, we gained an understanding of the legal and regulatory framework applicable to the Group, the components and the industry in which it operates and considered the risk of non-compliance or fraud by the Group.
- We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the health and safety act, accounting standards and Companies Act 2006.
- Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, enquiries or those charged with governance and review of board minutes.
- We assessed the susceptibility of the Group and Parent company's financial statements to material misstatement, including how fraud might occur, by discussion with those charged with governance. We considered there was a susceptibility of fraud relating to management override of controls and improper revenue recognition.
- In addressing the risk of fraud, through management override of controls, we reviewed the appropriateness of journal entries that were considered to be unusual or higher risk by agreeing the journal raised to supporting documentation. We assess whether judgements made by management in making accounting estimates are indicative of bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.
- In addressing the risk of fraud relating to revenue recognition our procedures included those set out in the Key Audit Matters section above.

The engagement partner has assess and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nigel Harker (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

3 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

for the year ended 31 January 2022

	Note	2022 £'000	2021 £'000
REVENUE	3	**41,050**	36,980
Cost of sales		**(20,458)**	(18,958)
GROSS PROFIT		**20,592**	18,022
Administrative expenses	4	**(16,337)**	(14,778)
OPERATING PROFIT		**4,255**	3,244
Finance income	6	**9**	3
Finance expense	6	**(301)**	(114)
PROFIT BEFORE TAX		**3,963**	3,133
Income tax	7(a)	**(370)**	(318)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**3,593**	2,815
EARNINGS PER SHARE, ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
BASIC EXPRESSED IN PENCE PER SHARE	8	**5.28p**	5.10p
DILUTED EXPRESSED IN PENCE PER SHARE	8	**5.22p**	5.07p

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2022

	Note	2022 £'000	2021 £'000
PROFIT FOR THE YEAR		**3,593**	2,815
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
Cash flow hedges	19	**9**	31
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**9**	31
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,602**	2,846

The notes on pages 77 to 106 are an integral part of these Consolidated Financial Statements.

Consolidated and Company Statements of Financial Position

as at 31 January 2022

(Registered Number: 03587944)

	Note	GROUP 2022 £'000	GROUP 2021 £'000	COMPANY 2022 £'000	COMPANY 2021 £'000
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	10	**16,782**	15,206	**–**	–
Property, plant and equipment	11	**1,798**	919	**–**	–
Right of use assets	12	**7,383**	3,102	**–**	3
Investments	13	**–**	–	**32,881**	32,881
Deferred tax asset	21	**470**	–	**63**	25
		26,433	19,227	**32,944**	32,909
CURRENT ASSETS					
Inventories	14	**6,449**	8,190	**–**	–
Trade and other receivables	15	**9,314**	5,163	**1,433**	1,434
Cash and cash equivalents	16	**9,253**	10,653	**310**	586
		25,016	24,006	**1,743**	2,020
TOTAL ASSETS		**51,449**	43,233	**34,687**	34,929
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	18	**(6,552)**	(6,809)	**(7,973)**	(5,996)
Lease liabilities	12	**(647)**	(369)	**–**	(3)
Financial derivative	19	**–**	(9)	**–**	–
Contract liabilities	20	**(524)**	(533)	**–**	–
		(7,723)	(7,720)	**(7,973)**	(5,999)
NON-CURRENT LIABILITIES					
Lease liabilities	12	**(6,896)**	(2,796)	**–**	–
Deferred tax liability	21	**(1,925)**	(1,141)	**–**	–
		(8,821)	(3,937)	**–**	–
TOTAL LIABILITIES		**(16,544)**	(11,657)	**(7,973)**	(5,999)
NET ASSETS		**34,905**	31,576	**26,714**	28,930
SHAREHOLDERS' EQUITY					
Called up share capital	22	**6,812**	6,812	**6,812**	6,812
Share premium account	22	**18,838**	18,838	**18,838**	18,838
Reverse acquisition reserve	22	**(16,164)**	(16,164)	**–**	–
Share based payment reserve	22	**278**	139	**433**	294
Other reserves	22	**–**	(9)	**–**	–
Retained earnings		**25,141**	21,960	**631**	2,986
TOTAL EQUITY		**34,905**	31,576	**26,714**	28,930

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 Company's loss for the year ended 31 January 2022 is £1,943,000 (2021: loss £1,782,000).

The notes on pages 77 to 106 are an integral part of these Consolidated Financial Statements.

The Group Financial Statements on pages 72 to 106 were approved by the Board of Directors on 3 May 2022 and signed on its behalf by:

Neil Campbell
Director

Jon Ballard
Director

Consolidated and Company Statements of Changes in Shareholders' Equity

GROUP	Note	Issued share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Share based payment reserve £'000	Other reserves £'000	Retained earnings £'000	**Total £'000**
AT 1 FEBRUARY 2020		**3,838**	**3,475**	**(16,164)**	**153**	**(34)**	**19,281**	**10,549**
Profit for the year		–	–	–	–	–	2,815	**2,815**
Cash flow hedges:								
Income recognised on hedging instruments	22	–	–	–	–	31	–	**31**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–**	**–**	**–**	**–**	**31**	**2,815**	**2,846**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Dividends		–	–	–	–	–	(136)	**(136)**
Employee share scheme expense	24	–	–	–	78	–	–	**78**
Issue of ordinary shares, net of transaction costs and tax	22	2,974	15,363	–	(92)	–	–	**18,245**
Deferred tax	21	–	–	–	–	(6)	–	**(6)**
TOTAL TRANSACTIONS WITH OWNERS		**2,974**	**15,363**	**–**	**(14)**	**(6)**	**(136)**	**18,181**
AT 31 JANUARY 2021		**6,812**	**18,838**	**(16,164)**	**139**	**(9)**	**21,960**	**31,576**
Profit for the year		–	–	–	–	–	3,593	**3,593**
Cash flow hedges:								
Income recognised on hedging instruments	22	–	–	–	–	9	–	**9**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–**	**–**	**–**	**–**	**9**	**3,593**	**3,602**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Dividends		–	–	–	–	–	(412)	**(412)**
Employee share scheme expense	24	–	–	–	139	–	–	**139**
TOTAL TRANSACTIONS WITH OWNERS		**–**	**–**	**–**	**139**	**–**	**(412)**	**(273)**
AT 31 JANUARY 2022		**6,812**	**18,838**	**(16,164)**	**278**	**–**	**25,141**	**34,905**

For more information see note 22.

The notes on pages 77 to 106 are an integral part of these Consolidated Financial Statements.

Consolidated and Company Statements of Changes in Shareholders' Equity continued

COMPANY	Note	Issued share capital £'000	Share premium account £'000	Share based payment reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
AT 1 FEBRUARY 2020		**3,838**	**3,475**	**308**	**6**	**4,904**	12,531
Loss for the year		–	–	–	–	(1,782)	**(1,782)**
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**–**	**–**	**–**	**–**	**(1,782)**	(1,782)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Dividends		–	–	–	–	(136)	**(136)**
Employee share scheme expense	24	–	–	78	–	–	**78**
Proceeds from shares issued, net of transaction costs and tax	22	2,974	15,363	(92)	–	–	**18,245**
Deferred tax	21	–	–	–	(6)	–	**(6)**
TOTAL TRANSACTIONS WITH OWNERS		**2,974**	**15,363**	**(14)**	**(6)**	**(136)**	18,181
AT 31 JANUARY 2021		**6,812**	**18,838**	**294**	–	**2,986**	28,930
Loss for the year		–	–	–	–	(1,943)	**(1,943)**
Cash flow hedges: Income recognised on hedging instruments	22	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–**	**–**	**–**	**–**	**(1,943)**	(1,943)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Dividends		–	–	–	–	(412)	**(412)**
Employee share scheme expense	24	–	–	139	–	–	**139**
TOTAL TRANSACTIONS WITH OWNERS		**–**	**–**	**139**	**–**	**(412)**	(273)
AT 31 JANUARY 2022		**6,812**	**18,838**	**433**	**–**	**631**	26,714

For more information see note 22.

The notes on pages 77 to 106 are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 January 2022

	Note	2022 £'000	2021 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		3,593	2,815
Adjustments for:			
Depreciation and amortisation		1,906	1,228
Remeasurement of right of use assets		(46)	–
Impairment of right of use assets	12	122	–
Impairment of intangible assets	10	–	47
Employee share scheme expense	24	139	78
Contingent consideration share issue		–	435
Loss on disposal of tangible assets		192	14
Loss on disposal of intangible assets		133	65
Revenue from leased rentals	15	(304)	–
Finance income	6	(9)	(3)
Finance expense	6	301	114
Income tax expense	7(a)	370	318
		6,397	5,111
Decrease/(increase) in inventories		1,741	(573)
(Increase)/decrease in trade and other receivables		(3,733)	4,009
Decrease in trade and other payables		(266)	(3,597)
Decrease in contract liabilities		(9)	(6)
CASH FLOWS GENERATED FROM OPERATIONS		4,130	4,944
Taxation paid	7(b)	(554)	(209)
NET CASH GENERATED FROM OPERATING ACTIVITIES		3,576	4,735
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of subsidiary		–	(19,457)
Cash acquired through business combinations		–	6,314
Bank interest received	6	1	3
Interest received on leased rentals	6	8	–
Purchase of property, plant and equipment	11	(1,425)	(257)
Purchase of intangible assets	10	(338)	(49)
Capitalised development costs	10	(2,208)	(614)
NET CASH USED IN INVESTING ACTIVITIES		(3,962)	(14,060)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	22	–	16,967
Share issue costs	22	–	(957)
Principal elements of lease payments	12	(382)	(262)
Principal elements of lease receipts	15	74	–
Interest paid on lease liabilities	6	(244)	(87)
Interest paid on loans and borrowings	6	(50)	(27)
Dividends paid to the holders of the parent	9	(412)	(136)
Proceeds from loans and borrowings		–	1,500
Repayments from loans and borrowings		–	(1,500)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(1,014)	15,498
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,400)	6,173
Cash and cash equivalents at the beginning of the year		10,653	4,480
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	9,253	10,653

Notes forming part of the Financial Statements

for the year ended 31 January 2022

1 Accounting Policies

Inspiration Healthcare Group plc ("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.

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.

Going concern basis

The Group provides critical care equipment to the NHS, to private healthcare providers and to distributors who provide the equipment to other healthcare systems internationally. With a focus on neonatal intensive care the use of the Group's products are not something that can be reduced by election or choice and consequently demand for the Group's products is likely to continue or increase with the continuation of the Covid-19 pandemic.

Although the Group has no information to suggest such a scenario might occur the Group have modelled a significant downside scenario based on the main risks to the Group, as identified in the Risks and Uncertainties on page 36 to 43 of the Annual Report, including a significant downturn in forecast revenue of 15% which would not result in a requirement to draw on the Revolving Credit Facility in the going concern period.

Based on the above, available funds of £7.9million and access to an undrawn £5million Revolving Credit Facility ("RCF") as at 31 March 2022, plus the ability to implement some mitigating actions identified by the Board in response to a significant trading downturn, the Directors believe that the Group has sufficient liquidity to meet obligations as they fall due for at least twelve months from 3 May 2022 and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis. Further information on the Group's cash resources as at 31 January 2022 is given in note 16.

Group

The Consolidated Financial Statements cover the year ended 31 January 2022.

The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2022.

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 as applicable to companies using FRS 101.

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

for the year ended 31 January 2022

1 Accounting Policies continued

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company 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 wholly owned members of a group.

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

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. All subsidiaries are 100% owned.

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.

Critical estimates and judgements

The presentation of Financial Statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Notes forming part of the Financial Statements continued

1 Accounting Policies continued

Judgements

The Group applies judgement in how it applies its accounting policies, which could materially affect the numbers disclosed in these Financial Statements. The key accounting judgements 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 2022 of R&D tax credit claims made for the year.

- 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 £2,208,000 (2021: £614,000) which includes £287,000 (2021: £310,000) of employee time spent on development projects. See Note 10.

- Non-trading Items

  Non-trading items have been presented separately throughout the Financial Statements. These are items that management believes require separate disclosure by virtue of their nature in order that users of the Financial Statements obtain a clear and consistent view of the Group's underlying trading performance. In identifying non-trading items, management have applied judgement including whether i) the item is related to underlying trading of the Group; and/or ii) how often the item is expected to occur. There were no non-trading items in the year. In prior year, the non-trading items were acquisition related.

- Leases

  Termination options are included in a number of property leases across the Group. This option is used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive not to exercise a termination option. Termination options are only included in the lease term if the lessee is reasonably certain to exercise the option to terminate before the end of the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that it is within the control of the Group.

Accounting Estimates

The Group is required to make judgements based on estimates and assumptions concerning the future in order to fully comply with UK adopted IASs. 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.

Notes forming part of the Financial Statements

for the year ended 31 January 2022

1 Accounting Policies continued

The key estimates applicable to the Financial Statements, which have a significant risk of resulting in a material adjustment 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 recognised a deferred tax asset in the year. Unused trading losses of £7,172,534 arose in SLE Limited prior to the acquisition by Inspiration Healthcare Group plc on 7 July 2020 and £7,370,932 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 which arose in Inditherm plc have been transferred to Inspiration Healthcare Limited. 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. Assessment of future taxable profit of relevant trading activities is based on estimates of future revenue streams, 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 2022 is £3,170,000 (2021: £2,867,000). See note 21 on Deferred Tax.

Impairment

Carrying value of capitalised development costs

The fair value of capitalised development costs is determined by discounting estimated future net cash flows generated by the asset where no active market for the asset exists. A weighted average cost of capital of 12% is used. The net book value of capitalised development costs at as 31 January 2022 is £ 3,347,000 (2021: £1,410,000). 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 £155,000 (2021: £186,000). 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 £26,000 (2021: £31,000), which is determined assuming amortisation of the product development costs is charged over 6 years, rather than 7 years. There was no impairment of capitalised development costs recognised in the year (2021: £47,000).

Goodwill

Impairment testing is an area involving management's judgement, requiring assessment as to whether the carrying value of the operating segment 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 expectation 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.

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.

Notes forming part of the Financial Statements continued

1 Accounting Policies continued

The following rates are applied:

Leasehold improvements	Over the term of the lease
Fixtures and fittings	10% - 25% per annum
Motor vehicles	20% per annum
Plant, machinery and office equipment	15% - 33% per annum

Repairs and maintenance are charged to the Consolidated Income Statement during the financial year in which they are incurred.

Leases

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Lease payments are allocated between principle and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a consistent periodic rate of interest on the remaining balance of the liability for each period.

The right of use assets are measured at cost comprising the amount of the initial measurement of the lease liability. Right of use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset on a straight-line basis.

During the year, the Group entered into a number of lease agreements of its patient warming products, acting as the lessor in these arrangements. These contracts contain both lease and non-lease components. The Group applies IFRS 15 'Revenue from contracts with customers' to allocate the consideration relating to the service component of the contracts.

The lease component is accounted for as a finance lease in accordance with IFRS 16 'Leases'. On commencement of the lease, the lease component is initially recognised as a receivable at an amount equal to the net investment in the lease, with an equal amount recognised as revenue on commencement. The net investment comprises the present value of the lease payments due to the lessor. The Group uses the interest rate implicit in the lease to measure the net investment in the lease. At commencement of the lease, the lease payments included in the measurement of the net investment in the lease comprise the fixed payments for the lease. Finance income is allocated over the lease period so as to produce a consistent periodic rate of interest on the remaining balance of the asset for each period. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

Intangible assets

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. Amortisation is recognised in 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.

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.

Notes forming part of the Financial Statements
for the year ended 31 January 2022

1 Accounting Policies continued

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
- 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. The estimated useful life is 3 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

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 initially measured at the transaction price.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profile of historic sales and corresponding historical credit losses in addition to considering current and forward macroeconomic factors potentially affecting the customers' ability to settle the amount outstanding.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis and have been grouped based on days past due.

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

for the year ended 31 January 2022

1 Accounting Policies continued

Derivatives and hedging activities

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 year in which the hedged item affects the income statement.

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 Consolidated 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 24 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 either recognises revenue from contracts with customers at a point in time or over time as outlined below.

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. 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. This is deemed to be on ex works basis for the majority of shipments. The goods supplied are primarily medical devices or parts used in medical devices.

Notes forming part of the Financial Statements continued

1 Accounting Policies continued

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 recognition of revenue over time results in contact liabilities being recognised as contract liabilities within the Balance Sheet.

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.

Revenue is shown net of value added tax, returns, rebates and discounts.

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 for 12 months 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 2022, the Group held a provision of £279,000 (2021: £468,000) in relation to the replacement of boards contained within both the SLE 4000 and SLE 5000 ventilators. The provision was included within the opening fair value balance on the acquisition of SLE Limited. Management are not aware of any other material field issues that would require a provision to be made for products supplied for distribution outside of the manufacturers' warranties.

Dividends

Dividends proposed by the Board are recognised in the Financial Statements when they have been approved by shareholders at the AGM. Interim dividends are recognised when they are paid.

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. Following the acquisition of SLE Limited this approach is still considered appropriate as SLE Limited operates within the same business segment as the Group.

Taxation

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

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

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

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

Notes forming part of the Financial Statements

for the year ended 31 January 2022

1 Accounting Policies continued

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

There was one new amendment published during the year, as listed below. This amendment does not have an impact on the Group:

- Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

New standards and interpretations not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 February 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- References to Conceptual Framework (Amendments to IFRS 3)

The following amendments are effective for the period beginning 1 February 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);

The Group has assessed the impact of these new and forthcoming standards and interpretations and does not believe that these standards and interpretations will have a material impact on the Financial Statements.

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.

The Group refers to the following alternative financial measures, please refer to the Operating and Financial Review on pages 30 to 33 for further information.

- Adjusted EBITDA
- Adjusted Operating Profit
- Underlying EPS

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: Distributed, Branded and Technology Support and these sectors are defined and reported in Our Business Strategy and Operating and Financial Review sections of the Strategic Report sections of the strategic report. There is no inter-sector trading. Following the acquisition of SLE Limited this approach is still considered appropriate as SLE Limited operates within the same market sectors as the Group.

The sectors are defined in Market Sectors/Revenue Streams on page 6.

Notes forming part of the Financial Statements continued

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:

	2022 £'000	2021 £'000
DOMESTIC		
– UK	**17,078**	23,446
– Ireland	**545**	1,028
INTERNATIONAL		
– Europe	**5,955**	5,179
– Asia Pacific	**10,230**	4,128
– Middle East & Africa	**5,456**	1,852
– Americas	**1,786**	1,347
TOTAL	**41,050**	36,980

SIGNIFICANT CATEGORIES OF REVENUE	2022 £'000	2021 £'000
Revenue recognised at a Point in Time		
– Branded Products	**22,524**	11,465
– Distributor Products	**13,606**	22,224
– Technology Support*	**304**	–
– Other	**356**	294
Revenue recognised Over Time		
– Technology Support	**4,260**	2,997
TOTAL	**41,050**	36,980

*Technology Support revenue recognised at a point in time relates to our AlphaCore[5] patient warming system.

In the current year, no single customer accounted for more than 10% (2021: 10%) of revenue. In the prior year, NHS Supply Chain accounted for 20% of revenue, inclusive of "one off" Covid-19 revenue. However, excluding "one off" Covid-19 revenue, there was also no single customer that accounted for more than 10% of revenue in the prior year.

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

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 or shipped under ex-works arrangements, 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 £533,000 which had been included in Contract Liabilities at 1 February 2021 (2021: £376,000). See note 20 on Contract Liabilities for more information.

There have been no significant changes in contract assets or liabilities year-on-year.

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

for the year ended 31 January 2022

4 Expenses by nature

	Note	2022 £'000	2021 £'000
Inventories		**20,458**	18,958
Employee benefit expense[1]	5	**10,523**	8,619
Depreciation			
– property, plant and equipment	11	**363**	286
– right of use assets	12	**706**	320
Amortisation			
– intangible fixed assets	10	**232**	242
– acquisition related intangible assets	10	**605**	380
Impairment of intangible fixed assets	10	**–**	47
Impairment of right of use assets	12	**122**	–
Trade receivables loss allowance		**54**	70
Loss on disposal of intangible and tangible assets		**325**	79
Foreign exchange losses		**69**	192
R&D expenditure		**348**	190
Other expenses		**2,990**	4,353
TOTAL COST OF SALES AND OPERATING EXPENSES		**36,795**	33,736

[1] Wages and salaries of R&D employees have been included in Employee benefit expense above

	2022 £'000	2021 £'000
The numbers above include:		
AUDITORS' REMUNERATION		
Audit fees payable to the Group's auditor – Group	**116**	99
Audit fees payable to the Group's auditor – Company	**29**	26
Additional costs in relation to the 2021 audit	**60**	–
TOTAL AUDIT FEES PAYABLE TO THE GROUP'S AUDITOR	**205**	125
Non-audit services provided by the Group's auditor	**3**	–
TOTAL NON-AUDIT SERVICES PROVIDED BY THE GROUP'S AUDITOR	**3**	–

The additional fees in relation to the 2021 audit were incurred due to the acquisition of SLE in the year.

5 Employees

	GROUP		COMPANY	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Aggregate employee costs are as follows:				
Wages and salaries	**8,896**	7,409	**1,396**	107
Social security costs	**1,078**	845	**183**	8
Defined contribution pension scheme cost	**410**	287	**46**	–
Share based payment expense	**139**	78	**139**	78
TOTAL	**10,523**	8,619	**1,764**	193

Employee costs include the costs of the Executive Directors but not the Non-executive Directors, along with severance payments of £39,000 (2021: £nil).

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

Notes forming part of the Financial Statements continued

5 Employees continued

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

	GROUP 2022	2021
Management and Administration	**72**	56
Sales	**40**	40
Development and Quality	**54**	36
Production	**29**	17
TOTAL	**195**	149

No employees are directly employed by the Company.

No emoluments were directly paid by the Company.

The number of Directors for whom retirement benefits are accruing under defined contribution pension schemes during the year were 3 (2021: 3).

No Directors exercised share options during the year (2021: none).

Director's remuneration is disclosed in the Directors' Remuneration Report on pages 60 to 65.

This note should be read in conjunction with the Directors' Remuneration Report on pages 60 to 65.

6 Finance income and expense

	2022 £'000	2021 £'000
FINANCE INCOME		
Interest receivable – Leases	**8**	–
Bank interest receivable	**1**	3
TOTAL FINANCE INCOME	**9**	3
FINANCE EXPENSE		
Other interest payable – RCF facility	**(50)**	(27)
Other interest payable – Leases	**(244)**	(87)
Other interest payable	**(7)**	–
TOTAL FINANCE EXPENSE	**(301)**	(114)

7 Income tax

7(a) Analysis of tax charge for the year

	Note	2022 £'000	2021 £'000
DOMESTIC CURRENT YEAR TAX *			
UK corporation tax			
Current year		**–**	428
Prior year adjustment		**56**	(61)
TOTAL CURRENT TAX EXPENSE		**56**	367
Deferred tax	21		
Origination and reversal of temporary timing differences		**290**	(65)
Prior year adjustment		**24**	(11)
Effect of increased tax rate on opening balance		**–**	27
TOTAL DEFERRED TAX		**314**	(49)
TAX EXPENSE ON PROFIT ON ORDINARY ACTIVITIES		**370**	318

* All tax in both 2022 and 2021 arose in the UK

Notes forming part of the Financial Statements

for the year ended 31 January 2022

7 Income tax continued

7(b) Analysis of current corporation tax assets and liabilities

	Note	2022 £'000	2021 £'000
Net liability at 1 February 2021		**(313)**	(123)
TAX PAYMENTS			
Final payments relating to prior year		**554**	115
Payments on account relating to current year		**–**	94
TOTAL TAX PAYMENTS MADE DURING THE YEAR		**554**	209
Tax receipts in relation to prior year		**–**	–
Current year UK corporation tax charge		**–**	(428)
Other		**–**	–
Prior year adjustment		**(56)**	61
Acquired through business combinations		**–**	(32)
NET ASSET/(LIABILITY) AT 31 JANUARY 2022	17	**185**	(313)

7(c) Factors affecting tax charge for the year

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK 19.00% (2021: 19.00%) as explained below:

	2022 £'000	2021 £'000	EFFECTIVE TAX RATE 2022 %	EFFECTIVE TAX RATE 2021 %
Profit on ordinary activities before taxation	**3,963**	3,133		
Tax using the effective UK corporation tax rate of 19.00% (2021: 19.00%)	**753**	595	**19.0**	19.0
Effects of:				
Non-deductible expenses	**56**	204	**1.4**	6.5
Additional deduction for research and development	**(497)**	(216)	**(12.5)**	(6.9)
Intangibles arising on business combinations	**–**	–	**–**	–
Fixed asset differences	**49**	–	**1.2**	–
Other permanent differences	**12**	–	**0.3**	–
Adjustment in respect of prior periods	**80**	(61)	**2.0**	(1.9)
Amendments to deferred tax and timing	**(83)**	(204)	**(2.1)**	(6.5)
Total tax expense	**370**	318		
EFFECTIVE TAX RATE			**9.3**	10.2

The effective tax rate for FY2022 is lower than FY2021. The largest factor impacting the decreased effective tax rate is the value of R&D tax credits. The value of R&D tax credits depends upon the level of expenditure incurred in research and development on qualifying projects, which may vary from year to year.

Budget 2021 announced that the UK corporation tax rate was to increase from 19% to 25% with effect from 1 April 2023. A small profits rate of 19% applies for taxable profits of £50,000 or less and a tapered rate will apply to companies with taxable profits between £50,001 and £249,999. This provision was substantively enacted on 24 May 2021 and the deferred tax balances have been calculated at 25%.

7(d) Factors that may affect future tax charges

The Group has gross unused losses estimated at £14,563,893 (2021: £15,090,850), of which £7,370,932 (2021: £7,596,259) were transferred to the Group due to the reverse acquisition and £7,172,534 (2021: £7,490,062) relate to SLE Limited. Brought forward losses transferred to the Group due to the reverse acquisition are potentially available for relief against future trading profits generated from the same trade. Losses relating to SLE are potentially available for relief against future trading profits generated by SLE. See note 21 Deferred Tax for more information.

Notes forming part of the Financial Statements continued

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.

	2022 £'000	2021 £'000
PROFIT		
Profit attributable to equity holders of the Company	3,593	2,815
Add back non-trading items	–	1,014
Add back amortisation of intangible assets acquired through business combinations	605	380
NUMERATOR FOR UNDERLYING EARNINGS PER SHARE CALCULATION	4,198	4,209

There were no non-trading items in the year. Non-trading items in FY2021 represent acquisition related expenses of £579,000 and final settlement of contingent consideration in relation to the acquisition of Viomedex of £435,000.

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

	2022	2021
SHARES		
Number of ordinary shares in issue at the beginning of the year	68,121,447	38,380,850
Weighted average number of shares issued during the year	–	16,855,015
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	68,121,447	55,235,865
Dilutive effect of potential ordinary shares:		
Weighted average number of share options	672,175	309,342
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE DURING THE YEAR FOR THE PURPOSES OF DILUTED EARNINGS PER SHARE	68,793,622	55,545,207

See note 24 for further information regarding share options.

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

	Basic 2022 pence	Diluted 2022 pence	Basic 2021 pence	Diluted 2021 pence
EARNINGS PER SHARE	5.28	5.22	5.10	5.07
Adjust for:				
Non-trading items	–	–	1.83	1.82
Add back amortisation of intangible assets acquired through business combinations	0.89	0.88	0.69	0.68
UNDERLYING EARNINGS PER SHARE	6.17	6.10	7.62	7.57

An underlying earnings per share and an 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

The interim dividend for the year ended 31 January 2022 of 0.205p per share (2021: 0.2p per share) was paid on 29 December 2021. The proposed final dividend of 0.41p per share (2021: 0.4p per share) is subject to approval by shareholders at the AGM and has not been recognised as a liability as at 31 January 2022. If approved, the final dividend will be paid on 29 July 2022 to shareholders on the register on 1 July 2022.

Notes forming part of the Financial Statements

for the year ended 31 January 2022

10 Intangible assets

GROUP	Note	Goodwill £'000	Intangible assets £'000	Development costs £'000	Intellectual property £'000	Software costs £'000	**Total £'000**
COST							
At 1 February 2020		2,021	492	1,486	276	396	4,671
Capitalised in the year		–	–	614	–	49	663
Acquisition of business	27	6,546	5,036	–	–	–	11,582
Acquired in business combination	27	–	–	–	–	40	40
Disposals		–	–	(65)	–	–	(65)
AT 1 FEBRUARY 2021		**8,567**	**5,528**	**2,035**	**276**	**485**	**16,891**
Capitalised in the year		–	–	2,208	–	338	2,546
Disposals		–	–	(116)	–	(67)	(183)
AT 31 JANUARY 2022		**8,567**	**5,528**	**4,127**	**276**	**756**	**19,254**
ACCUMULATED AMORTISATION							
At 1 February 2020		–	43	392	276	305	1,016
Charge in the year		–	380	186	–	56	622
Impairment		–	–	47	–	–	47
AT 1 FEBRUARY 2021		**–**	**423**	**625**	**276**	**361**	**1,685**
Charge in the year		–	605	155	–	77	837
Disposals		–	–	–	–	(50)	(50)
AT 31 JANUARY 2022		**–**	**1,028**	**780**	**276**	**388**	**2,472**
NET BOOK VALUE							
AT 31 JANUARY 2022		**8,567**	**4,500**	**3,347**	**–**	**368**	**16,782**
At 31 January 2021		8,567	5,105	1,410	–	124	15,206

There were no impairments of intangible assets in the year (2021: £47,000).

The Group tests goodwill for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts of the cash-generating unit is determined from value in use calculations. The key assumptions for the value in use calculations are the discount and growth rates used for future cash flows and the anticipated future changes in revenue and costs. The assumptions used reflect the past experience of management and future expectations.

The forecasts covering a five-year period are based on the detailed budget for the year ended 31 January 2023 approved by management. The cashflows beyond the budget are extrapolated for a further four-year period based on future expectations. This forecast is then extrapolated to perpetuity using a 2% (2021: nil) growth rate.

Annual growth rates for revenues for the five-year forecast period have been included between 10% and 15% year-on-year and costs between 5% and 10% year-on-year. A post-tax discount rate of 13% (2021: 13%) has been used in these calculations. The discount rate uses weighted average cost of capital which is reflective of a medical device Company operating both domestically and internationally. A discount rate of 31% (2021: 43%) would need to be applied for there to be zero headroom.

Sensitivity analyses performed on the carrying value of all remaining goodwill using post-tax discount rates up to 13%. Revenue growth would need to reduce to 7.5% year-on-year with no change in cost growth assumptions for there to be zero headroom.

Notes forming part of the Financial Statements continued

11 Property, plant and equipment

GROUP	Note	Leasehold improvements £'000	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	**Total £'000**
COST						
At 1 February 2020		274	64	1,143	43	1,524
Additions in the year		18	2	187	50	257
Acquired in business combinations	27	180	58	228	–	466
Disposals in year		(5)	(3)	(42)	(35)	(85)
AT 1 FEBRUARY 2021		**467**	**121**	**1,516**	**58**	**2,162**
Additions in the year		899	2	525	–	1,425
Disposals in year		(220)	(17)	(154)	–	(391)
AT 31 JANUARY 2022		**1,146**	**106**	**1,887**	**58**	**3,197**
ACCUMULATED DEPRECIATION						
At 1 February 2020		90	52	869	17	1,028
Charge in the year		29	12	234	11	286
Disposals in year		(5)	(3)	(42)	(21)	(71)
AT 1 FEBRUARY 2021		**114**	**61**	**1,061**	**7**	**1,243**
Charge in the year		73	24	249	17	363
Disposals in year		(58)	(17)	(132)	–	(207)
AT 31 JANUARY 2022		**129**	**68**	**1,178**	**24**	**1,399**
NET BOOK VALUE AT 31 JANUARY 2022		**1,017**	**38**	**709**	**34**	**1,798**
At 31 January 2021		353	60	455	51	919

Depreciation charged for the financial year is split between cost of sales £19,000 (2021: £22,000) and administrative expense £344,000 (2021: £264,000) in the Consolidated Income Statement.

12 Leases

Right of use assets

GROUP	Note	Land and buildings £'000	Plant, machinery and motor vehicles £'000	**Total £'000**
At 1 February 2020		533	20	553
Additions in the year		–	181	181
Acquired in business combinations	27	2,718	63	2,781
Amortisation		(272)	(48)	(320)
Lease remeasurement		(93)	–	(93)
AT 1 FEBRUARY 2021		**2,886**	**216**	**3,102**
Additions in the year		5,917	269	6,186
Amortisation		(565)	(141)	(706)
Lease remeasurement		(1,069)	–	(1,069)
Impairment		(122)	–	(122)
Disposal		–	(8)	(8)
AT 31 JANUARY 2022		**7,047**	**336**	**7,383**

Notes forming part of the Financial Statements

for the year ended 31 January 2022

12 Leases continued

COMPANY	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
COST			
At 1 February 2020	–	8	8
Amortisation	–	(5)	(5)
AT 1 FEBRUARY 2021	**–**	**3**	**3**
Amortisation	–	(3)	(3)
AT 31 JANUARY 2022	**–**	**–**	**–**

The total amount included within administrative expenses in relation to short term leases during the year was £2,000 (2021: £6,000). All balances are due within 12 months.

Lease liability

GROUP	Note	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 February 2020		538	20	558
Additions in the year		–	181	181
Acquired in business combinations	27	2,718	63	2,781
Interest expense		78	9	87
Lease payments		(276)	(73)	(349)
Lease remeasurement		(93)	–	(93)
AT 1 FEBRUARY 2021		**2,965**	**200**	**3,165**
Additions in the year		5,633	268	5,901
Interest expense		238	5	243
Lease payments		(475)	(150)	(625)
Lease remeasurement		(1,141)	–	(1,141)
AT 31 JANUARY 2022		**7,220**	**323**	**7,543**

COMPANY	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 February 2020	–	8	8
Interest expense	–	–	–
Lease payments	–	(5)	(5)
AT 1 FEBRUARY 2021	**–**	**3**	**3**
Interest expense	–	–	–
Lease payments	–	(3)	(3)
AT 31 JANUARY 2022	**–**	**–**	**–**

	GROUP		COMPANY	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Current	**647**	369	**–**	3
Non-current	**6,896**	2,796	**–**	–
TOTAL	**7,543**	3,165	**–**	3

The total cash outflow for leases during the year was £625,000 (2021: £349,000).

Notes forming part of the Financial Statements continued

13 Investments

COMPANY	Note	£'000
COST		
At 1 February 2021		32,881
Additions in year	27	–
AT 31 JANUARY 2022		**32,881**
NET BOOK VALUE		
AT 31 JANUARY 2022		**32,881**
At 31 January 2021		32,881

There have been no new investments in the year.

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
Vio Holdings Limited	Holding Company	Direct	100	Ordinary
Viomedex Limited	Sale and manufacture of medical goods	Indirect	100	Ordinary

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

SLE Limited	Sale and manufacture of medical goods	Direct	100	Ordinary

The registered office of the above Company is:
Twin Bridges Business Park, 232 Selsdon Road, South Croydon, Surrey, England, CR2 6PL

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

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

14 Inventories

	GROUP		COMPANY	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Raw materials	**3,731**	4,243	**–**	–
Work in progress	**703**	1,958	**–**	–
Finished goods	**2,015**	1,989	**–**	–
TOTAL	**6,449**	8,190	**–**	–

Inventories are presented net of provisions of £550,000 (2021: £1,049,000) to write down the values to management's estimate of net realisable value.

Notes forming part of the Financial Statements
for the year ended 31 January 2022

15 Trade and other receivables

	Note	GROUP 2022 £'000	GROUP 2021 £'000	COMPANY 2022 £'000	COMPANY 2021 £'000
Trade receivables		**8,434**	5,163	**–**	–
Loss allowance		**(230)**	(411)	**–**	–
Net trade receivables		**8,204**	4,752	**–**	–
Amounts receivable from subsidiary undertakings		**–**	–	**1,286**	1,281
UK corporation tax receivable	17	**185**	–	**–**	–
Other taxes and social security		**26**	61	**26**	54
Net investment in leases		**230**	–	**–**	–
Other receivables		**201**	104	**16**	14
Prepayments and accrued income		**468**	246	**105**	85
TOTAL		**9,314**	5,163	**1,433**	1,434

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.

On that basis, the loss allowance as at 31 January 2022 and 31 January 2021 was determined as follows for trade receivables:

31 JANUARY 2022 – GBP 000'S	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Additional	Total
Expected loss rate	0.01%	0.04%	0.14%	0.00%		
Gross carrying amount – Trade receivable	5,952	1,599	634	22	227	**8,434**
Loss allowance	1	1	1	0	227	**230**

31 JANUARY 2021 – GBP 000'S	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Additional	Total
Expected loss rate	0.04%	0.09%	0.21%	0.00%		
Gross carrying amount – Trade receivable	2,893	1,312	756	202		5,163
Loss allowance	1	1	2	–	407	411

Additional loss allowance represents provisions against specific trade receivables.

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

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 2022 £'000	GROUP 2021 £'000	COMPANY 2022 £'000	COMPANY 2021 £'000
Pounds Sterling	**7,440**	4,215	**1,433**	1,434
Euro	**1,060**	802	**–**	–
US Dollars	**814**	146	**–**	–
TOTAL	**9,314**	5,163	**1,433**	1,434

Notes forming part of the Financial Statements continued

15 Trade and other receivables continued

During the year, the Group entered into a number of finance lease arrangements of our patient warming equipment. The net investment recognised in respect of these leases has been included in trade and other receivables:

Net Investment	Total £'000
AT 1 FEBRUARY 2021	–
Additions in the year	304
Interest Income	8
Lease receipts	(82)
AT 31 JANUARY 2022	**230**

16 Cash and cash equivalents

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

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

	GROUP		COMPANY	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Pounds Sterling	**7,799**	9,754	**307**	583
Euro	**963**	452	**–**	–
US Dollars	**468**	424	**3**	3
Japanese Yen	**3**	3	**–**	–
Emirati Dirham	**1**	1	**–**	–
Swiss Franc	**14**	3	**–**	–
Australian Dollar	**2**	12	**–**	–
Singapore Dollar	**3**	4	**–**	–
BALANCES PER STATEMENT OF CASH FLOWS	**9,253**	10,653	**310**	586

The Group currently uses four banks; Royal Bank of Scotland plc, HSBC Bank plc, Bank of Scotland plc and National Westminster Bank plc. Moody's give long-term ratings of A1 for all four banks as at 31 January 2022.

17 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.

	Note	**2022 £'000**	2021 £'000
UK corporation tax asset/(liability)	15/18	**185**	(313)

At the year-end date the Group has not recognised a separate receivable in respect of potential research and development tax claims (2021: £nil).

Notes forming part of the Financial Statements

for the year ended 31 January 2022

18 Trade and other payables

	Note	GROUP 2022 £'000	GROUP 2021 £'000	COMPANY 2022 £'000	COMPANY 2021 £'000
CURRENT					
Trade payables		**3,534**	3,069	**22**	63
UK corporation tax payable	17	**–**	313	**–**	–
Other taxes and social security		**367**	880	**4**	–
Amounts payable to subsidiary undertakings		**–**	–	**7,319**	5,730
Other payables		**344**	72	**3**	–
Accrued expenses		**2,028**	2,000	**625**	203
Warranty provisions		**279**	475	**–**	–
TOTAL		**6,552**	6,809	**7,973**	5,996
NON-CURRENT					
Trade Payables		**–**	–	**–**	–
TOTAL		**–**	–	**–**	–

The fair value of trade and other payables approximates to book value at 31 January 2022. Trade payables are non-interest bearing and the average credit period taken for trade purchases is 53 days (2021: 63 days). Accruals are normally settled monthly throughout the financial year.

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

As at 31 January 2022 warranty provisions of £279,000 (2021: £475,000) relate to the replacement of boards contained within both the SLE 4000 and SLE 5000 ventilators (2021: £468,000). The provision was included within the opening fair value balance sheet of SLE.

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 Principal Risks and Uncertainties report on pages 36 to 43.

The Group holds the following financial instruments:

	Note	2022 £'000	2021 £'000
FINANCIAL ASSETS			
FINANCIAL ASSETS AT AMORTISED COST			
Trade receivables	15	**8,204**	4,752
Other receivables	15	**201**	104
Cash and cash equivalents	16	**9,253**	10,653
FINANCIAL LIABILITIES			
LIABILITIES AT AMORTISED COST			
Trade and other payables	18	**6,185**	5,616
DERIVATIVE FINANCIAL INSTRUMENTS		**–**	
Used for hedging			9

As at 31 January 2022 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.

Notes forming part of the Financial Statements continued

19 Financial risk management and financial instruments continued

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 (e)) using the rate which would have been achieved should the contracts have been instructed at the year-end. All contracts are Level 2 financial instruments, not traded in an active market and determined using valuation techniques which maximise the use of observable market data. 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.

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 16.

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.

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.

The Group has a £5m RCF facility available expiring in 2 years with the option to extend and attracts a 2.5% margin above LIBOR. Banking covenants of EBITDA / finance charges and net debt / EBITDA are in place and are tested quarterly. All covenants have been complied with during the year ended 31 January 2022.

At 31 January 2022 and 31 January 2021, the Group's liabilities had contractual maturities which are summarised as follows:

	Carrying amount £'000	**Total £'000**	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000
2022						
Trade payables	(3,534)	**(3,534)**	(3,534)	–	–	–
Lease liabilities	(7,543)	**(7,543)**	(647)	(732)	(1,403)	(4,761)
2021						
Trade payables	(3,069)	**(3,069)**	(3,069)	–	–	–
Lease liabilities	(3,165)	**(3,165)**	(369)	(343)	(1,009)	(1,444)

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.

At 31 January 2022 the Group did not have any loans or borrowings.

Notes forming part of the Financial Statements

for the year ended 31 January 2022

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.

At 31 January 2022 the Group did not have any loans or borrowings.

19(e) Foreign currency risk

The Group has entered into a number of forward foreign exchange contracts to mitigate an element of the Group's exposure to foreign currency risk in relation to purchase of inventory, see note 19a. 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 2022	**524**	**–**	**–**	**–**	**–**	**524**
31 January 2021	533	–	–	–	–	533

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 25% (2021: 19%).

	GROUP		COMPANY	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Asset at beginning of year	**–**	–	**25**	31
Credit to the Income Statement for the year	**470**	–	**38**	–
Included directly in equity	**–**	–	**–**	(6)
ASSET AT END OF YEAR	**470**	–	**63**	25

Notes forming part of the Financial Statements continued

21 Deferred tax continued

	Note	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Liability at beginning of year		**(1,141)**	(227)	**–**	–
Charge to the Income Statement for the year		**(784)**	49	**–**	–
Included directly in equity		**–**	(6)	**–**	–
Included on business combinations	27	**–**	(957)	**–**	–
LIABILITY AT END OF YEAR		**(1,925)**	(1,141)	**–**	–

The elements of deferred taxation provided for are as follows:

	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Unused tax losses	**470**	–	**–**	–
Short term timing differences	**–**	–	**63**	25
DEFERRED TAX ASSET	**470**	–	**63**	25

	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Accelerated capital allowances	**(140)**	(197)	**–**	–
Intangible assets	**(751)**	–	**–**	–
Intangibles arising on business combinations	**(1,125)**	(976)	**–**	–
Short term timing differences	**91**	32	**–**	–
DEFERRED TAX LIABILITY	**(1,925)**	(1,141)	**–**	–

It is expected that £235,000 of the deferred tax liability and £157,000 of the deferred tax asset as at the year-end will be settled within 12 months of the year ended 31 January 2022 and the remaining £1,690,000 of the deferred tax liability and £313,000 of the deferred tax asset will be settled after 12 months following the year ended 31 January 2023.

At the year-end date the Group had gross unused losses of £14,563,466 (2021: £15,090,850) potentially available to offset against future profits. Unused trading losses of £7,172,534 (2021: £7,490,062) arose in SLE Limited prior to the acquisition by Inspiration Healthcare Group plc on 7 July 2020 and brought forward losses transferred to the Group due to the reverse acquisition of Inditherm plc amount to £7,370,932 (2021: £7,596,259). 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 the business relating to Inditherm plc. 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:

	2022 £'000	2021 £'000
UNUSED TAX LOSSES	**3,170**	2,867

Budget 2021 announced that the UK corporation tax rate was to increase from 19% to 25% with effect from 1 April 2023. A small profits rate of 19% applies for taxable profits of £50,000 or less and a tapered rate will apply to companies with taxable profits between £50,001 and £249,999. This provision was substantively enacted on 24 May 2021 and the deferred tax balances have been calculated at 25%.

Notes forming part of the Financial Statements
for the year ended 31 January 2022

22 Shareholders' equity

22(a) Called up share capital

SHARE CAPITAL	Number of shares (Allotted & Issued)	Share capital £'000
AS AT 31 JANUARY 2021 AND 2022	68,121,447	6,812

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) Share premium

The share premium reserve arose on the issuing of ordinary shares of 10p for the placement to raise funds for and to settle part of the consideration for the acquisition of SLE Limited and Vio Holdings Limited and subsidiary undertaking.

SHARE PREMIUM	£'000
AS AT 31 JANUARY 2021 AND 2022	18,838

22(c) Reverse acquisition reserve

The reverse acquisition reserve of £(16,164,000) (2021: £(16,164,000)) arose on the reverse acquisition of Inditherm plc in 2015.

22(d) Share based payment reserve

The share based payment reserve of £278,000 (2021: £139,000), Company £433,000 (2021: £294,000), represents the expense recognised in the Consolidated Income Statement in relation to the Group Share Option Scheme. See note 24.

22(e) Other reserves

At 31 January 2022, other reserves were £nil. At 31 January 2021, other reserves of £(9,000) represents other comprehensive expense of £(9,000).

23 Commitments

23(a) Capital commitments

At 31 January 2022, the Company had capital expenditure commitments totalling £nil (2021: £nil).

23(b) Operating leases

The Group has annual commitments under non-cancellable lease commitments 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 Earl Shilton, Crawley, Hailsham, Croydon and Newtownards.

24 Share based payments

Share Incentive Plan

The Group operates an employee share option scheme which is available to a number of employees and Directors 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 performance measures based on EPS, EBITDA margin, Revenue growth and new product release over a performance period of three years or other measures determined by the Remuneration Committee. Once vested, the options remain exercisable for a period of two years. The assumption is that all performance measures will be met.

When exercisable, each option is convertible into one ordinary share of 10p each.

Notes forming part of the Financial Statements continued

24 SHARE BASED PAYMENTS continued

The Black Sholes model is used to determine fair value.

Details of the share options outstanding at 31 January 2022 and movements during the year by exercise price is shown below:

	2022		2021	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
Outstanding as at 1 February	**£nil**	**251,837**	£nil	583,941
Granted during the year	**£nil**	**263,953**	–	–
Exercised during the year	**£nil**	**–**	£nil	(147,838)
Forfeited during the year	**£nil**	**(38,252)**	£nil	(109,266)
Lapsed during the year	**£nil**	**–**	£nil	(75,000)
OUTSTANDING AS AT 31 JANUARY	**£nil**	**477,538**	£nil	251,837
EXERCISABLE AS AT 31 JANUARY	**£nil**	**228,585**	£nil	12,500

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 2022**	Share options 31 January 2021
8 November 2017	7 November 2027	£nil	**12,500**	12,500
7 November 2018	6 November 2028	£nil	**216,085**	239,337
7 May 2021	6 May 2031	£nil	**248,953**	–
TOTAL			**477,538**	251,837
Weighted average remaining contractual life of options outstanding at the end of the year			8.1 years	7.7 years

The assessed fair value at grant date of options granted during the year ended 31 January 2022 was £1.20 (2021: £nil). Fair value is determined by the Black-Scholes pricing model.

Sharesave Plan

During the year the Group introduced an employee Sharesave scheme which is available to all employees subject to qualifying conditions. The scheme was introduced to encourage wider employee share ownership of the Company.

The options are exercisable after three years from date of grant. When exercisable, each option is convertible into one ordinary share of 10p each.

Details of the share options outstanding at 31 January 2022 and movements during the year by exercise price is shown below:

	2022		2021	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
Outstanding as at 1 February	**–**	**150,529**	–	–
Granted during the year	**£0.87**	**159,995**	£0.55	150,529
AS AT 31 JANUARY	**£0.87**	**310,524**	£0.55	150,529

Notes forming part of the Financial Statements

for the year ended 31 January 2022

24 Share based payments continued

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 2022**	Share options 31 January 2021
20 March 2020	19 March 2023	£0.55	**150,529**	150,529
26 March 2021	25 March 2024	£0.87	**159,995**	–
TOTAL			**310,524**	150,529

An amount of £139,000 (2021: £78,000) 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.

25 Contingent liabilities

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

As at 31 January 2022 management are not aware of any material field issues that would require provision to be made for products supplied for distribution outside of manufacturers warranties with the exception of those disclosed within note 18 (2021: No material field issues noted).

26 Pension schemes

The Group made contributions in respect of defined contribution pension arrangements of Group £410,000 (2021: £287,000) and Company £46,000 (2021: £nil). At the year-end the amount of contributions payable to the schemes were Group £37,000 (2021: £49,000) and Company £nil (2021: £nil).

27 Business combinations

On 7 July 2020, the Group acquired 100% of the share capital of SLE Limited for £16,200,000 cash and £1,800,000 shares. The Group paid £4,475,000 to the vendors upon the agreement of the Completion Accounts relating to the acquisition. SLE Limited designs, manufacturers and supplies neonatal ventilators in the respiratory care market worldwide.

Details of the purchase consideration, the net assets acquired and goodwill were as follows:

PURCHASE CONSIDERATION	£'000
Cash consideration	16,200
Acquired cash distribution	4,475
Cash withheld related to asset transferred	(1,218)
CASH CONSIDERATION	**19,457**
Ordinary shares issued	1,800
Asset transferred to former owner	1,218
TOTAL PURCHASE CONSIDERATION	**22,475**

The cash consideration was raised via the issue of new ordinary shares.

The fair value of the 2,769,231 ordinary shares issued as part of the consideration paid for SLE Limited was based on a share price of 65p per share representing a discount of 1.5% to the closing middle market price of 66p per existing ordinary share on 18 June 2020 being the last practicable date prior to the announcement of the acquisition and fundraising. Issue costs of £957,000 which were directly attributable to the issue of the shares were netted off against share premium.

Notes forming part of the Financial Statements continued

27 Business combinations continued

The assets and liabilities recognised as a result of the acquisition were as follows:

	Note	Fair Value £'000
Intangible assets		40
Property, plant and equipment		466
Right of use asset		2,781
Inventories		4,527
Trade and other receivables		4,967
Inter-company due		1,218
Cash		6,314
Trade and other payables		(5,682)
Lease liabilities		(2,781)
NET IDENTIFIABLE ASSETS ACQUIRED		11,850
Add:		
Goodwill	10	6,546
Intangible Assets	10	5,036
Deferred tax on identified intangible assets		(957)
NET ASSETS ACQUIRED		**22,475**

The goodwill was not deductible for tax purposes.

The fair value of trade and other receivables was £4,967,000 and included trade receivables with a fair value of £3,355,000.

The gross contractual amount for trade receivables due was £3,681,000.

The acquired business contributed revenues of £11,522,000 and profit after tax of £1,726,000 to the Group for the period from 7 July 2020 to 31 January 2021. If the acquisition had occurred on 1 February 2020, consolidated pro-forma revenue and profit for the year ended 31 January 2021 would have been £16,912,000 and £1,739,000 respectively. These amounts have been calculated using the entities' results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary
- 'one off' Covid-19 related sales and profit

Acquisition related costs of £579,000 have been charged to administrative expenses in the Consolidated Income Statement for the year ended 31 January 2021.

28 Related party transactions

There is no ultimate controlling party.

Key management

Key management control 7% (2021: 12.9%) of the voting shares of the Company.

Key management comprise the Group's Executive Directors and prior year, the Managing Director of Inspiration Healthcare Limited.

The aggregate compensation for key management personnel is as follows:

	2022 £'000	2021 £'000
Salaries and benefits	795	981
Contributions to defined contribution pension scheme	25	23
TOTAL	820	1,004

Lease of Leicestershire Facility

The Leicestershire facility at Earl Shilton is rented on an arms length basis for £22,000 per annum (2021: £22,000) from a self-invested pension plan controlled by Neil Campbell, Toby Foster, Simon Motley and others. The lease was renewed on an arm's length basis during April 2018.

Notes forming part of the Financial Statements

for the year ended 31 January 2022

29 Subsequent events

There were no subsequent events.

Shareholder Information

Registrars

The Company's registrars, Link Group, 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

You can buy shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

Link Group also provides a share dealing service to private shareholders in the UK or Channel Islands. For further information on the share dealing service provided by Link Group, 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 Group is a trading name of Link Market Services Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the United Kingdom, the Channel Islands or the Isle of Man.

The registered office for Link Group is, Central Square, 29 Wellington Street, Leeds LS1 4DL. www.linkgroup.eu

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 Group who will be pleased to merge your accounts.

General shareholder enquiries should contact:

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Tel: 0371 664 0300.

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. We are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

Email: shareholderenquiries@linkgroup.co.uk

Advisors

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Bankers	HSBC Bank plc, 1st Floor, First Point, Buckingham Gate, London Gatwick Airport, West Sussex RH6 0NT
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 Field Fisher LLP, Riverbank House, 2 Swan Lane, London EC4R 3TT
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