Annual Report and Financial Statements 2023

INNOVATE | CREATE | INSPIRE

Our Mission

Our mission is to pioneer medical technology that improves the outcomes of patients, starting with the very first breaths of life.

Our Purpose

To improve health outcomes by providing highly advanced medical technology.

Our Values

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

Patient Focused
Read more on p26

Outcome Changing
Read more on p18

Pioneering
Read more on p12

Research Driven
Read more on p32

Group Highlights

Strategic & Operational

- Resilient revenues marginally ahead in a year of unprecedented global macro-economic uncertainty
- Domestic sales growth of 13%
- Branded Products sales growth of 8%
- Major investment in new state of the art Manufacturing and Technology Centre
- Medical Device Regulation (EU) – Technical Files all submitted
- Increasing inventory to secure long term supply chain and meet customer satisfaction levels
- Project WAVE study recruitment complete – analysis underway
- Progressed USA regulatory submissions
- Expanded acute care portfolio with launch of additional distributed products in the UK and Ireland

Post Year-end

- Cash generative in Q1 FY2024
- Extension to the SLE6000 ventilator range

Read our Annual Report online:
inspirationhealthcaregroup.com

Group Financial Highlights

Financial

Group Revenue	Net cash position[2]	Operating Profit
£41.2m	**£(3.8)m**	**£0.4m**
FY2022: **£41.1m**	FY2022: **£9.3m**	FY2022: £4.3m

Adjusted EBITDA[1]	Proposed final dividend
£4.0m	**0.41p**
FY2022: **£6.4m**	FY2022: 0.41p per share

Increased borrowing facilities[3]	Gross Profit Margin
put in place in December 2022	**44%**
Up to **£10m**	FY2022: 50%

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

[2] Cash and cash equivalents, less revolving credit facility and invoice finance borrowings

[3] Up to £5m invoice discounting facility plus existing £5m revolving credit facility

Contents

About the Group

Inspiration Healthcare (AIM: IHC) designs, manufactures and markets medical technology. As a global provider of medical technology, our mission is to pioneer medical technology that improves the outcomes of patients, starting with the very first breaths of life.

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's Branded products focus on neonatal intensive care and a distributed product portfolio, which enables the Group to add value to our customers through a more comprehensive product range. Both are complemented by our Service support.

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 Therapies (distribution of infusion-focused technologies in the UK and Ireland).

The Group sells its Acute Care products globally through a network of distributors in more than 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 combination of capital equipment and disposables gives the Group a blend of one-off and recurring revenue streams.

The Group's three operating companies have locally implemented quality management systems specific for their business needs, 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 ("R&D").

Additionally, the companies sell Distributed Products which complement and add value to our portfolio 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. We offer on site and return-to-base repair and maintenance along with 24/7 emergency hire of equipment and long-term lease arrangements for our Branded products.

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 products which we distribute must be synergistic, add value to our existing portfolio and not compete with other products in the portfolio.

The Group invests for growth through its R&D and market development, controlling numerous patents on its technology. It has strong links with academic Key Opinion Leaders around the world and supports clinical research in the field of neonatal intensive care.

Find out more:
inspirationhealthcaregroup.com

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 more than 75 countries.

Percentage of Revenue by Market

Domestic **48%**
FY2022: 43%

Asia Pacific **23%**
FY2022: 25%

Europe **13%**
FY2022: 15%

Middle East and Africa **13%**
FY2022: 13%

Americas **3%**
FY2022: 4%

Our Business

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

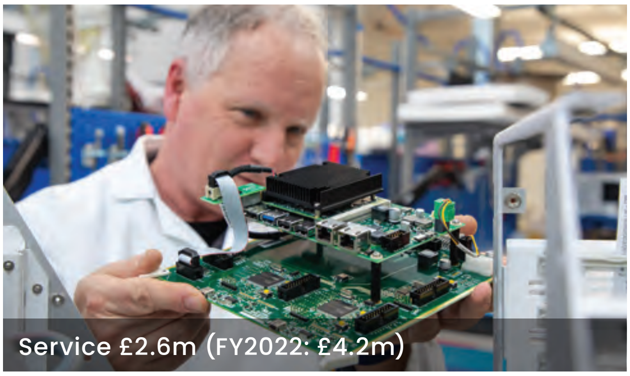
Market Sectors (excluding freight[1])

Acute Care £29.2m (FY2022: £29.5m)

The hospital setting where our main focus is neonatology.

Infusion Therapies £9.1m (FY2022: £7.0m)

A distributed product portfolio that is focused on various infusion therapies in different settings, including the patient's home or the hospital.



Service £2.6m (FY2022: £4.2m)

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

Revenue Streams (excluding freight[1])

Branded Products £24.4m (FY2022: £22.5m)

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

Distributed Products £13.6m (FY2022: £13.6m)

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

Technology Support £2.9m (FY2022: £4.6m)

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.

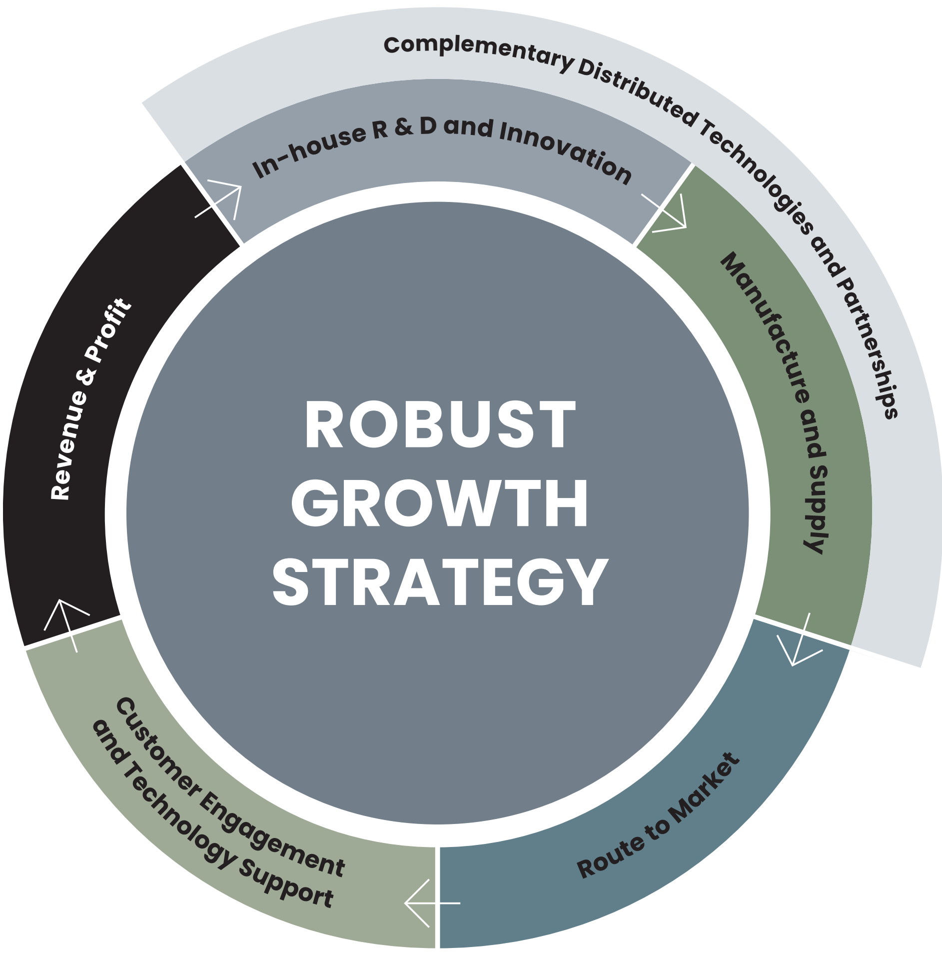
[1] Group Total Revenue in addition to the above also includes £0.3m of freight (FY2022: £0.4m)

Business Model

We design, manufacture and market medical technology globally. We invest in our business to maximise opportunities for existing products in existing markets, drive our portfolio into new markets through regulatory approvals and expand our portfolio through product development and complementary Distributed Products. Our significant global reach into more than 75 markets is achieved through both direct sales and distribution partners.

The products move from development and over time help to grow our business organically as they become established products in existing markets. The products we distribute for third-party manufacturers complement and support our Branded Products and add value to our customers. We strive to maximise the customer experience through customer support, education and technology support offerings.

Our business model always aims 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.



Chairman's Report

Mark Abrahams Chairman

Highlights

- **Resilient revenues marginally ahead**
  In a year of unprecedented global macro-economic uncertainty
- **Major Investment in new state-of-the-art Manufacturing and Technology Centre**
  Giving greater capacity, efficiencies and capability
- **Submitted all key Technical files for CE marking under MDR**
  Keeps us well prepared for a rapidly changing regulatory environment in the EU
- **Project Wave Study**
  Recruitment complete
- **Growth in the UK for Infusion Therapies**
- **New website and further integrated branding launched**
  Helping identify us as an enlarged Group around the world
- **Extension to the SLE6000 ventilator range**
  Expanding the market potential with non-invasive ventilator

Our Business

This year I am reporting on a year of significant investment and internal achievements. Despite challenging market conditions that arose during the year we continued to make progress to position the Company for long-term sustainable growth.

The conflict in Ukraine and, consequently, inflation and shifting confidence put significant pressures on healthcare budgets and spending. Coupled with this, we have to also acknowledge that in China, the largest export market for the Group's products in the previous year, the pandemic was still problematic. The authorities determined that the best way to deal with this terrible disease was further lockdowns, making trade with China more difficult than in previous years. This also disrupted supply chains for both logistics and materials sourced.

"I am proud that we achieved much and invested in the business to ensure that we are in better shape now than we were a year ago

The Group delivered revenues that were marginally ahead of FY2022 at £41.2m (FY2022: £41.1m), which reflected growth outside of China and Russia, traditionally important markets for the Group.

When I look back and see the issues that were thrown at us, and at many other companies, I am proud that we achieved much and invested in the business to ensure that we are in better shape now than we were a year ago.

EBITDA, before non-recurring items, was lower than the previous year at £4.0m (FY2022: £6.4m) primarily because of sales mix and its effect on gross margin. Notably, we sold more Infusion Therapies Distributed Products into the UK market and less Branded ventilators due to global market uncertainties. This switch was a direct result of the external environment mentioned above.

There was a £13.1m cash outflow in the year resulting in a closing net cash position of £(3.8)m, driven by investment in the new Manufacturing and Technology Centre in Croydon, an increased inventory level to ensure continuity of supply and customer service levels and increased debtors from strong fourth quarter revenues. Higher than planned spend at the Manufacturing and Technology Centre was due to high construction cost inflation, an earlier than expected payment and specification changes. These specification changes will however deliver long-term cost savings. We delivered a positive cash flow position in Q1 FY2024, in line with our plan.

Our new Manufacturing and Technology Centre has enabled us to close our Crawley office at the end of January 2023, and in April 2023 we informed the employees affected that we will be closing our Leicestershire facility. From these closures, we will see additional operational efficiencies. We have identified further initiatives within the business that will improve our cash-based operating expenses going forward.

It is important to emphasise that, although we are focused strategically on the neonatal intensive care sector, we have always had a broad portfolio which provides resilience to the business. This was demonstrated during the year when slowdown in international sales was offset by increased revenues in our Domestic market.

Chairman's Report continued

Investing for Growth

Our most notable investment is in our new Manufacturing and Technology Centre in Croydon, which was the home of SLE Ltd, a company we acquired in 2020. Maintaining the highly skilled workforce was paramount and it was important to find a site suitable for high tech manufacturing, along with the facilities we need as a fully integrated company (including research and development and technology support). Now with approximately 4,200 sq metres (50% more space than the previous Croydon site), the state-of-the-art design allows for more efficient warehousing and laboratories for product development and testing, along with creating a modern working environment for our employees.

I am pleased to say that we completed the move in the first half of the year with no accidents and with only one day of lost production. The site is now fully operational and helped us deliver a record month at the end of our financial year.

The Manufacturing and Technology Centre has been developed with the future in mind. We have incorporated a number of energy-saving initiative: solar panels on the roof help provide hot water and power to our air source heat pumps for heating the buildings and roof lights have been maintained which allow us to use low energy lighting and in the summer months turn off lighting altogether.

With the addition of trees and plants that produce no resins or pollens and do not attract aphids, carbon dioxide is naturally processed within the building, reducing the number of air changes needed and hence reducing the energy required for heating and cooling. Numerous other initiatives have been incorporated and we feel that this is a true demonstration of what can be achieved by smaller British manufacturing companies.

Our employees are at the heart of the company and in addition, we have implemented sit/stand desks throughout, modern work benches for manufacturing and technology support, electric charging points for electric cars, open plan break out areas for informal meetings and, of course, a safe environment that would minimise disruption in the event of another Covid-19 outbreak, with ultra-violet and HEPA-filtered air handling alongside modern communication facilities that allow for a true clear desk policy.

Ahead of New Regulatory Requirements

Around the end of 2022, the European Commission proposed, and subsequently enacted, to delay the implementation of some aspects of the new Medical Device Regulations, relieving some pressure on the Notified Bodies. The UK Government has also postponed the introduction of regulatory legislation. Our team has been working hard, mainly in our Research and Development and regulatory groups, updating our technical documentation, writing new reports that are required by the new regulations and finally submitting all our Technical Files to our Notified Body for their review ahead of this deadline. It has been a huge amount of work and was completed before the announcement of the postponement of the deadlines. However, the sooner the files were submitted, the sooner the products would be approved to the latest regulations, and we take comfort in knowing our technical documentation is up-to-date. Bringing the companies together is quite a complex regulatory challenge, aligning quality management systems to work efficiently. This has been helped by the implementation of Trackwise Digital, our new software tool for helping our document management compliance, which has received positive feedback from our Notified Body.

Our market seems to be returning to normal with activity at our biggest trade shows returning close to pre-pandemic levels. We had a strong presence at both shows we attended, enabling our international sales and marketing team to meet distributors face-to-face for the first time, in some cases, since pre-Covid-19. We have been rolling out a number of marketing initiatives around branding, bringing more aligned messages across the three operating companies in the Group and launched a new website that went live at the end of February 2023.

"The Manufacturing and Technology Centre has been developed with the future in mind

Strengthened Team

During the year we improved the management of our supply chain, with the critical appointment of Francesca Stenhouse as Head of Procurement and Supply Chain. This role is pivotal in working with our suppliers, including internal and external logistics, to drive efficiencies in our business. The year has been difficult for our suppliers and I thank them for their support during the year. Without their assistance we would not have been able to produce the products we did and, although we invested in component stock, our suppliers helped with their understanding of the situation.

Jon Ballard, our Chief Financial Officer, resigned during the year. On behalf of the Board, I would like to thank Jon for his hard work over the past five years and wish him all the very best for the future. Paul Bergin joined the Company as Interim CFO and the recruitment for a new permanent CFO is expected to conclude in the summer of this year.

Our employees have endured a tough year. I can only thank them all for their support of the company during the last 12 months and we hope that we can all enjoy a better year ahead.

Positioned for Future Growth

Although the external disruptions to supply chain and markets remain, we have been able to adapt to, and cope with, this new environment. We have introduced more resilience into our supply chain and this has helped our ability to ease our customers through these uncertain times with the robust assurance of our quality and excellence of our life-saving products.

Following a strong Q4 FY2023, the year has commenced in line with our plans. While uncertainties remain, we are cautiously optimistic that we will return to our usual growth patterns.

The Group's world-leading expertise, broad portfolio of best-in-class, specialist products and established customer relationships enable us to address the critical needs of the neonatal intensive care market and help save lives and improve outcomes of premature and sick babies around the world. We have a clear growth strategy focused on maximising in-market sales, geographic and portfolio expansion and strategic M&A and we believe we are well placed to realise our long-term ambition of becoming a world-leading provider of innovative medical technology.

Mark Abrahams

Chairman

11 May 2023

Pioneering

“Enabling our teams to be pioneering in their work is an important factor in how this value runs through the business

Brook Nolson

Chief Operating Officer

We spoke to Brook Nolson, Chief Operating Officer, about our core value, **pioneering**.

"**Pioneering** is a difficult thing to live up to. We have to constantly work towards being **pioneering**, it's an aspirational value. Within the Group, I feel we have lots of examples of where we have been pioneers, when we have led the way. Early in our history we were involved in the seminal TOBY study which eventually led to the new practice of total body cooling, for babies who have suffered from perinatal asphyxia, to be changed globally and how the SLE ventilation range provided gas flow specifically designed for the rapid breathing infant.

Enabling our teams to be **pioneering** in their work is an important factor in how this value runs through the business. It is important that we develop a culture which supports freedom of thought and ideas. This was taken into consideration when we designed our state-of-the-art Manufacturing and Technology Centre which we relocated to in June 2022.

To facilitate **pioneering** thoughts, it is essential to create environments, both physically and virtually, that enable our teams to collaborate, and give them space to explore, challenge and evaluate; and be able to promote cross -functional team working. We believe we have done this which, in turn, is helping to drive creativity in all areas.

We have created an environment where we can quickly adapt and respond to change. Driving change can enable us to pioneer, or at least be at the forefront when we see something is potentially **pioneering**.

The Group were early implementors of the four-day week, offering our teams the option to compress their hours if this better suited their working preferences. In October 2021 we implemented an improved parental leave policy, "New Beginnings", providing additional support for parents of babies admitted into a NICU.

Our approach to sustainability has some great examples of where we are leading the way, utilising sustainable energy – solar thermal systems – within our manufacturing facility and setting our own targets for Net Zero. Being at the cutting edge is important for us, adopting new technologies and ways of working early so we can be at the forefront.

Research drives how we develop products. If we see a **pioneering** technology we can provide a platform for these concepts, enabling us to be in the vanguard of neonatology. We have created a work environment where the people who can pioneer are at the heart of the business. Our ethos to find, develop, articulate and implement new technologies and methodology is unique to us."

Our mission is to pioneer medical technology that improves the outcomes of patients, starting with the very first breaths of life

Our Business Strategy

Our group designs, manufactures and markets medical technology with a global reach into more than 75 markets.

Our Products

We offer 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 website.

We view our revenue streams in three distinct areas: Branded Products, Distributed Products and Technology Support.

Visit us online: **inspirationhealthcaregroup.com**

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 globally.

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 their life.

Our mission is to pioneer medical technology that improves the outcomes of patients, starting with the very first breaths of life.

Distributed Products

Our Distributed Products are where we market and sell products from a third-party manufacturer predominantly in the UK and Ireland, and in some cases worldwide.

Distributed Products complement our 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 pioneering 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 comprehensive range of technology 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.

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

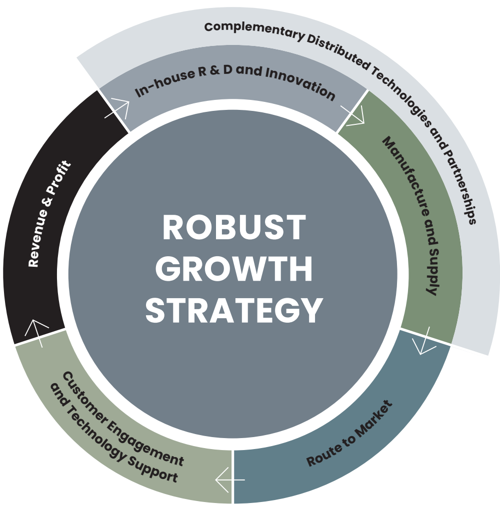
Global Reach

Our global reach means our medical technology is available in more than 75 countries. We sell directly into the UK and Ireland ("Domestic") and partner with established independent distributors in the rest of the world. This model provides us with significant global coverage and opportunity including access to international Key Opinion Leaders ("KOLs") with whom we develop relationships to drive our product development and education offerings.

In all international markets, regulations are becoming more widespread to ensure patient safety. 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.

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



Our Markets

Acute Care

The Acute Care market is the hospital setting where our main focus is neonatal intensive care. We are privileged to work in markets that are involved in trying to save the lives of some of the most fragile patients. More than 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 five and are estimated to have caused more than one million deaths in 2018 (Source: World Health Organization).

The technology in our products has been developed to improve patient outcomes, whether it is a baby who has been born prematurely, or a patient undergoing surgery.

Infusion Therapies

We have a dedicated sales team selling a range of Distributed Products for different Infusion Therapies such as parenteral feeding, pain management and chemotherapy. This area is rapidly growing and, although we do not invest in R&D for these products, it is a strategic area of focus for our business.

Service

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

Our Business

Inspiration Healthcare Group is an ethical Company with high principles in business. We take our responsibilities towards Environmental, Social and Governance ("ESG") 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 environmental and sustainability efforts are an important part of how we run our business, and we have committed a section of this annual report to this topic. Please see page 31 for more information.

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 outcomes for patients and want to do this in a way that has maximum benefit for society. Our charitable giving initiative offers us the opportunity to support charities that align with our core values.

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, including prioritising internal promotion opportunities before reviewing external candidates, where appropriate.

We have considered our employees' overall wellbeing. Through our Group's People team, we offer a range of benefits:

- 'Blended Working Policy' allowing employees to work from home for up to 40% of their time
- Compressed working hours, allowing employees to choose whether they would like to work a four-day compressed working week and benefit from a three-day weekend
- Improved parental pay for all new parents, including adoptions, and additional paid time off for those parents who have a premature baby
- Mental Health and Well-being App providing employees with 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 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 ("AIM") 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.

Outcome Changing

"

Being outcome changing really is at the core of what we do. It's in the service that we offer, in the products we develop

Laura Edwards

Vice President Marketing and Product Management

We asked Laura Edwards, Vice President Marketing and Product Management, to provide some insight on how the business lives by its core value, **outcome changing**.

“We are fortunate to work in a business committed to improving outcomes for patients globally; some of the patients we serve are the most fragile and vulnerable. An internal questionnaire was sent out to all Group employees asking the question “why are you proud to work here?” Personally, I feel the results spoke for themselves. The top three answers were, our team, the babies our technology helps, and contributing to saving lives. It’s not just neonatal patients we are changing outcomes for; our technology supports patients from the very first breaths of life but our portfolio also has offerings which patients may engage with at any point within their lives.

It is not just the patients we change outcomes for either. Our holistic approach to healthcare means our technology can impact others too. We strive to offer family-centred care and a great example of this is our LifeStart™. The LifeStart™ enables a clinician to start to care for a baby at the mother’s side straight after delivery while also maintaining the umbilical cord which we now know offers numerous benefits to the baby. Not only can the outcome of the patient be improved, we aim for the parents to have a more positive experience too.

Our teams are dedicated to all aspects that affect the patient, from the design and development of technology to providing training in the use of our products. The relocation to our new state-of-the-art Manufacturing and Technology Centre has provided the ability to set up an educational training suite. The training suite can be used for hands-on training and simulations with healthcare professionals and, thanks to integrated cameras, international training can be provided online.

We have the opportunity to improve the outcomes of patients globally. This year it was great to be able to support a charity working to procure medical equipment for Ukraine with our thermoregulation products. During the Covid-19 pandemic, our CEO Neil Campbell was part of the Ventilator Challenge, and Inspiration Healthcare played a vital role in delivering life-saving equipment to the NHS.

Being **outcome changing** really is at the core of what we do. It’s in the service that we offer, in the products we develop, in the portfolio we distribute and in our day-to-day activities as a team all striving to pioneer medical technology that improves outcomes for patients, starting with the very first breaths of life.”

We have the opportunity to improve the outcomes of patients globally

Chief Executive Officer's Review

Neil Campbell Chief Executive Officer

Welcome

During the last 12 months, we had to adapt our business plans due to the changing geopolitical situation around the world. Lockdowns in China affected customer orders and supply chain, whilst the conflict in Ukraine affected sales across Russia and Belarus. Our business has always been robust and, in these times of unprecedented challenge, our revenue was marginally ahead year-on-year has due to geographic and product mix, our gross profit was lower which had a knock-on to EBITDA and operating profit.

We have strategically invested in areas of our business where we think it will give both short-term and long-term growth. Short-term we have invested in our inventory and employees, and long-term we have invested in our infrastructure, software tools and new product development.

We believe that, despite the short-term issues we have experienced globally, fundamentally the Group is in a stronger place than it was 12 months ago. Our new Manufacturing and Technology Centre gives us greater capacity and capability and will deliver cost efficiencies. Our convergence of our three operating companies has led to an investment to streamline the three quality management systems which will lead to greater efficiencies and reduction in costs associated with audits.

Research and Development (“R&D”)

At the start of our financial year the deadline for the new EU Medical Device Regulations (“MDR”) to be adhered to was May 2024. To enable us to achieve this, our Notified Body required us to submit the Technical Files by January 2023. Consequently, we concentrated R&D resources to ensure that the technical documentation was ready to comply with the new MDR. In December 2022, it was announced that the current Medical Device Directive (“MDD”) would be extended in Europe, subject to certain conditions. Having now submitted for MDR, according to our original timelines, we are in a strong position, reducing pressure on future resources.

“We have strategically invested in areas of our business where we think it will give both short-term and long-term growth

A review of structure and resources in R&D has allowed us to better focus our activities. The benefits of this are already being realised and in Q1 FY2024 we launched a series of enhancements for products, starting with our flagship product, the SLE6000, followed by a variant of the LifeStart™ (our resuscitation and stabilisation platform) for the USA. Following this, we expect to launch at least one other new Branded product this year.

Project Wave finished recruiting patients into the study. At the time of writing, the results are still with the research group and haven’t been made public. We look forward to sharing these results in due course and will determine the next phases of the project as we learn more from the researchers.

We have invested 8% of revenue in R&D this year to further develop leading-edge solutions to improve patient outcomes, whilst streamlining the processes to improve time-to-market.

Sales and Marketing

During the year our marketing team has been working on a new website for the Group, bringing together a cohesive branding and messaging across the operating companies along with giving a better customer experience and improving our investor relations area.

The website went live on 1st March 2023 and has been designed to allow further enhancements for education and training for our customers, both as end users of our technology and as distribution partners.

Chief Executive Officer's Review continued

We have also been able to attend major tradeshows more easily compared to previous years when various Covid-19 restrictions were in place. This year we attended both Medica (Dusseldorf, November) and Arab Health (Dubai, January). The level of attendance was higher in both shows than the previous year, giving our international team a chance to sit down with distribution partners and discuss activity that will come to fruition in the next 12 months.

Scientific meetings, those where our end users present research and discuss the hot topics of the day, are returning but are predominantly 'hybrid' – a combination of face-to-face and virtual. These do give us an opportunity to re-build relationships with Key Opinion Leaders ("KOLs") as well as to gain a greater understanding of the areas of research that are intriguing our customers.

Clinical Support

One of our 'USPs' is our approach to our customers. Being able to demonstrate how our products are used adds to our value proposition. During various lockdowns and travel restrictions, our team were creative in the way we supported our customers who were both choosing and using our technology.

We started by using video conferencing to engage with customers around the world and have moved forward with a dedicated space in our new Croydon facility for user training. Our Clinical Suite allows us to bring customers face-to-face to see how our technology can be used and, using mannequins and cameras through video conferencing, we can also show how our technology can be used around the world.

Although this does not negate the need for meeting our customers and business partners, it does reduce the financial and environmental costs of travel, and allows us to engage quickly with any customer around the world, offering the first-rate experience that they have been used to in person.

Acute Care

Revenue was slightly lower than the previous year at £29.2m (FY2022: £29.5m). This was mainly driven by challenges in the markets of China and Russia: Covid-19 lockdowns in China which made it more difficult for our distributor to do demonstrations at a time when there is a strong preference for domestic products and the impact of the conflict in Ukraine on Russia and Belarus. Our team continue to exploit this demand for our products in other markets.

We did see an upturn in orders towards the end of the calendar year which has carried on into the beginning of 2023. It has been especially pleasing to see orders from UK hospitals being placed which will improve margin as we sell direct in the UK and Ireland.

In this financial year, we made the strategic decision to 'end of life' the Patient Warming System, due to the obsolescence and rising costs of components which would have meant a major re-design. This means terminating the production of new products but maintaining the existing products in the market with the supply of spare parts for a number of years.

We are looking forward to planned introductions of new products in our Acute Care area starting in Q1 with range extensions to some key product lines. These new products (including the announced increase in our Ventilator range in March 2023) are expected to drive the Acute Care range back to a more normal level of growth in the coming year.

Infusion Therapies

The portfolio we offer in Infusion Therapies was less impacted by macro-economic conditions. This is one reason why we strive to offer a diverse portfolio of products. Not only can we add value to our customers with an extensive range, we can remain agile in our sales approaches. We increased our investment in our Infusion Therapies

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One of our ‘USPs’ is our approach to our customers

area that yielded positive results with revenue increasing to £9.1m (FY2022: £7.0m) that partially offset the loss of revenue from the Acute Care area (albeit at lower margins).

Infusion Therapies is expected to grow further in this coming year as we invest in sales and marketing activity to take advantage of a well identified opportunity. We are working with our principals for whom we distribute products and are excited to have made progress in other areas of Infusion. No longer being seen as a specialist in Parenteral Feeding, we have launched new technologies in Patient Controlled Analgesia for acute pain and obstetrics and increased our market share in Oncology (for ambulatory chemotherapy where the clinicians wish to be able to monitor patients’ drug delivery remotely).

Service

The year saw a planned reduction in Service with revenues at £2.6m (FY2022: £4.2m) and in line with our expectations at the beginning of the year. This was primarily due to the planned loss of a distribution contract for ventilators and the subsequent loss of maintenance contracts and a decrease in Tecotherm service as the product is no longer on the market. During the year, we re-structured the area of business following the move to our Manufacturing and Technology Centre that has given us a dedicated warehouse for Service. This will improve our customer experience for the delivery of spare parts plus the repair and return of capital equipment. We have also made some cost savings from which we will receive the full year benefit in FY2024.

Quality and Regulatory

Our operating companies each have their own Quality Management System (“QMS”) that has previously been audited by three different Notified Bodies. During the year, we made strides to harmonise into one QMS which will mean streamlined auditing and a reduction in these regulatory audit fees. It will also give us greater flexibility to be able to use different locations for any of the operating companies’ processes rather than certain processes only being able to be carried out in one location. We had numerous audits during the year as we have started our QMS transition to MDR. These successful audits have paved the way for us to reduce the number of Notified Bodies during FY2024 which will, in turn, give greater efficiencies and savings.

As stated in the section about R&D, it was a strategic imperative to ensure that our technical documentation was ready for submission for a MDR CE mark submission. We are currently awaiting feedback from our Notified Body.

We have also been engaged with the Food and Drug Administration (“FDA”) in the USA regarding our ventilators. The FDA have been very informative of the approach they expect us to take should we wish to file for clearance and we have subsequently performed a gap analysis between what documentation we have and what is expected with a resource plan to be able to bridge the gap so that we can file for regulatory clearance in due course.

Manufacturing & Supply Chain

Our new Manufacturing and Technology Centre has been operational since summer last year, providing approximately double the manufacturing floor space and using automated warehouse systems to house small components and finished goods.

With the flow of production designed to be efficient, we believe we can double output from the ‘shop floor’ on the same shift pattern. This will enable new products, that would have been previously contract manufactured, to be manufactured in-house, improving margins.

Chief Executive Officer's Review continued

We have recognised that supply chains are still very fragile and the management of these will be a key requirement during the next couple of years as we still battle to get components. To this end we have recruited a Group Head of Procurement and Supply Chain, Francesca Stenhouse, to lead this area of our business. Francesca's remit not only covers suppliers but also logistics and all aspects of production planning, working closely with sales management to ensure that forecasts are delivered against from our factory and partners.

With the investment, not only in infrastructure but also in people, we have placed a great deal of emphasis on driving efficiencies and scale into our business that will bode well for the future.

IT and Finance

Bringing the three companies together has meant the alignment of Priority, our Group Enterprise Resource Planning ("ERP") system, which is now complete and delivering greater efficiencies. We have also been rolling out Trackwise Digital, our new online document management system. This will integrate into Priority and start to become a seamless system with the same up-to-date level of information no matter which software tool it is accessed from.

Our Charitable Giving Initiative

Our Charitable Giving Initiative has continued to receive requests for donations and during the year I am pleased to say that our employee-only committee agreed to support several charities with donations totalling £85,000 (FY2022: £13,000).

Donations are made on our behalf through CAF with monies we donated in FY2022. This also included a donation through the Disasters Emergency Committee to the victims of the Ukraine conflict. Further information on these very worthwhile causes can be found on our website.

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I would like to thank every employee for their hard work and commitment to the company over the last 12 months

Our Employees

The year has been difficult for everyone with rising energy and food costs, and we recognise that our employees are no different to others who are suffering.

We continue with a number of initiatives to reduce the impact of these with numerous employee benefits, including the option for a compressed week (that reduces commuting costs), hybrid working (again reducing commuting costs), money-saving schemes from retailers, along with salary sacrifice for bikes and cars. We have also adopted a number of wellness initiatives to help with physical and mental health issues.

I would like to thank every employee for their hard work and commitment to the company over the last 12 months and I hope the next 12 months will be easier for all of us.

Future

We continue to challenge ourselves to ensure that we structure our business to meet our growth ambitions and invest appropriately where we can realise the most opportunity. This year we have delivered on some complex projects, which we feel put us in good stead for the next financial year, due to greater capacity, capability and efficiencies.

KEY PERFORMANCE INDICATORS ("KPIs")	2023	2022
Revenue growth[1]	**0.4%**	11%
Proportion of revenue from international markets[2]	**52%**	57%
Revenue from Branded Products[3]	**59%**	55%
Revenue generated from products developed[4]	**2%**	5%
Gross margin[5]	**44%**	50%
R&D expenditure as a percentage of revenue[6]	**8%**	9%
Adjusted EBITDA margin[7]	**10%**	16%
Adjusted diluted EPS[8]	**3.0p**	7.0p

[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.

[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] 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.

[5] Gross profit expressed as a percentage of total revenue.

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

[7] Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments and non-recurring 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.

[8] Adjusted diluted EPS is measured before non-recurring 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

11 May 2023

Patient Focused

“Every person in the team is driven by improving patient quality of life. It’s about recognising these individuals have a condition which impacts their everyday life

Katie McHale

Vice President – Infusion Therapies and Homecare

We asked Katie McHale, Vice President – Infusion Therapies and Homecare, how the core value of being **patient focused** runs through her and her team.

"I am a qualified nurse and I have cared for patients at the start of life and at the end of life. It is important that all patients have a positive experience, no matter how difficult the situation. Seeing patients impacted by chronic conditions is hard and I, and many of my team, can speak from personal experience about how challenging that is. The majority of the Infusion Therapies team are qualified healthcare professionals as well as some having personal experience through family members too.

We are passionate about patients receiving the best possible care, whether it is through the nursing they receive or the products being used during care. The products really do make a difference to the patients. We look to ask, do the patients have the right equipment for them? We aim for the patients using the technology we provide to feel comfortable and empowered in using their devices.

Our home care team provide training in the patient's own home and we work closely with our customers to understand their patient cohort. In the world of home care, we feel the patient should be empowered to make a choice about the devices they use, as well as being confident in their use. Our team provide customer support over the phone and visit patients at home to provide hands-on training. It is all about quality of life. We want the patients to feel engaged with the devices they are using and to have the best experience possible.

Every person in the team is driven by improving patient quality of life. It's about recognising these individuals have a condition which impacts their everyday lives, and we can provide them with the equipment and accessories which enable them to live as normally as possible. Our acute pain device is designed for ambulatory use; we want to offer mobility and flexibility for the patient. It's all about improving outcomes and quality of life for patients.

We hold our values very highly; we are **patient focused** and we put the patient first. We add value through expertise and strive to build trust with our customers and patients. Our team know they are making a difference to a patient's life."

We are passionate about patients receiving the best possible care

Operating and Financial Review

I am pleased to report on the Group performance for the financial year ended 31 January 2023 ("FY2023").

Revenue

Group revenue increased 0.4% to £41.2m (FY2022: £41.1m).

Group Domestic revenue increased by 13% to £19.9m (FY2022: £17.6m) primarily driven by continuing growth in Infusion Therapies, partially offset by the planned exiting of domestic service revenue from distributed ventilation products. Macro-economic uncertainty, particularly in China, as well as the geopolitical consequence of the conflict in Ukraine, resulted in International revenue reducing overall by 9% to £21.3m (FY2022: £23.4m).

It is worth highlighting that 31% of full year revenue was generated in the fourth quarter. This expected increase in our order inflow and subsequent delivery of product was driven by increased Domestic and International capital purchases, particularly of ventilators.

Branded Products

Branded Products revenue grew 8% to £24.4m (FY2022: £22.5m) driven by the fourth quarter increase in ventilator sales, referred to above, and also due to the planned exit of distributed products following the acquisition of SLE Ltd. This growth was despite the impact of global market uncertainty on certain export markets.

Distributed Products

Distributed Products revenue was flat year-on-year at £13.6m (FY2022: £13.6m). Continued growth in our Infusion product range was offset by the planned exit from third-party ventilator sales. These third-party ventilators are being replaced with SLE ventilators in the UK and Ireland, contributing to an increase in Branded Products.

Technology Support

Technology Support revenue reduced 37% to £2.9m (FY2022: £4.6m). This reduction was impacted by the planned exiting of third-party ventilators and the Tecotherm cooling device change of service arrangements related to its end of life. Group total revenue also includes £0.3m of freight (FY2022: £0.4m).

Gross Profit

Gross profit of £18.1m was 12% lower than the prior year (FY2022: £20.6m). With revenue broadly flat, this reflected a gross margin reduction from 50.2% to 43.9%. This reduction was driven by the mix of products in different territories and a lower revenue from Technology Support which is at high margins.

Operating Profit

The Group reported Adjusted Operating Profit (before non-recurring items) of £1.6m (FY2022: £4.3m).

Administrative expenses were broadly flat year-on-year at £16.5m (FY2022: £16.3m), despite the highly inflationary macro-economic environment.

There were £1.2m of non-recurring items in the year (FY2022: £nil), comprising £0.5m of leased property impairment relating to the consolidation of our property portfolio following the move to the new Manufacturing and Technology Centre, £0.5m of aborted acquisition costs and £0.2m of other costs (see note 4).

This resulted in an Operating profit, post non-recurring items, of £0.4m (FY2022: £4.3m).

Adjusted EBITDA reduced to £4.0m (FY2022: £6.4m). With revenue and administrative expenses broadly flat year-on-year, this reduction was primarily driven by the mix of products in different territories. Adjusted EBITDA margin reduced from 15.6% to 9.7%.

	2023 £'000	2022 £'000	Change £'000
Operating Profit	**431**	**4,255**	**(3,824)**
Non-recurring items	1,158	-	1,158
Adjusted Operating Profit	**1,589**	**4,255**	**(2,666)**
Depreciation	1,354	1,069	285
Amortisation of intangible assets	931	837	94
Impairment of right of use asset	-	122	(122)
Share based payment	132	139	(7)
Adjusted EBITDA	**4,006**	**6,422**	**(2,416)**

Taxation

The Group has recorded a tax credit of £196,000 (FY2022: £271,000).

Earnings Per Share ("EPS")

Basic EPS and diluted EPS were 0.40p per share and 0.39p per share, respectively (FY2022: 6.22p and 6.16p).

Adjusted basic and diluted EPS (before non-recurring items) were 2.99p and 2.95p, respectively (FY2022: 7.11p and 7.04p).

Cash Flow

Net cash (cash and cash equivalents less the Company's Revolving Credit Facility "RCF" and invoice financing facility) was £(3.8)m as at 31 January 2023 (FY2022: £9.3m). The £13.1m decrease in the year was driven by the investment in the new Manufacturing and Technology Centre in Croydon (including an earlier than expected payment), increased inventory levels to ensure continuity of supply chain and customer service level, higher debtors due to strong fourth quarter revenues and non-recurring items.

Net cash flow used in operating activities was a £3.5m outflow (FY2022: £3.6m inflow), with the decrease reflecting the increased working capital level, referred to above, as well as lower profitability.

Cash outflow on investing activities was £8.3m (FY2022: £4.0m) of which £2.0m related to capital development expenditure and the majority of the balance to investment in the new Manufacturing and Technology Centre. There was also £1.3m of financing outflows.

The Group has a £5m RCF in place and during December 2022 entered into an invoice discounting facility of up to £5m. As at 31 January 2023, £4.0m of the RCF and £2.1m of the invoice discounting facility were utilised. Total headroom as at 31 January was £6.2m.

Operating and Financial Review continued

Net Assets

The value of non-current assets as at 31 January 2023 totalled £30.8m (FY2022: £25.1m). The net £5.7m year-on-year increase mostly relates to investment in the new Manufacturing and Technology Centre.

Inventory increased to £9.9m (FY2022: £6.4m) which was impacted by the need to secure components to ensure continuity of supply chain. Trade and other receivables increased by £2.6m to £11.9m (FY2022: £9.3m), reflecting a planned strong fourth quarter order and revenue level. Trade and other payables decreased by £0.8m to £5.8m (FY2022: £6.6m).

Net Assets remained flat at £35.5m as at 31 January 2023.

Dividends

The interim dividend of 0.205p per share (FY2022: 0.205p) was paid on 28 December 2022. The Board is recommending a final dividend of 0.41p per share (FY2022: 0.41p) to make a total dividend for the year of 0.615p per share (FY2021: 0.615p). If approved by shareholders at the AGM, the final dividend will be paid on 28 July 2023 to shareholders on the register on 30 June 2023.

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Branded Products revenue grew 8% driven by the fourth quarter increase in ventilator sales

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.

Share Price During the Year

The range of market prices during the year from 1 February 2022 to 31 January 2023 was 52p to 113.5p and the mid-market price of the Company’s ordinary shares at 31 January 2023 was 52p.

Neil Campbell

Chief Executive Officer

11 May 2023

Environment and Sustainability

A proud advocate for British manufacturing, we are committed to both people and the planet, building into every aspect of our business the most sustainable and environmentally friendly processes and materials possible.

In 2022 we consolidated three warehouses into our new state-of-the-art Manufacturing and Technology Centre. Building sustainability into the design was a priority focus for Brook Nolson, Chief Operating Officer and our director responsible for sustainability. We are proactively committed to reviewing our carbon impact, allowing us to identify where opportunities exist to reduce and improve our carbon impact rather than relying on carbon offset. We are committed to working towards all the operating companies within the group being accredited to internationally recognised standards such as ISO14001.

Natural energy has been utilised throughout the building with electricity, domestic water, and temperature control coming from solar thermal and air source energy systems; bought in energy is from renewable sources only. Internal landscaping offers a natural carbon reduction and our vehicle fleet has been replaced with fully electric powered or hybrid vehicles where possible.. We continue to explore sustainable options that can benefit both the planet and our business as efficiency gains can make a positive impact in terms of cost and also waste. The new cardboard compactor reduces the net amount of landfill that leaves our premises, which in turn reduces large refuse collection vehicle journeys. We are working with our supply chain partners to use repackable/reusable containers and recycled packaging, which reduce the amount of packing used along the supply chain.

Our operating companies, where applicable, comply to the Waste Electric and Electronic Equipment ("WEEE") Regulations in Europe ensuring any product or material, that has to be disposed of, is treated in the most responsible manner.

Our Trade Body, the Association of British HealthTech Industries ("ABHI") visited our site as part of a case study, "Supporting Sustainability". To read the full article please visit: **inspirationhealthcaregroup.com/news/abhi-supporting-sustainability-a-case-study-from-inspiration-healthcare**

We implemented industry measurement tools in accordance with Scope 1, 2 and 3. This information has given us our starting point towards being Net Zero for directly controllable emissions by 2035.

Metric	FY2023
Vehicle fleet EV	**64%**
Vehicle fleet Hybrid	**36%**
Petrol/Diesel	**0%**

To read the full article please visit:
inspirationhealthcaregroup.com/news/abhi-supporting-sustainability-a-case-study-from-inspiration-healthcare

Research Driven

"Being research driven enables us to understand trends which allow us to focus on concepts and new technologies early

Dr Peter Reynolds,

Vice President Clinical, Innovation and Compliance

We spoke to Dr Peter Reynolds, Vice President Clinical, Innovation and Compliance, about the core value of being **research driven**.

"Our culture embeds the principle of being **research driven** into what we do. When we think about our products, we do not want to focus purely on features; we ask ourselves how can our technologies add value and support healthcare professionals to achieve their clinical aims and deliver the best outcomes to their patients.

I am in a somewhat unique position as I still work part-time as a Neonatal Consultant in the NHS, where my patients are, of course, my priority. At Inspiration Healthcare, we are patient-focused and want to design products with them in mind. We also want to develop products that support and benefit the clinicians, hospitals and parents. Being **research driven** supports us in this. Published research shows us that, in Neonatology, ever smaller patients are being treated and are surviving with better outcomes, so we need to be looking forwards as to how we can support that. We work with Key Opinion Leaders and University groups who help us define the clinical need and the research work needed to develop the answers. Being **research driven** enables us to ask how can we refine our offerings to benefit our customers and the patients they serve?

A key element of optimal care is placing babies on the best possible clinical trajectory after they are born, while minimising the impact of their critical care support. An example of the earliest intervention after birth is deferring the clamping of the umbilical cord, which has been shown to reduce deaths and improve outcomes. Our LifeStart™, currently in its 10th year, facilitates delayed cord clamping while enabling simultaneous, immediate clinical stabilisation.

The flagship SLE6000 ventilator was developed with the aim of optimising ventilation to reduce lung damage and improve outcomes in babies. Evidence-based techniques, such as accurate controlled volume delivery, synchronisation with the baby's breathing efforts, careful control of oxygen delivery using Oxygenie™, and maximising lung recruitment using real-time feedback loops, are all features which are used daily on a global basis.

Clinical research is fed into our product development and then our products have supported further research into how outcomes can be improved for patients.

Being **research driven** enables us to understand trends, which allow us to focus on concepts and new technologies early, as well as thinking how we can address the needs of the medical community early. This can feed into both our product development and into the partners we wish to work with, as part of our complementary distributed portfolio.

Being **research driven** is also core to our teams who are responsible for providing training on our products, as they need to be up-to-date on the latest evidence and research. My vision is to support the best clinical evidence with intuitive, easy-to-use, reliable, accurate and user-friendly technology."

Being research driven enables us to ask how can we refine our offerings to benefit our customers and the patients they serve?

Principal Risks and Uncertainties

Overview of our principal risks and uncertainties

The Group's principal risks, our actions to mitigate those risks, a directional indication of whether the risks have increased, decreased, or remained about the same, together with further commentary are set out in the table on the following pages. This list comprises the material risks and mitigating actions and is drawn from a more complete list of risks which are reviewed quarterly by the Board.

Risk Appetite

Risk appetite can be defined as 'the amount and type of risk' that the Group is willing to take 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.

Our approach to Strategic risk is 'Seeking', as we aim to be innovative in our specialist areas in pursuit of higher returns.

For Operational risks we adopt a 'Cautious' approach, where we are only prepared to accept some limited loss.

Our approach for Financial & Compliance risk is 'Minimal'.

Strategic ("Seeking")

1. 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.

Current Mitigation	Risk Movement
It is the Group's intention to increase the proportion of revenue from products where we own or control intellectual property to minimise this risk. Additionally, the company will continue to invest in New Product Development and market development to reduce the reliance on third party products. Where distribution is deemed as important, long-term contracts are typically signed, but if a distributorship be lost, all efforts will be made to replace the revenue with alternative products and sales and marketing will constantly horizon scan for alternatives.	→

2. New Product Development

New product development carries risk around cost and timescales for delivery. Due to the nature of the work, there are usually significant unknowns which may take longer and cost more to resolve. It could also be that intellectual property owned by a third party could be breached.

Additionally, competitors could bring out better products more quickly, meaning the investment justification for the project is outdated.

Current Mitigation	Risk Movement
Projects are reviewed regularly by the Board. However, throughout the year, pieces of work are carried out to improve products and add value to maintain competitive advantage. Major projects are started with commercial justification and market need, given a priority based on revenue generation and strategic need. Resources are allocated and timetables agreed. They are managed through a staged process with Board approval at project inception and at post evaluation, final business case phase, at which point development costs are capitalised. The Vice President - Clinical, Innovation and Compliance - reports to the CEO and reports on projects, risks and costs, through regular project summary meetings, and is also invited to present to the Board twice a year on key projects. Product management review the market and feedback to senior management about the market dynamic.	

3. Key Principal Loses Accreditation

Our principals need to maintain their ISO13485:2016 certificates along with the EC certificate/UKCA Mark to be able to sell products into the EU/UK. If these are lost, operating companies in the Group will not be able to import goods and sell them on.

Current Mitigation	Risk Movement
There is a possibility to appoint a new principal selling a competitive product. The mitigation against lost revenue will need to be aligned to the likely time that the principal will be out of the market and the disruption caused by on-boarding a new principal. The Group's operating companies have made principals aware of the new requirements to give them adequate time to comply.	

Principal Risks and Uncertainties continued

4. Management of Acquisitions (pre and post completion)

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

Actionable acquisition targets are not guaranteed to be delivered or be found in a set period of time. There is a need for senior management time to find acquisitions, do due diligence and run the business without strong second tier management.

Current Mitigation	Risk Movement
The Executive team have developed a reliable model that can be used pre-acquisition and understand the need for synergies to be realistic and pragmatic with a suitable plan to extract benefits once the acquisition has completed. Management also has to carefully assess the managerial capability of any target and identify supplementary resource requirements during due diligence. Every acquisition will bring its own challenges and needs which will mean that the post-acquisition plan will be individually tailored.	

5. Revenue Growth (International and Domestic)

We are targeting double-digit revenue growth.

Macro political conditions could have an impact on our market at home and overseas i.e. Covid-19, conflicts, trade wars, Brexit.

Recession in the UK could lead to NHS spending on our products being reduced.

Current Mitigation	Risk Movement
Macro-economic events such as the pandemic, Brexit and major conflicts have to be managed well, using cross-company skills. It is impossible to plan for every eventuality, but early visibility and quick action to create a management group that can manage the situation has been shown to be an effective way of minimising the risk to the Group. Having a diversified market for our products is important as is investing in time for management to be aware of any trade issues that may arise. The ability to be agile and find alternative products and markets to focus on is a key strength of the Group.	

6. Sustainability

Major customers such as the NHS are becoming increasingly vocal and demanding on the adoption of sustainability which will drive purchasing decisions.

Additionally, employees, shareholders and other stakeholders are increasingly concerned about the impact companies have on the environment. This can have a knock-on effect on employee morale, recruitment/retention and the ability to raise capital.

Current Mitigation	Risk Movement
Brook Nolson, an Executive Director of the Group, has responsibility for sustainability. We are monitoring our Scope 1, 2 and 3 emissions and act as appropriate to reduce them while growing our business. Recent initiatives such as investment in our new facility, electric vehicles, hybrid working and compressed working week etc have reduced our environmental impact as we work towards our aim of Net Zero.	

Operational and Financial

1. Dependence on Third Party Suppliers and supply chain interruption (not Principals in this instance)

The Group's business depends on products and services provided by third parties. If there is any interruption to the supply of products/services by third parties or those products/services, for whatever reason, the Group's business will be adversely affected.

Reasons include inter alia: scalable supply, adverse quality, delivery on time, upgrade of products etc.

Current Mitigation	Risk Movement
The Chief Operating Officer is ultimately responsible for supplier management and aligns stock levels with sales forecasts to balance customer satisfaction with working capital. Supplier management, both commercially and from a Quality Management System perspective, is reviewed regularly (at QMS Management Review). The Executives' planning involves looking at where to bring manufacturing in-house/on-shoring and second sourcing to ensure maintaining flow of goods. Recent events due to the pandemic have highlighted a need to adapt to be able to change components quickly. Diverting R&D resources to make this happen mitigates some of the risk, along with using cash to increase stock holding as components become scarce. Supply chains are expected to be variable for some time as the world recovers from the pandemic and issues arising from the Ukraine war.	↑

2. Reliance on Key Individuals/Talent Management

The success of the Group will depend largely upon the expertise and relationships of the Board and other senior employees. The loss of any of the key individuals could have an adverse effect on the Group until such time as relationships are re-established.

Current Mitigation	Risk Movement
The Group's remuneration strategy is designed to retain and motivate the Executive team and other senior managers. The Remuneration Committee sets the remuneration, bonus and long-term incentives for the Executive team. The Executive team are working to reduce reliance on personal relationships in key areas and to ensure that key partners are aware of a team approach. Enlarged Group and strengthened management reduce the potential impact of any loss.	↓

3. Changes in Legislation and Regulation

Global regulatory bodies continue to increase their expectations of manufacturers and distributors of medical devices to ensure products are safe and effective.

All markets in which the Group operates are highly regulated and legislation can change from time to time, which may impact the ability of the Group to sell products in a particular country.

Current Mitigation	Risk Movement
The Group has stringent procedures and controls in order to comply with the relevant legal and regulatory conditions in the UK and in its export markets. The Group also has a Quality Assurance and Regulatory Affairs ("QARA") department dedicated to liaising with the regulatory authorities to monitor any changes in conditions and ensure continuing compliance with the existing and new conditions. The QARA team are tasked with horizon scanning for legislation and, coupled with R&D, will keep documentation up-to-date to ensure compliance.	↑

Principal Risks and Uncertainties continued

4. Health and Safety

The Health and Safety of all our employees, customers and partners is a priority item for the Board as we recognise that everyone has a right to work in a safe and pleasant environment, free from adverse events.

Current Mitigation	Risk Movement
The Board requires Health and Safety to be discussed at the beginning of every Board meeting based on a report from an Executive responsible for Health and Safety (currently the Chief Operating Officer). Metrics are reviewed and action taken should these start to show a negative trend. 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.	

5. General Commercial Contracts

The Group relies on Contracts with various customers, suppliers and advisors, including: Distribution Agreements, Non-Disclosure Agreements, Contracts of Employment, Manufacturing Agreements, Quality Agreements etc.

Current Mitigation	Risk Movement
The Group tries, where possible, to always use its own template agreements that are reviewed and updated from time to time by Executives and again, where appropriate, by the Group's legal advisors. The Group aims to ensure these templates are fair for both parties but with the aim of protecting the Group's interest. Contracts of employment and best practice are reviewed with employment lawyers regularly to ensure that they are current.	

6. Retention Group's Certificates and other Licences

The medical industry is highly regulated and each territory in which the Group operates is subject to its own stringent legal and regulatory regime to ensure the products the Group places on the market are safe and compliant with that territory. Regulatory approvals are required to market and sell medical devices into both the UK and export markets.

Current Mitigation	Risk Movement
The Group has three companies and has invested more heavily in employees as it has transitioned to Medical Device Single Audit Program and plans for MDR in Europe. Each company has its own locally implemented Quality Management System ("QMS") and audits. The audits are thoroughly prepared for; however, the audits are independent and outcomes are not guaranteed. The companies have resources to undertake remedial action as appropriate. The companies are working towards harmonising their procedures to be able to utilise a single QMS which will allow for a simpler auditing process.	

7. Intellectual Property Rights

The Company has intellectual property that it needs to protect. This can be in the form of new ideas, marketing specifications, market data and information relating to products.

Current Mitigation	Risk Movement
The Group protects its intellectual property by using legal means (such as patents and trademarks) where appropriate or by keeping knowledge in-house (such as trade secrets). In-house information is protected through various contractual arrangements such as non-disclosure agreements with suppliers, and contracts of employment for employees.	

8. IT Systems and Cyber Security

Our systems may be vulnerable to a cyber attack, theft of intellectual property, malicious intrusion, data privacy breaches or other significant disruption. We have a layered security approach in place to prevent, detect and respond, to minimise the risk and disruption of any intrusions, and to monitor our systems on an ongoing basis for current or potential threats.

In-house IT Support is supplemented by external IT experts, as and when required.

Greater dependency on cloud-based systems and therefore broadband for connectivity could leave the business vulnerable if connectivity was lost.

Current Mitigation	Risk Movement
The Group has identified that the biggest threats to IT Security are (i) either accidental or deliberate removal/corruption of data by employees or contractors; and (ii) hacking into our systems by third parties. The Group uses data encryption and cyber security services from leading technology suppliers and all software is updated regularly. The Group will be applying for Cyber essentials to provide greater assurance to customers. The Audit Committee will carry out a "deep dive" review on cyber security in FY2024. We have implemented dual access and backup support systems, using fibre connections from two separate sources and 4G cell technology, to minimise any impact. We are also able to deploy key areas of the business to work using mobile technology in unaffected locations.	

Companies Act Section 172 Statement

Our Employees

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

Key decisions in the year	How do we engage with our stakeholders
Continuing our compressed working week arrangement The Board made the decision in the year to continue the compressed four-day working week as feedback from employees was overwhelmingly positive. This benefit has also attracted new talent to the Group by offering greater flexibility. The compressed working week continues to be available to all employees, on an "opt-in" basis. The Group launched several surveys during the year to obtain feedback from our employees on the compressed working week. As part of our annual Benefits Survey, which asked employees to rank Company benefits in terms of importance, the compressed working week was the most voted for benefit.	We engage with our employees in a number of different ways, including via our intranet platform, weekly newsletters and regular all-employee 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 44.
Improved Health and Safety protocols The Health and Safety of our employees continues to be a top priority for the Board and we continue to adopt a proactive approach to improving our Health and Safety procedures. We are pleased to report that our new Environmental, Health & Safety ("EHS") software platform has been successfully implemented across the group. The EcoOnline EHS platform provides streamlined reporting of safety observations and management of risk assessments, safety audits and corrective actions. The platform has been integrated with the existing STAR (Stop, Think, Act, Report) initiative to allow continuity of the safety reporting process and sustain employee engagement. By recording the source of hazard observations, we can measure employee engagement as a KPI to monitor the effectiveness of our Health and Safety initiative, STAR. Since the introduction of STAR, employee engagement in the reporting of safety observations has increased. Following our decision to introduce a requirement to meet the Institute of Advanced Motorists tests in 2022, we require all employees who regularly drive for business to complete the course. Our goal in FY2024 is the certification of our Environmental and Health and Safety Management systems to ISO 14001 & 45001 respectively. Certification audits, to be conducted by BSI, are scheduled for Q3 and Q4.	
Closing our Head Office in Crawley The Board made the decision in the year to close our Head Office in Crawley to consolidate our properties and to bring our teams together at our new Manufacturing and Technology Centre in Croydon. Individual consultations were conducted with those affected by the decision to close our Crawley premises. The Group has also offered greater flexible working options to those affected and we are pleased to report no leavers as a result of the closure.	

Our Customers

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

Key decisions in the year	How we engage with our stakeholders
Increased in-person customer visits to our new facilities During the year, we have hosted several international customer visits, as well as NHS Trusts, at our new facilities, which have given us the opportunity to demonstrate the full suite of our products and services and helped us to secure new customer relationships.	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 online and in-person conferences and have hosted several visits to our new Manufacturing and Technology Centre in Croydon. We also continue to engage with our customers through a variety of channels, including our websites, social media platforms, virtual sales and training meetings and through email engagement such as customer feedback surveys.
Resource committed to the new EU Medical Device Regulation (“MDR”) The Board made the decision to invest significant Research and Development resources to the new EU MDR and we are pleased to report that all technical files were submitted ahead of time, all sites have been audited by British Standards Institution and all audits were passed, leaving us in a strong position to move forward with the new Regulation.	

Our 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.

Key decisions in the year	How we engage with our stakeholders
Appointment of new Head of Procurement and Supply Chain In light of the current economic environment and the uncertainties surrounding procurement, the Board made the decision to appoint a new Head of Procurement and Supply Chain, Francesca Stenhouse. Francesca comes with more than 10 years of supply chain experience and leadership in the manufacturing industry.	As part of our continued commitment to our supplier relationships, the Group holds monthly critical supply chain meetings, with a minimum of two face-to-face meetings taking place a year. These monthly supplier meetings and site visits with our key suppliers, enable us to develop stronger relationships with our suppliers, to optimise the Group’s buying strength as an amalgamated group and to ensure our procurement process is operating in the most efficient manner possible

Companies Act Section 172 Statement continued

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.

Key decisions in the year	How we engage with our stakeholders
Approval of interim dividend An interim dividend was paid in December 2022 and a final dividend has been recommended. For more information on the total dividend for the year, refer to the Directors' Report on pages 54 to 57.	The Group regularly communicates with its shareholders, through investor presentations, roadshows, retail shareholder events and Regulatory News Service ("RNS") announcements. We have invited a number of investors to our Croydon site over the year, which gave investors and stockbrokers the opportunity to see the new facility. For further information on how the company engages with its investors, refer to our Statement of Corporate Governance – QCA Principle 2 on page 43.

Neil Campbell

Chief Executive Officer

11 May 2023

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.

Our statement of corporate governance can also be found on our website:
inspirationhealthcaregroup.com/investors/corporate-governance

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 outcomes by providing highly advanced medical technology. Our mission is to pioneer medical technology that improves the outcomes of patients, starting with the first breaths of life.

Our strategy is defined clearly in Our Business Strategy (on pages 14 to 17). 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. These 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 25, 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.com** for both financial and general news relevant to shareholders.

The Executive Directors meet existing and potential shareholders 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, during the year, Cenkos Securities plc, has been briefed regularly and updated the Board during the year on shareholder sentiment and expectations.

Statement of Corporate Governance continued

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. This year's AGM was back to being an open meeting. For each resolution the number of proxy votes received for, against and withheld is circulated to all attendees. All 2022 AGM resolutions were passed.

During the year the Executive team hosted a number of institutional investors at our new Croydon site to see the level of investment in our state-of-the-art, environmentally friendly Manufacturing and Technology Centre. The feedback from these visits about the new facility, where our Croydon-based team operate from, was very positive.

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 4 to 42. The Group's Purpose is widely understood and drives the decision-making which aims to optimise the long-term value of the business.

A. Employees

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, Bob Beveridge, 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. Additionally, our Senior Independent Director visits our sites from time to time to talk to employees across the Group. This allows not only employees to raise any comments informally but also gives the Board general feedback on the well-being and mood of employees. 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 have extended our flexible working arrangements, including a blended working policy as well as a compressed four-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. Our new facility in Croydon has a number of initiatives to prevent infections such as Covid-19 spreading throughout the building. At other sites we have protocols in place to prevent spread in different ways, such as changing shift patterns and employees working from home where possible.

We hold regular all-employee online meetings to keep employees updated on business progress. We also have a company-wide meeting where we recognise both individual employees and teams within our business who have performed exceptionally well during the year, along with giving everyone a chance to meet colleagues from other areas of the business and build an 'esprit de corps'. Non-executive Directors are also invited to attend to gain an invaluable insight into the culture of the business. We also operate an incentivised improvement ideas scheme.

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. We also support scientific research where appropriate and attend scientific meetings that both support ongoing clinical research and allow for engagement with customers at various levels from Professors of medicine to junior nursing staff.

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. The appointment of a senior member of staff to manage our supply chain will further develop our relationships with suppliers.

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 six months and Board reports from the Executives are discussed at Board meetings where 'ad hoc' risks are discussed and action undertaken to mitigate them.

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 consider 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
- Authorisation controls and limits built into the Group-wide ERP system, Priority
- 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

Statement of Corporate Governance continued

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, including the Chairman, 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 Microsoft Teams or Zoom. Face-to-face meetings are preferable as they allow 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 adhoc 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 the week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board reports from the Executive team are also circulated to the Board in months when there is no formal Board meeting to ensure continuity and transparency in activity in the business. Board dinners are held from time to time to allow broader discussion and development of effective Board relations in an informal environment.

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 resigned during the year but remained as the Company Secretary until March 2023. The Board has appointed an outsourced Company Secretary from March 2023. The Company Secretary 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. An announcement about a new Chief Financial Officer will be made in due course. Until such time we have a well-qualified temporary Chief Financial Officer.

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

The 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 52 and 53.

The Board undertakes an appraisal process to see how the mix of skills, experience and behaviours align with the Company's ambitions from time to time. Skills and experience required are also discussed at the Nominations Committee as part of succession planning. Currently, the Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, needed at this stage of the Group's development, including in the areas of medical devices, sales and marketing, 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.

The Board identified a need to strengthen Company Secretarial activity and, as such, has appointed an outsourced Company Secretary from March 2023. The Company Secretary 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.

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 focused on strategic matters and the remaining seven meetings focused on specific key matters, including risk management, health and safety, sustainability, environmental, 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 FY2024.

The Board considers succession planning for both Executive and Non-executive Directors on an adhoc 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 Executive Directors, one of whom was the founder of Inspiration Healthcare Limited. Taking into account that the Group is relatively small, with approximately 220 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 focused
- Outcome changing
- Pioneering
- Research driven

Our new Manufacturing and Technology Centre in Croydon has helped improve cohesion within the Group, with colleagues from all Group companies working across all functions including R&D, Marketing, Sales and Finance. We announced the closure of our Crawley facility, which has led to the relocation of employees to our Croydon and Hailsham facilities, as well as giving those affected more time to work from home, concentrating resources in fewer sites. We are more proactively bringing our field-based employees together for regular face-to-face meetings. These initiatives, along with further integration of processes across the Group, will develop a stronger 'esprit de corps' within the Group.

Statement of Corporate Governance continued

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 expects 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.

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 and 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 key communications

All Directors receive monthly information on the Group's operational and financial performance and a full set of papers are 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 50 and 51. 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 58 to 63. The Remuneration Committee has two members, Liz Shanahan (Chair) and Bob Beveridge. The Company Secretary attends by invitation and, where appropriate, leaves the meeting should there be a conflict of interest. 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, skills and experience as well as 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 2023.

Board members	Number of meetings attended			
	Board	AC	RC	NC
M Abrahams, Chairman	9/9	n/a	n/a	2/2
N Campbell, Chief Executive Officer	9/9	n/a	n/a	2/2
B Beveridge, Senior Independent Non-executive Director	9/9	5/5	2/2	2/2
B Nolson, Chief Operating Officer	9/9	n/a	n/a	n/a
L Shanahan, Non-executive Director	9/9	5/5	2/2	2/2
J Ballard, Chief Financial Officer and Company Secretary	8/9	n/a	n/a	n/a
J Ballard, Company Secretary	1/9	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. Additionally, strong informal relations are maintained between Executive and Non-executive Directors. During the last year most meetings have taken place face-to-face and Non-executive Directors have continued to meet with other senior managers informally to give advice and assistance. One board dinner has 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, both in person and online. The slides used for such presentations are made available on the Group's website under the Reports and Presentations section and recording of presentations from retail investor meetings are generally made available on the platform of the organisers. The Group retains a financial public relations firm to assist it in ensuring that key messages reach the appropriate audiences.

Mark Abrahams

Chairman

11 May 2023

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 FY2023 audit plan and audit engagement letter
- Review of effectiveness of the external auditor

Financial Reporting

The Committee has recently concluded that the Annual Report and Financial Statements for the year ended 31 January 2023, 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 in particular the following key matters of judgement:

- Capitalisation of product development expenditure (including significant regulatory expenditure) as part of a refreshed Product Innovation process
- Valuation of goodwill and intangible assets, and any possible impairment indicators
- Revenue recognition in terms of determining when control has passed to the customer
- Deferred tax

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. Please refer to the Directors' Report on pages 54 to 57 for further detail.

External Audit

The audit plan was reviewed in October and shared with the Board. The FY2023 audit process was more efficient than the prior year and the delivery of the agreed plan was 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 approved the FY2023 audit plan.

The fees paid to the auditors, BDO, were £227,000 (FY2022: £205,000) for FY2023 audit services, and £4,000 (FY2022: £3,000) for non-audit services. No services were provided pursuant to contingent fee arrangements.

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 34 to 39.

During the year the Committee reviewed key financial processes and an updated analysis of the internal control environment.

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 ("KPIs")**

  A set of financial KPIs 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

11 May 2023

Board of Directors

"The Board is satisfied that, it has an effective and appropriate balance of skills and experience

Neil Campbell

Chief Executive Officer

In 2003, Neil became CEO and founding partner of Inspiration Healthcare Limited, leading the company through the reverse acquisition of Inditherm plc and onto AIM in June 2015. Neil has spent more than 30 years in the Medical Technology industry for both blue chips and small companies. Neil has had an extensive commercial career in medical devices in international sales and marketing in neonatal intensive care and operating theatre products, as well as having direct sales experience in the UK and Australia. Neil has previously also been a director of 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, business development, market development, international sales and marketing, product development, regulatory affairs, strategic planning, M&A.

Brook Nolson

Chief Operating Officer

Brook has been a key member of the Inspiration Healthcare team since 2013. In July 2020 he became Chief Operating Officer for the Group, having been a Non-executive Director since 2015. With considerable experience, domestically and internationally, in managing manufacturing, implementing strategic development plans and leading organisational change where the teams can grow, Brook has designed and developed new facilities, encompassing as many sustainable features as possible, that enable expansion and efficiency to work together and with a bias towards maximising output through the use of technology and systems to ensure that highly regulated environments have constantly improving visibility. Brook is a member of The Cambridge Institute for Sustainability Leadership (CISL), having completed his studies in Sustainability Management for the Corporate Environment with the University of Cambridge. Previous Group Directorships include: Birse Group plc, Willmott Dixon Group and Morgan Sindall plc.

Key areas of expertise

Corporate sustainability, 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 this 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 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 the 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 Advanced Medical Solutions plc and Celadon Pharmaceuticals plc as well as being a Director and Trustee of CWPlus, the charitable arm of Chelsea & Westminster Foundation Trust Hospital in London, where she was a Non-executive Director for more than five years. She is also a member of the organisation's Innovations Advisory Board.

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

Key areas of expertise

Pharmaceutical and healthcare industry expertise, financial including M&A, risk management, public policy, ESG strategy, international markets, communications and 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 2023 ("FY2023").

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 the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange plc.

Going Concern

The Group provides essential 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 is not something that can be reduced by election or choice.

Although the Group has no information to suggest such a scenario might occur, it has modelled a significant downside scenario based on its main risks, as identified in the Risks and Uncertainties on page 34 to 39 of the Annual Report, including a significant downturn in forecast revenue of 15%. If such a scenario occurred, the Group would implement procedures to reduce overheads and if necessary, utilise the remaining undrawn Invoice Discounting Facility and Revolving Credit Facility (due for renewal June 2024).

As at 31 March 2023 net cash of the Group was (£2.0m), and there was cash headroom of £8.0m. The Group has access to borrowing facilities of up to £10.0m. Consequently, the Directors believe that the Group has sufficient liquidity to meet obligations as they fall due up to the end of May 2024 and consider it appropriate to prepare the Financial Statements on the going concern basis.

Results and Dividends

The results of the Group are set out in detail on page 72. An interim dividend of 0.205p per share (FY2022: 0.205p per share) was paid on 28 December 2022. The board is recommending a final dividend of 0.41p per share (FY2022: 0.41p per share) to make a total dividend for the year of 0.615p per share (FY2022: 0.615p 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 42.

Political and Charitable Donations

No charitable donations were made during the year (FY2022: £nil), however, disbursements were made to the value of £85,000 (FY2022: £13,000) from the donation made to CAF in FY2022. No political donations were made (FY2022: £nil).

Financial Instruments and Risk Management

Disclosures regarding financial instruments are provided within the Principal Risks and Uncertainties on pages 34 to 39 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 £3.2m (FY2022: £3.7m) 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 40 to 42.

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:

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 (resigned as Chief Financial Officer on 5 December 2022 and as Director on 22 December 2022)
B J Beveridge	Non-executive Director
L A Shanahan	Non-executive Director

Further information relating to the Board is detailed on pages 52 and 53.

Directors' Interests in Shares and Contracts

Directors' interests in shares of the Company at 31 January 2023 and 31 January 2022, and any changes subsequent to 31 January 2023, are disclosed in the Directors' Remuneration Report on page 63. 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 close of business on 10 May 2023, 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	11,015,487	16.1%
Berenberg Bank	5,932,251	8.7%
S G Motley	4,511,628	6.6%
N J Campbell	4,416,646	6.5%
Octopus Investments Nominees Limited	4,380,000	6.4%
Premier Miton Group plc	4,022,234	5.9%
Liontrust Asset Management	3,838,415	5.6%
T Foster	3,412,975	5.0%
Castlefield Investment Partners	2,113,819	3.1%

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.

Reappointment of Independent Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them is proposed for consideration at the AGM.

Statement of Directors' Responsibilities

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

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

Neil Campbell

Chief Executive Officer

11 May 2023

Directors' Remuneration Report

I am very pleased to be able to present my Directors' Remuneration Report as Chair of the Remuneration Committee, on behalf of the Board, for the financial year ended 31 January 2023 ("FY2023").

Overview of year

Like so many businesses, we started 2022/23 very optimistically. We were putting Covid-19 behind us, supply chains were easing and the healthcare market was showing strong signs of recovery. Within weeks, things changed dramatically with the invasion of Ukraine and the turmoil has made this a year of unprecedented and constant challenge.

This year has been one of significant investment and internal achievements, despite the challenges. We moved to our new state-of-the-art Manufacturing and Technology Centre in Croydon, with only one day manufacturing down-time and not a single Health and Safety incident. The Board are immensely proud of the move, which has been well received by our employees and customers alike. There have been extensive challenges around inflation, ongoing supply chain issues and submitting files for EU regulatory compliance, (Medical Device Regulation) for all products across the entire portfolio.

Our Chief Financial Officer and Company Secretary, Jon Ballard, resigned during the year. It has been a tough year for our Executive Directors, but they retain a strong focus on the success of the business and tackle every challenge head on.

The Group delivered revenues that were marginally ahead of FY2022, but they fell short of the threshold for bonuses. The Remuneration Committee, however, used its discretion in relation to non-financial targets for the Executives.

Membership

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

The Committee has met formally twice 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 managers' remuneration and reviewing and approving the rules of share incentive plans.

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, designed to incentivise them but not to detract from the goals of corporate governance.

The composition of each Executive Director's remuneration is based on a fixed element together with a short and longer term performance-related element, and they are reviewed annually by the Committee. The Executive Directors, including the Chief Executive Officer, each have a six-month notice period. 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 while 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 six 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 four months. As of 11 May 2023, the Chairman has served on the Board for 7.8 years, Bob Beveridge has served 7.7 years and I have been in place for 2.4 years.

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

The performance-related aspects consist of an annual maximum bonus scheme of 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 Ltd in 2020, there were inevitably some misalignments between the remuneration policies across the Group. As we noted last year, we aimed to align those policies and harmonise salaries across the Group. This is now complete. We have a number of well received employee benefits and our compressed week pilot has now been rolled out across the business and is working well. 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. Currently, 90 employees are participating with 326,159 shares committed.

Executive pay ratio reporting

While 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. We still have a gap in our gender diversity, as well as our gender pay. We have always been very proud of our record here so, as a Board, we have asked the Executive Directors to take a more detailed review of this within the business and I look forward to reporting improvements next year. Executive Pay Ratio Reporting remains stable, with the highest paid executive receiving just over five times the average package within the business and just over 12 times the lowest package.

Executive remuneration for year ending 31 January 2023

Fixed Aspects

In line with the rest of the employees, the Executive Directors received a salary increase of 3.5% in FY2023. 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, remained unchanged in FY2023.

Performance-related Aspects

Bonus

The maximum annual bonus achievable for the Executive Directors is 100% of basic salary. In FY2023, the financial targets were based on four performance measures: revenue, EBITDA, new product development and cash flow. The Health and Safety target is based on having no reportable incidents, see Table 2. The underachievement of the financial performance was such that, none of the Executive Directors were entitled to any portion of that aspect of their bonus in FY2023.

For the Chief Executive Officer and Chief Financial Officer, 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.

The targets for the Chief Operating Officer are a mixture of those financial targets alongside some specific targets in relation to their role. In FY2023, the financial targets were based on four performance measures: revenue, EBITDA, new product development and cash flow. The Health and Safety target is based on having no reportable incidents, see Table 2. The Chief Operating Officer's targets were based on our facility move and customer and distributor service levels and satisfaction. Subsequently, for all Executive Directors, there was a small allocation of bonus against our Health and Safety targets. The Chief Operating Officer also received a bonus for two aspects of his particular targets. Details are set out in Table 2.

Table 1: Directors' Remuneration (Audited)

	Salary		Annual Bonus		Pensions		Benefits		Total Remuneration	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Executives										
Neil Campbell	**207**	200	**5**	82	**10**	10	**14**	14	**236**	306
Brook Nolson	**165**	160	**67**	131	**8**	8	**13**	13	**253**	312
Jon Ballard[1]	**129**	130	**4**	53	**6**	7	**11**	12	**150**	202
Non-executive Directors										
Mark Abrahams	**45**	45	**–**	–	**–**	–	**–**	–	**45**	45
Bob Beveridge	**30**	30	**–**	–	**–**	–	**–**	–	**30**	30
Liz Shanahan	**30**	30	**–**	–	**–**	–	**–**	–	**30**	30
	606	595	**76**	266	**24**	25	**38**	39	**744**	925

[1]Jon Ballard joined the Board on 1 July 2020 and resigned on 22 December 2022

Table 2: Annual Bonus Performance Criteria FY2023

Annual Bonus - 100% of Salary

Measures	% of Max Bonus CEO & CFO	% of Max Bonus COO
Profit – EBITDA	60.0%	25.0%
Budget Revenue – Sales	22.5%	7.5%
Cap Year-end Net Cash	5.0%	5.0%
Stretch 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%**

Long-term incentive Plan ("LTIP")

Historically, the LTIP performance measures were based 50% on new product introductions and 50% on revenue growth.

As we noted previously, the LTIP lapsed in 2019 and 2020 so there were no LTIPs vested this year. LTIP options were granted in FY2023 to the Executive Directors for assessment and vesting at FY2025, subject to the performance measures being achieved. As of 31 January 2023, there are, including Directors, 377,282 (FY2022: 477,538) share options in existence - see Table 5. For Directors' total interest in shares, see Table 6.

Priorities and Executive remuneration for year ending 31 January 2024

The Committee continually assesses and reviews the policy, mindful at the moment of the ongoing uncertainty brought on by the war in Ukraine and the impact of inflation 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.

Salary

We have agreed an increase in salary for the Executive Directors for FY2024 of 7%, in line with the rest of the workforce.

Annual bonus

The bonus arrangements for Executive Directors in FY2024 are detailed below, see Table 3, with some specific operational targets for the Chief Operating Officer.

Table 3: Annual Bonus Performance Criteria FY2024

Annual Bonus - 100% of Salary

Measures	% of Max Bonus CEO & CFO	% of Max Bonus COO
Profit – EBITDA	60.0%	25.0%
Budget Revenue – Sales	22.5%	7.5%
Cap Year-end Net Cash	5.0%	5.0%
Stretch New Product Development	10.0%	10.0%
Health and Safety	2.5%	2.5%
Implementation of customer satisfaction metrics	0.0%	12.5%
Supplier satisfaction levels and metrics	0.0%	12.5%
Implemented CRM system		12.5%
Flow sensor manufacture metric	0.0%	12.5%
Total	**100.0%**	**100.0%**

Directors' Remuneration Report continued

LTIP

The revised LTIP for our Executive Directors 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 two-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 are delighted to report that, as mentioned last year, we have, for the first time, included a number of ESG metrics within our LTIP measures and we look forward to reporting on that over the next few years.

Table 4: LTIP Performance Criteria

FY2024 LTIP - measures - evaluated over three years

Measures	Weighting %
Revenue growth	60
A number of measurable ESG targets	40
Total	**100**

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 2022	Granted during the year	Exercised during the year	Lapsed during the year	At 31 January 2023	Date of Award	Performance Period	Exercising Date	Expiry Date
N Campbell									
	65,385	–	–	–	65,385	05 Nov 18	01 Feb 18 31 Jan 21	27 Apr 21	26 Apr 23
	50,000	–	–	–	50,000	07 May 21	01 Feb 21 31 Jan 24	01 May 24[1]	30 Apr 26
	115,385	–	–	–	**115,385**				
J Ballard									
	6,250	–	–	6,250	–	08 Nov 17	01 Feb 17 31 Jan 20	21 Apr 20	20 Apr 22
	23,252	–	–	–	23,252	08 Nov 18	01 Feb 18 31 Jan 21	27 Apr 21	26 Apr 23
	32,500	–	–	–	32,500	07 May 21	01 Feb 21 31 Jan 24	01 May 24[1]	30 Apr 26
	62,002	–	–	**6,250**	**55,752**				
B Nolson									
	40,000	–	–	–	40,000	07 May 21	01 Feb 21 31 Jan 24	01 May 24[1]	30 Apr 26
	40,000	–	–	–	**40,000**				

[1]Expected exercise date based on anticipated results date, may be subject to change.

Table 6: Directors' 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 2023	31 January 2022
M S Abrahams	**256,576**	256,576
N J Campbell	**4,416,646**	4,416,646
J Ballard *	**15,375**	15,375
B Nolson	**34,323**	34,323
L A Shanahan	**35,000**	35,000

*Jon Ballard resigned as Director on 22 December 2022

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 54 to 57 setting out substantial interests in the Company.

Conclusion

The year ending 31 January 2023 has been incredibly challenging. Although many of those challenges remain, our entire workforce, including our Executive team, have shown great resilience. The team ran the business seamlessly throughout the year, making sure the delivery of products to our customers was uninterrupted, helping to save the lives and improve outcomes, around the globe, for one of society's most vulnerable groups, premature and sick babies. The Group delivered strong operational performance and delivered revenues that were marginally ahead of FY2022, but, sadly, they fell short of the threshold for bonuses and this is reflected in the Directors' remuneration.

Liz Shanahan

Chair, Remuneration Committee

11 May 2023

[1] 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 10 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 performance criteria (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.

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 2023 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 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, the company statement of financial position and the company statement of changes in equity 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 obtained the Directors' budgeted operating results, budgeted cashflow and forecast covenant compliance covering 12 months from the date of approval of these financial statements and checked that the information was arithmetically accurate;

- We critically reviewed these budgets and forecasts and assessed the achievability of the projections outlined within the Director's model, specifically with reference to detailed performance and growth assumptions. This included challenge of assumptions with reference to the current economic climate and current year and post year end performance against budget
- We confirmed the arithmetic accuracy and the appropriateness of sensitivity analysis performed and performed additional sensitivity testing to determine whether any variances would result in a risk to going concern including the impacts on budgeted cashflows and covenant compliance;
- We confirmed the applicable financial covenants to relevant loan documentation to ensure inputs are consistent with the definitions within the financing arrangement and have been calculated correctly;
- We evaluated the Group's disclosures on going concern compliance against the requirements of the accounting standards.

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

Coverage	83% (2022: 88%) of Group profit before tax excluding non-recurring items 95% (2022: 95%) of Group revenue 93% (2022: 93%) of Group total assets		
Key audit matters		2023	2022
	Revenue recognition	Y	Y
Materiality	*Group financial statements as a whole* £93,600 (2022: £198,000) based on 5% of the last three years average Profit before tax (2022: 5% of Profit before tax)		

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 analytical reviews. All audit work on both significant and non-significant components was performed by the group engagement team.

Independent Auditor's Report continued

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.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition (Note 1 and note 3)	Inspiration Healthcare Group revenue includes the sale of Branded and distributed 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 from the inappropriate or incorrect calculation of the split between revenue and the contract liability. The group has a number of international markets in which it operates, which may drive more complexities with revenue recognition. We therefore consider there to be a risk of fraud and error over compliance with IFRS 15 Revenue from Contracts with Customers ("IFRS 15") for revenue contracts with overseas customers and distributors. We therefore have determined revenue recognition to be a key audit matter.	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 invoices from November 2022 to February 2023 through to supporting documentation to check that these items had been appropriately accounted for in the correct period. 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 that was subsequently reversed. 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. For a sample of revenue recognised for overseas distributors, we have obtained copies of the agreements to check 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 through to supporting documentation. **Key observations:** Based on the work performed we did not identify any indicators to suggest that revenue has not been recognised appropriately.

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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Materiality	93,600	198,000	88,300	188,000
Basis for determining materiality	5% of the average Profit before tax over the last three years	5% of Profit before tax	95% of Group materiality	95% of Group materiality
Rationale for the benchmark applied	The volatility in the current year is considered to be unusual and not necessarily due to the general market conditions. The impact of one-off transactions and of supply chain difficulties experienced by the business cased the result for the year to be significantly lower than usual. We therefore applied an average to normalise the impact of the result of the year.	Profit before tax is a key benchmark for users of the financial statements of the group	Parent company materiality was capped at £88,300 to respond to aggregation risk	Parent company materiality was capped at £188,000 to respond to aggregation risk
Performance materiality	70,200	148,500	66,200	141,000
Basis for determining performance materiality	75% of Group materiality as this is reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement		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	

Independent Auditor's Report continued

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 66% and 84% (2022: 64% and 86%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £61,800 to £78,500 (2022: £130,000 to £173,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 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 £3,720 (2022: £8,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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:

Non-compliance with laws and regulations
Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance including the Audit Committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be UK-adopted international accounting standards for the Group and Financial Reporting Standard 101 'Reduced Disclosure Framework' for the Parent Company, Companies Act 2006, AIM listing rules and UK tax compliance regulations which is the principal jurisdiction in which the group operates.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Independent Auditor's Report continued

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance including the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition, for which our procedures have been set out in the Key Audit Matters section above, capitalisation of development costs, completeness of the warranty provision and management override of controls.

Our procedures in respect of the above included:

- We addressed the risk of management override of controls, considered to be in connection with the posting of inappropriate journals and bias in significant management estimates and judgements, through testing journal entries processed during the year and subsequent to year end that met a specific criteria, including a review of late adjustments, adjustments to non-recurring items and consolidation journals. Where we identified journals that met our criteria as being unusual, we challenged management and verified these to supporting documentation. We also evaluated whether there was bias in setting significant estimates and judgements by the Directors that represented a risk of material misstatement due to fraud

- In response to the risk in relation to the completeness of the warranty provision, we obtained from management an understanding of the work completed. We compared the work completed to that forecast in the prior year to check that all expected work had been completed, and obtained third party confirmation of the successful completion.
- In order to address the fraud risk in relation to capitalisation of development costs, we have selected a sample of costs capitalised to ensure these meet the criteria of the accounting standards. We have discussed with individuals outside of finance to understand the status of ongoing projects, considering the commercial and technical feasibility, to ensure the costs are being appropriately capitalised. We have also challenged management on their forecasts to check that no impairment of costs capitalised is necessary.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

11 May 2023

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 2023

	Note	2023 Adjusted £'000	2023 Non-recurring items £'000	2023 Total £'000	2022 Total Restated £'000
REVENUE	3	**41,233**	**–**	**41,233**	41,050
Cost of sales		**(23,140)**	**–**	**(23,140)**	(20,458)
GROSS PROFIT		**18,093**	**–**	**18,093**	20,592
Administrative expenses	4	**(16,504)**	**(1,158)**	**(17,662)**	(16,337)
OPERATING PROFIT		**1,589**	**(1,158)**	**431**	4,255
Finance income	6	**40**	**–**	**40**	9
Finance expense	6	**(395)**	**–**	**(395)**	(301)
PROFIT BEFORE TAX		**1,234**	**(1,158)**	**76**	3,963
Income tax	7(a)	**196**	**–**	**196**	271
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**1,430**	**(1,158)**	**272**	4,234
EARNINGS PER SHARE					
BASIC EXPRESSED IN PENCE PER SHARE	8	**2.99p**		**0.40p**	6.22p
DILUTED EXPRESSED IN PENCE PER SHARE	8	**2.95p**		**0.39p**	6.16p

A Prior Year Adjustment has been made in relation to Deferred Tax and consequently, an adjustment to Income Tax has been made to the Consolidated Income Statement for the year ended 31 January 2022. Please see note 27 for further detail.

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2023

	2023 Adjusted £'000	2023 Non-recurring items £'000	2023 Total £'000	2022 Total Restated £'000
PROFIT FOR THE YEAR	**1,430**	**(1,158)**	**272**	4,234
OTHER COMPREHENSIVE INCOME				
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Cash flow hedges	**–**	**–**	**–**	9
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**–**	9
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,430**	**(1,158)**	**272**	4,243

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 January 2023

	Note	**31 January 2023 £'000**	31 January 2022 Restated £'000	31 January 2021 Restated £'000
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	10	**17,004**	15,825	14,249
Property, plant and equipment	11	**7,497**	1,798	919
Right of use assets	12	**5,970**	7,383	3,102
Deferred tax asset	21	**324**	87	–
		30,795	25,093	18,270
CURRENT ASSETS				
Inventories	13	**9,935**	6,449	8,190
Trade and other receivables	14	**11,888**	9,313	5,163
Cash and cash equivalents	15	**2,276**	9,253	10,653
		24,099	25,015	24,006
TOTAL ASSETS		**54,894**	50,108	42,276
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	17	**(5,812)**	(6,552)	(6,809)
Lease liabilities	12	**(822)**	(647)	(369)
Financial derivative		**–**	–	(9)
Borrowings	18	**(2,079)**	–	–
Contract liabilities	20	**(531)**	(524)	(533)
		(9,244)	(7,723)	(7,720)
NON-CURRENT LIABILITIES				
Lease liabilities	12	**(6,176)**	(6,896)	(2,796)
Borrowings	18	**(4,000)**	–	–
Deferred tax liability	21	**–**	–	(241)
		(10,176)	(6,896)	(3,037)
TOTAL LIABILITIES		**(19,420)**	(14,619)	(10,757)
NET ASSETS		**35,474**	35,489	31,519
SHAREHOLDERS' EQUITY				
Called up share capital	22	**6,813**	6,812	6,812
Share premium account	22	**18,842**	18,838	18,838
Reverse acquisition reserve	22	**(16,164)**	(16,164)	(16,164)
Share-based payment reserve	22	**405**	278	139
Other reserves		**–**	–	(9)
Retained earnings		**25,578**	25,725	21,903
TOTAL EQUITY		**35,474**	35,489	31,519

A Prior Year Adjustment has been made in relation to Deferred Tax and consequently, adjustments to Goodwill and Deferred Tax have been made in the Consolidated Statements of Financial Position as at 31 January 2021 and 31 January 2022. Please see note 27 for further detail.

The accompanying notes form an integral part of these Consolidated Financial Statements.

The Consolidated Financial Statements were approved by the Board of Directors on 11 May 2023 and signed on its behalf by:

Neil Campbell

Director

Consolidated Statement of Changes in Equity

for the year ended 31 January 2023

	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 2021 (RESTATED)		**6,812**	**18,838**	**(16,164)**	**139**	**(9)**	**21,903**	**31,519**
Profit for the year (Restated)		–	–	–	–	–	4,234	**4,234**
Cash flow hedges: Income recognised on hedging instruments		–	–	–	–	9	–	**9**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–**	**–**	**–**	**–**	**9**	**4,234**	**4,243**
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 (RESTATED)		**6,812**	**18,838**	**(16,164)**	**278**	**–**	**25,725**	**35,489**
Profit for the year		–	–	–	–	–	272	**272**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–**	**–**	**–**	**–**	**–**	**272**	**272**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Issue of Ordinary Shares, net of transaction costs and tax		1	4	–	(5)	–	–	**–**
Dividends		–	–	–	–	–	(419)	**(419)**
Employee share scheme expense	24	–	–	–	132	–	–	**132**
TOTAL TRANSACTIONS WITH OWNERS		**1**	**4**	**–**	**127**	**–**	**(419)**	**(287)**
AT 31 JANUARY 2023		**6,813**	**18,842**	**(16,164)**	**405**	**–**	**25,578**	**35,474**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 January 2023

	Note	2023 £'000	2022 Restated £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**272**	4,234
Adjustments for:			
Depreciation and amortisation		**2,285**	1,906
Remeasurement of leases		**(25)**	(46)
Impairment of right of use assets	12	**446**	122
Employee share scheme expense	24	**132**	139
(Profit)/Loss on disposal of tangible assets		**(26)**	192
Loss on disposal of intangible assets	10	**6**	133
Finance income	6	**(40)**	(9)
Finance expense	6	**395**	301
Income tax	7(a)	**(196)**	(271)
		3,249	6,701
(Increase)/decrease in inventories		**(3,486)**	1,741
Increase in trade and other receivables		**(2,501)**	(4,037)
Decrease in trade and other payables		**(740)**	(266)
Increase/(decrease) in contract liabilities		**7**	(9)
CASH FLOWS (USED IN)/GENERATED FROM OPERATIONS		**(3,471)**	4,130
Taxation paid	7(b)	**–**	(554)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(3,471)**	3,576
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received	6	**5**	1
Interest received on leases	6	**35**	8
Purchase of property, plant and equipment	11	**(6,226)**	(1,425)
Purchase of intangible assets	10	**(140)**	(338)
Capitalised development costs	10	**(1,976)**	(2,208)
NET CASH USED IN INVESTING ACTIVITIES		**(8,302)**	(3,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments	12	**(697)**	(382)
Principal elements of lease receipts	14	**217**	74
Interest paid on lease liabilities	6	**(300)**	(244)
Interest paid on loans and borrowings	6	**(84)**	(50)
Dividends paid to the holders of the parent	9	**(419)**	(412)
Proceeds from loans and borrowings	18	**6,079**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**4,796**	(1,014)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,977)**	(1,400)
Cash and cash equivalents at the beginning of the year		**9,253**	10,653
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	**2,276**	9,253

Notes forming part of the Consolidated Financial Statements for the year ended 31 January 2023

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 Alternative Investment Market ("AIM"), a market operated by 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 Consolidated 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 essential 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 is not something that can be reduced by election or choice.

Although the Group has no information to suggest such a scenario might occur, it has modelled a significant downside scenario based on its main risks, as identified in the Risks and Uncertainties on page 34 to 39 of the Annual Report, including a significant downturn in forecast revenue of 15%. If such a scenario occurred, the Group would implement procedures to reduce overheads and, if necessary, utilise the remaining undrawn Invoice Discounting Facility and Revolving Credit Facility (due for renewal June 2024).

As at 31 March 2023 net cash of the Group was (£2.0m), and there was cash headroom of £8.0m. The Group has access to borrowing facilities of up to £10.0m. Consequently, the Directors believe that the Group has sufficient liquidity to meet obligations as they fall due up to the end of May 2024 and consider it appropriate to prepare the Financial Statements on the going concern basis.

GROUP

The Consolidated Financial Statements cover the year ended 31 January 2023.

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.

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.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

CRITICAL ESTIMATES AND JUDGEMENTS

The presentation of Consolidated 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.

JUDGEMENTS

The Group applies judgement in how it applies its accounting policies, which could materially affect the numbers disclosed in these Consolidated Financial Statements. The key accounting judgements that have been applied in these Consolidated 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 ("R&D") 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 2023 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 as 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 £1,976,000 (2022: £2,208,000) which includes £620,000 (2022: £287,000) of employee time spent on development projects. See note 10.

- **NON-RECURRING ITEMS**

  Non-recurring items are items which, given their nature, management believes should be disclosed separately for the purposes of presenting the results of the Group and earnings per share figures. Management believes that presenting these items separately enables users of the Consolidated Financial Statements to obtain a clear and consistent view of the Group's underlying operating performance. In identifying the non-recurring 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. The non-recurring items in the year relate to aborted acquisition costs, write down of right of use assets, project consultancy costs and legal costs relating to a contract dispute. See note 4b.

- **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.

1. Accounting policies continued

REVENUE

The Group's revenue recognition policy is set out on page 83 of the Annual Report.

In accordance with IFRS 15, when the criteria for recognising revenue over time is not met, revenue is recognised at the point in time when control of the goods or services is passed to the customer. 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. Control of the goods or services may pass to the customer at the point of physical delivery of the goods or for ex-works shipments, at the point of collection by the customer.

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 Consolidated Financial Statements.

The key estimates applicable to the Consolidated 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 £7,834,659 arose in SLE Limited prior to the acquisition by Inspiration Healthcare Group plc on 7 July 2020 and £7,342,903 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 Ltd. There is no time limit on utilising the brought forward losses, but they can only be set-off against profits generated from the same trading activities they were generated from. 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 2023 is £1,505,000 (2022: £1,485,000). See also 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 13.3% is used. The net book value of capitalised development costs as at 31 January 2023 is £5,160,000 (2022: £3,347,000). 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 five 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 £157,000 (2022: £155,000). There was no impairment recognised in the year (2022: £nil).

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

▶ **GOODWILL**

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

PRIOR YEAR ADJUSTMENT

A Prior Year Adjustment has been made in respect of the Group's deferred tax asset. In FY2021, the Group recognised a deferred tax liability relating to taxable temporary differences that arose from the recognition of intangibles on the acquistion of SLE Limited in July 2020. At the time of the acquisition, a deferred tax asset was not recognised. However, accounting standards require a deferred tax asset to be recognised to the extent of the existing deferred tax liability and therefore a deferred tax asset should have been recognised in FY2021. This has been corrected by restating each of the affected financial statement line items for prior periods and by presenting a third Statement of Financial Position as at 31 January 2021. See note 27.

PROPERTY, PLANT AND EQUIPMENT

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

The following rates are applied:

Leasehold improvements	Over the term of the lease
Fixtures and fittings	10% - 25% per annum
Motor vehicles	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 incurred.

1. Accounting policies continued

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 principal 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 and are reviewed for impairment when objective evidence suggests that events or circumstances 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 and an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

During the year, the Group continued to lease its patient warming products, acting as the lessor in these arrangements. These contracts contain both lease and non-lease components. 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. 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.

The Group also sub-let several of its former Croydon properties during the year. These sub-leases have been accounted for as finance leases in accordance with IFRS 16. On commencement of the sub-lease, the Group derecognised the right of use asset relating to the head lease and recognised a net investment in the sub-lease. Any differences between the carrying amount of the right of use asset and the net investment in the sub-lease is taken to the Consolidated Income Statement. The Group continues to recognise the lease liability relating to the head lease, which represents the lease payments owed to the head landlord. During the term of the sub-lease, the Group recognises both interest income on the sub-lease and interest expense on the head lease.

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. A provision is made for any impairment in the carrying amount of the intangible asset if applicable.

Intellectual property

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

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

Capitalised development costs

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

Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- The technical and commercial feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability 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 five 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 three 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.

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.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

RECOGNITION AND VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

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 macro-economic 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.

EMPLOYEE BENEFITS

Defined contribution pension plans

The costs of contributing to defined contribution stakeholder pension schemes 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.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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.

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 of the three 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 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, which is either when delivered or when collected under ex-works arrangements. The goods supplied are primarily medical devices or parts used in medical devices.

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

The Group also recognises revenue from the rental of its patient warming equipment. These rental contracts contain both lease and non-lease (service) components. The Group applies IFRS 15 to allocate the consideration relating to the service component of the contracts, over the contract term. The lease component is accounted for as a finance lease in accordance with IFRS 16. 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. The revenue relating to these rental contracts is included within Technology Support in note 3.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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. 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.

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
- The differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

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

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following amendments were effective during the year. These amendments do not have a material impact on the Financial Statements:

- 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)

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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 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 following amendments are effective for the period beginning 1 February 2024:

- IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)

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 28 to 30 for further information.

- Adjusted EBITDA
- Adjusted Operating Profit
- Adjusted EPS

2. Segmental analysis

Inspiration Healthcare Group operates in a single business segment, providing essential medical equipment. 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 the Operating and financial review sections of the strategic report.

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

Notes forming part of the Consolidated 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:

	2023 £'000	2022 £'000
DOMESTIC		
– UK	**19,340**	17,078
– Ireland	**547**	545
INTERNATIONAL		
– Europe	**5,315**	5,955
– Asia Pacific	**9,458**	10,230
– Middle East & Africa	**5,386**	5,456
– Americas	**1,187**	1,786
TOTAL	**41,233**	41,050

SIGNIFICANT CATEGORIES OF REVENUE	2023 £'000	2022 £'000
Revenue recognised at a Point in Time		
– Branded Products	**24,360**	22,524
– Distributor Products	**13,624**	13,606
– Technology Support	**261**	304
– Freight	**360**	356
Revenue recognised Over Time		
– Technology Support	**2,628**	4,260
TOTAL	**41,233**	41,050

In the current year, no single customer accounted for more than 10% (2022: 10%) of revenue.

All revenue reported by the Group 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:

- Revenue for sale of goods and rental contracts is recognised at the point in time when the goods are delivered or collected 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 £524,000 which had been included in Contract Liabilities at 1 February 2022 (1 February 2021: £533,000). See note 20 on Contract Liabilities.

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.

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 case of revenue recognised over time, as incurred. No costs of obtaining contracts are capitalised.

Notes forming part of the Consolidated Financial Statements continued

4(a). Expenses by nature

	Note	2023 £'000	2022 £'000
Cost of sales		**23,140**	20,458
Employee benefit expense[1]	5	**10,326**	10,523
Depreciation			
– property, plant and equipment	11	**523**	363
– right of use assets	12	**831**	706
Amortisation			
– intangible fixed assets	10	**326**	232
– acquisition related intangible assets	10	**605**	605
Impairment of right of use assets[2]	12	**–**	122
Trade receivables loss allowance		**4**	54
(Profit)/Loss on disposal of intangible and tangible assets		**(20)**	325
Foreign exchange (gains)/losses		**(79)**	69
R&D expenditure		**116**	348
Non-recurring costs	4(b)	**1,158**	–
Other expenses		**3,872**	2,990
TOTAL COST OF SALES AND OPERATING EXPENSES		**40,802**	36,795

[1] Wages and salaries of R&D employees have been included in Employee benefit expense above
[2] In FY2023, impairments of right of use assets have been included within non-recurring costs above. For more detail, see note 4b

The numbers above include:

	2023 £'000	2022 £'000
AUDITORS' REMUNERATION		
Audit fees payable to the Group's auditor - Group	**182**	116
Audit fees payable to the Group's auditor - Company	**30**	29
Additional costs in relations to prior year audit	**15**	60
TOTAL AUDIT FEES PAYABLE TO THE GROUP'S AUDITOR	**227**	205
Non-audit services provided by the Group's auditor	**4**	3
TOTAL NON-AUDIT SERVICES PROVIDED BY THE GROUP'S AUDITOR	**4**	3

4(b). Non-recurring items

During the year, the Group recognised the following non-recurring items:

	2023 £'000
Impairments of leased properties	**446**
Aborted acquisition costs	**467**
Other	**245**
TOTAL NON-RECURRING ITEMS	**1,158**

Impairment of leased properties

Following the move to our new Manufacturing and Technology Centre, the Group took the decision to consolidate its property portfolio and, as a result, there was an impairment of our right of use assets of £446,000, relating to our Crawley and former Croydon properties.

Aborted acquisition costs

£467,000 were financial and tax due diligence work and consultancy fees related to an aborted acquisition.

Other

£105,000 relates to project consultancy costs incurred in the year. £140,000 were legal fees relating to a contract dispute.

Notes forming part of the Consolidated Financial Statements continued

5. Employees

	2023 £'000	2022 £'000
Aggregate employee costs are as follows:		
Wages and salaries	**8,645**	8,896
Social security costs	**1,069**	1,078
Defined contribution pension scheme cost	**480**	410
Share-based payment expense	**132**	139
TOTAL	**10,326**	10,523

Employee costs include the costs of the Executive and Non-executive Directors along with severance payments of £30,000 (2022: £39,000).

KEY MANAGEMENT

Key management control 7% (2022: 7%) of the voting shares of the Company.

Key management comprise the Group's Executive Directors, as well as the Group's Interim Chief Financial Officer.

The aggregate compensation for key management personnel is as follows:

	2023 £'000	2022 £'000
Salaries and benefits	**650**	795
Contributions to defined contribution pension scheme	**24**	25
TOTAL	**674**	820

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

	2023	2022
Management and Administration	**74**	72
Sales	**40**	40
Development and Quality	**61**	54
Production	**35**	29
TOTAL	**210**	195

The number of Directors for whom retirement benefits are accruing under defined contribution pension schemes during the year were 3 (2022: 3).

No Directors exercised share options during the year (2022: none).

Directors' remuneration for the year was as follows:

	2023 £'000	2022 £'000
Salaries and benefits	**720**	900
Contributions to defined contribution pension scheme	**24**	25
TOTAL	**744**	925

Please refer to the Directors' Remuneration Report on pages 58 to 63 for further detail.

Notes forming part of the Consolidated Financial Statements continued

6. Finance income and expense

	2023 £'000	2022 £'000
FINANCE INCOME		
Interest receivable – Leases	**35**	8
Bank interest receivable	**5**	1
TOTAL FINANCE INCOME	**40**	9
FINANCE EXPENSE		
Other interest payable – RCF facility	**(84)**	(50)
Other interest payable – Leases	**(300)**	(244)
Other interest payable	**(11)**	(7)
TOTAL FINANCE EXPENSE	**(395)**	(301)

7. Income tax

7(a). Analysis of tax for the year

	Note	2023 £'000	2022 Restated £'000
DOMESTIC CURRENT YEAR TAX*			
UK corporation tax			
Current year		**14**	–
Prior Year Adjustment		**28**	56
TOTAL CURRENT TAX CHARGE		**42**	56
Deferred tax	21		
Origination and reversal of temporary timing differences		**(668)**	(311)
Prior Year Adjustment		**430**	(16)
TOTAL DEFERRED TAX CREDIT		**(238)**	(327)
TAX ON PROFIT ON ORDINARY ACTIVITIES		**(196)**	(271)

***All tax in both FY2023 and FY2022 arose in the UK**

7(b). Analysis of current corporation tax assets

	Note	2023 £'000	2022 £'000
Net liability at 1 February	16	**185**	(313)
TAX PAYMENTS			
Final payments relating to prior year		**–**	554
TOTAL TAX PAYMENTS MADE DURING THE YEAR		**–**	554
Tax receipts in relation to current year		**–**	–
Current year UK corporation tax charge		**(14)**	–
Prior Year Adjustment		**(28)**	(56)
NET ASSET AT 31 JANUARY	16	**143**	185

Notes forming part of the Consolidated Financial Statements continued

7. Income tax continued

7(c). Factors affecting tax for the year

The tax assessed for the year is lower (2022: lower) than the standard rate of corporation tax in the UK 19.00% (2022: 19.00%) as explained below:

	2023 £'000	2022 Restated £'000	EFFECTIVE TAX RATE 2023 %	EFFECTIVE TAX RATE 2022 Restated %
Profit on ordinary activities before taxation	**76**	3,963		
Tax using the effective UK corporation tax rate of 19.00% (2022: 19.00%)	**14**	753	**19.0**	19.0
Effects of:				
Non-deductible expenses	**188**	56	**246.9**	1.4
Additional deduction for research and development	**(314)**	(497)	**(413.1)**	(12.5)
Fixed asset differences	**44**	49	**58.2**	1.2
Other permanent differences	**–**	12	**–**	0.3
Adjustment in respect of prior periods	**(137)**	40	**(180.7)**	1.0
Amendments to deferred tax and timing	**9**	(684)	**11.8**	(17.3)
TOTAL TAX EXPENSE	**(196)**	(271)		
EFFECTIVE TAX RATE			**(257.9)**	(6.9)

The effective tax rate for FY2023 is lower than FY2022. This decrease is largely due to the recognition of previously unrecognised losses. The non-deductible expenses largely relate to aborted acquisition costs incurred in the 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 unrecognised losses estimated at £6,019,271 (2022: £5,938,903), which were transferred to the Group due to the reverse acquisition of Inditherm. 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. See note 21 Deferred Tax for more information.

Notes forming part of the Consolidated 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.

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.

FY2022 earnings per share have been restated as a result of the Prior Year Adjustment relating to deferred tax, please see note 27 for further detail.

	Note	2023 £'000	2022 Restated £'000
PROFIT			
Profit attributable to equity holders of the Company		**272**	4,234
Add back non-recurring items	4(b)	**1,158**	–
Add back amortisation of intangible assets acquired through business combinations		**605**	605
NUMERATOR FOR ADJUSTED EARNINGS PER SHARE CALCULATION		**2,035**	4,839

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

	2023	2022
SHARES		
Number of Ordinary Shares in issue at the beginning of the year	**68,121,447**	68,121,447
Weighted average number of shares issued during the year	**5,771**	–
Weighted average number of Ordinary Shares in issue during the year for the purposes of basic earnings per share	**68,127,218**	68,121,447
Dilutive effect of potential Ordinary Shares:		
Weighted average number of share options	**691,392**	672,175
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE DURING THE YEAR FOR THE PURPOSES OF DILUTED EARNINGS PER SHARE	**68,818,610**	68,793,622

See note 24 for further information regarding share options.

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

	Basic 2023 pence	Diluted 2023 pence	Basic 2022 (Restated) pence	Diluted 2022 (Restated) pence
EARNINGS PER SHARE	**0.40**	**0.39**	6.22	6.16
Adjust for:				
Non-recurring items	**1.70**	**1.68**	–	–
Add back amortisation of intangible assets acquired through business combinations	**0.89**	**0.88**	0.89	0.88
ADJUSTED EARNINGS PER SHARE	**2.99**	**2.95**	7.11	7.04

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

Notes forming part of the Consolidated Financial Statements continued

9. Dividends

The interim dividend for the year ended 31 January 2023 of 0.205p per share (2022: 0.205p per share) was paid on 28 December 2022. The proposed final dividend of 0.41p per share (2022: 0.41p per share) is subject to approval by shareholders at the AGM and has not been recognised as a liability as at 31 January 2023. If approved, the final dividend will be paid on 28 July 2023 to shareholders on the register on 30 June 2023.

10. Intangible assets

	Goodwill £'000	Intangible assets £'000	Development costs £'000	Intellectual property £'000	Software costs £'000	**Total £'000**
COST						
At 1 February 2021 (Restated)	7,610	5,528	2,035	276	485	15,934
Capitalised in the year	–	–	2,208	–	338	2,546
Disposals	–	–	(116)	–	(67)	(183)
AT 1 FEBRUARY 2022	**7,610**	**5,528**	**4,127**	**276**	**756**	**18,297**
Capitalised in the year	–	–	1,976	–	140	2,116
Disposals	–	–	(6)	–	–	(6)
AT 31 JANUARY 2023	**7,610**	**5,528**	**6,097**	**276**	**896**	**20,407**
ACCUMULATED AMORTISATION						
At 1 February 2021	–	423	625	276	361	1,685
Charge in the year	–	605	155	–	77	837
Disposals	–	–	–	–	(50)	(50)
AT 1 FEBRUARY 2022	**–**	**1,028**	**780**	**276**	**388**	**2,472**
Charge in the year	–	605	157	–	169	931
AT 31 JANUARY 2023	**–**	**1,633**	**937**	**276**	**557**	**3,403**
NET BOOK VALUE						
AT 31 JANUARY 2023	**7,610**	**3,895**	**5,160**	**–**	**339**	**17,004**
At 31 January 2022 (Restated)	7,610	4,500	3,347	–	368	15,825

As a consequence of the Prior Year Adjustment relating to deferred tax, Goodwill has been restated at 1 February 2021. See note 27 for further detail.

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 are 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 2024 approved by management. The cash flows 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% (2022: 2%) 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% (2022: 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 19% (2022: 31%) would need to be applied for there to be zero headroom.

Sensitivity analyses have been performed on the carrying value of all remaining goodwill using post-tax discount rates up to 13%. Revenue growth would need to reduce by 4.1% year-on-year with no change in cost growth assumptions for there to be zero headroom.

Notes forming part of the Consolidated Financial Statements continued

11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	**Total £'000**
COST					
At 1 February 2021	467	121	1,516	58	2,162
Additions in the year	899	2	525	–	1,426
Disposals in the year	(220)	(17)	(154)	–	(391)
AT 1 FEBRUARY 2022	**1,146**	**106**	**1,887**	**58**	**3,197**
Additions in the year	5,894	6	326	–	6,226
Disposals in the year	–	–	(6)	–	(6)
AT 31 JANUARY 2023	**7,040**	**112**	**2,207**	**58**	**9,417**
ACCUMULATED DEPRECIATION					
At 1 February 2021	114	61	1,061	7	1,243
Charge in the year	73	24	249	17	363
Disposals in the year	(58)	(17)	(132)	–	(207)
AT 1 FEBRUARY 2022	**129**	**68**	**1,178**	**24**	**1,399**
Charge in the year	241	8	257	17	523
Disposals in the year	–	–	(2)	–	(2)
AT 31 JANUARY 2023	**370**	**76**	**1,433**	**41**	**1,920**
NET BOOK VALUE AT 31 JANUARY 2023	**6,670**	**36**	**774**	**17**	**7,497**
At 31 January 2022	1,017	38	709	34	1,798

Depreciation charged for the financial year is split between cost of sales £60,000 (2022: £19,000) and administrative expense £463,000 (2022: £344,000) in the Consolidated Income Statement.

12. Leases

The Group has annual commitments under non-cancellable leases relating primarily to land and buildings, motor vehicles and office equipment. Land and buildings have been considered separately for lease classification. Land and buildings amounts relate to leasehold properties at Earl Shilton, Crawley, Hailsham and Croydon.

Notes forming part of the Consolidated Financial Statements continued

12. Leases continued

RIGHT OF USE ASSETS

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	**Total £'000**
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 1 FEBRUARY 2022	**7,047**	**336**	**7,383**
Additions in the year	51	113	164
Amortisation	(649)	(182)	(831)
Lease remeasurement	12	–	12
Derecognition[1]	(312)	–	(312)
Impairment	(446)	–	(446)
AT 31 JANUARY 2023	**5,703**	**267**	**5,970**

[1]During the year, the Group entered into several sub-leases of its former Croydon properties. On commencement of the sub-leases, the right of use asset relating to the head lease was derecognised and a net investment asset was recognised. The net investment is presented in Trade and Other Receivables, note 14.

LEASE LIABILITY

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	**Total £'000**
At 1 February 2021	2,965	200	3,165
Additions in the year	5,633	268	5,901
Interest expense	238	6	244
Lease payments	(475)	(151)	(626)
Lease remeasurement	(1,141)	–	(1,141)
AT 1 FEBRUARY 2022	**7,220**	**323**	**7,543**
Additions in the year	52	113	165
Interest expense	289	11	300
Lease payments	(820)	(177)	(997)
Lease remeasurement	(13)	–	(13)
AT 31 JANUARY 2023	**6,728**	**270**	**6,998**

	2023 £'000	2022 £'000
Current	**822**	647
Non-current	**6,176**	6,896
TOTAL	**6,998**	7,543

The total cash outflow for leases during the year was £997,000 (2022: £626,000).

Notes forming part of the Consolidated Financial Statements continued

12. Leases continued

At 31 January 2023 and 31 January 2022, the Group's cash commitments relating to leases are as follows:

	Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000
AT 31 JANUARY 2023	**9,462**	**1,094**	**937**	**1,588**	**5,843**
AT 31 JANUARY 2022	10,375	927	1,038	2,095	6,315

13. Inventories

	2023 £'000	2022 £'000
Raw materials	**7,749**	3,731
Work in progress	**563**	703
Finished goods	**1,623**	2,015
TOTAL	**9,935**	6,449

Inventories are presented net of provisions of £337,000 (2022: £550,000) to write down the values to management's estimate of net realisable value.

14. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	**10,393**	8,434
Loss allowance	**(266)**	(230)
Net trade receivables	**10,127**	8,204
UK corporation tax receivable	**143**	185
Other taxes and social security	**304**	26
Net investment in leases	**616**	230
Other receivables	**183**	200
Prepayments and accrued income	**515**	468
TOTAL	**11,888**	9,313

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 30-60 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.

At 31 January 2023, the Group uses a customer invoice discounting facility with recourse, under which the Group can borrow against certain notifiable trade receivables. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected.

Notes forming part of the Consolidated Financial Statements continued

14. Trade and other receivables continued

The loss allowance as at 31 January 2023 and 31 January 2022 was determined as follows for trade receivables:

31 JANUARY 2023 – £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	0.14%	0.43%	0.82%	0.00%		
Gross carrying amount – Trade receivable	6,887	1,545	1,001	718	242	10,393
LOSS ALLOWANCE	**9**	**7**	**8**	**–**	**242**	**266**

31 JANUARY 2022 - £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**	**–**	**227**	**230**

Additional loss allowance represents provisions against specific trade receivables.

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:

	2023 £'000	2022 £'000
Pounds Sterling	**8,991**	7,440
Euro	**1,870**	1,059
US Dollars	**1,024**	814
Swiss Franc	**3**	–
TOTAL	**11,888**	9,313

During the year, the Group held net investments in leases relating to the leasing of the Group's patient warming equipment and the sub-lease of two of its properties. The net investment recognised in respect of these leases has been included in trade and other receivables.

NET INVESTMENT FROM PATIENT WARMING RENTALS

	£'000
At 1 February 2021	–
Additions in the year	304
Interest Income	8
Lease receipts	(82)
AT 1 FEBRUARY 2022	**230**
Additions in the year	261
Interest Income	29
Lease receipts	(181)
AT 31 JANUARY 2023	**339**

Notes forming part of the Consolidated Financial Statements continued

14. Trade and other receivables continued

NET INVESTMENT FROM SUB-LEASE OF PROPERTIES

	£'000
At 1 February 2022	–
Additions in the year	342
Interest Income	6
Lease receipts	(71)
AT 31 JANUARY 2023	**277**

15. Cash and cash equivalents

Cash and cash equivalents comprise solely cash at bank available on demand.

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 2023.

16. Current tax

The following are the major current tax assets recognised by the Group.

	Note	2023 £'000	2022 £'000
UK corporation tax asset	14	**143**	185

At the year-end date the Group has not recognised a separate receivable in respect of potential research and development tax claims (2022: £nil).

17. Trade and other payables

	Note	2023 £'000	2022 £'000
CURRENT			
Trade payables		**4,081**	3,534
Other taxes and social security		**257**	367
Other payables		**434**	344
Accrued expenses		**1,040**	2,028
Warranty provisions		**–**	279
TOTAL		**5,812**	6,552

The fair value of trade and other payables approximates to book value at 31 January 2023. Trade payables are non-interest bearing and the average credit period taken for trade purchases is 48 days (2022: 53 days). Accruals are normally settled monthly throughout the financial year.

During the year, £182,000 of costs were incurred in relation to the replacement of boards contained within both the SLE 4000 and SLE 5000 ventilators, and a £97,000 provision was released.

18. Borrowings

	2023 £'000	2022 £'000
Revolving Credit Facility ("RCF")	**4,000**	–
Invoice Financing Facility	**2,079**	–
	6,079	–

£4m has been presented as a non-current liability in the Statement of Financial Position as at 31 January 2023 and £2.1m has been presented as a current liability.

REVOLVING CREDIT FACILITY (RCF)

The Group has a £5m RCF facility in place, which expires in 2024 with the option to extend and attracts a 2.5% margin above SONIA. During the year, the Group utilised £4m of the RCF facility. 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 2023.

Drawdowns can be made on a 1, 2 or 3-month basis which can be rolled as required until the facility expires.

The movement in the RCF during the year was as follows:

	£'000
At 1 February 2022	–
Proceeds from drawdown of loans	4,000
Repayment of loans	–
Interest payable	84
Interest paid	(84)
AT 31 JANUARY 2023	**4,000**

INVOICE FINANCING FACILITY

During the year, the Group entered into an invoice financing facility to borrow cash against notifiable trade receivables. The arrangement with the bank is such that the customers remit cash directly with the bank and invoices are settled against the facility directly. The Group continues to bear the credit risk relating to any defaulting customers and therefore the related trade receivables continue to be recognised on the Consolidated Statement of Financial Position. See note 14.

Notes forming part of the Consolidated Financial Statements continued

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 34 to 39.

The Group holds the following financial instruments:

	Note	2023 £'000	2022 £'000
FINANCIAL ASSETS			
FINANCIAL ASSETS AT AMORTISED COST			
Trade receivables	14	**10,127**	8,204
Other receivables	14	**183**	200
Cash and cash equivalents	15	**2,276**	9,253
FINANCIAL LIABILITIES			
LIABILITIES AT AMORTISED COST			
Trade payables	17	**4,081**	3,534
Other payables	17	**434**	344
Accrued expenses	17	**1,040**	2,028
Warranty provision	17	**–**	279

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

19(a). Derivatives

The Group uses forward currency contracts to hedge its financial risks of changes in foreign exchange rates, in relation to Euro inventory purchases during the year. Derivatives are only used for economic hedging purposes and not as speculative investments.

The Group did not have any forward currency contracts in FY2023.

Forward foreign exchange contracts are fair value adjusted through other comprehensive income within reserves 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.

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. Financial risk management and financial instruments continued

19(b). Credit risk

Credit risk principally arises on cash deposits and trade receivables.

The Group monitors defaults of customers and other counterparties and incorporates this information into credit risk controls. Ongoing credit evaluation is performed on the financial condition of accounts receivable taking into account independent ratings (where available), its financial position, past experience and other factors.

Management considers that all the above financial assets are of good credit quality, including those that are past due.

The carrying value of financial assets recorded in the Financial Statements represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk for liquid funds and other short-term financial assets relates to the banking institutions holding such funds and assets on behalf of the Group and may therefore be higher in conditions of general banking uncertainty. The counterparties are considered to be reputable banks with high quality external risk ratings. Please see note 15.

19(c). Liquidity risk

In the normal course of business the Group is exposed to liquidity risk. The Group's objective is to ensure that sufficient resources are available to fund short-term working capital and longer-term strategic requirements.

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.

At 31 January 2023 and 31 January 2022, 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
2023						
Trade payables	(4,081)	**(4,081)**	(4,081)	–	–	–
Lease liabilities	(6,998)	**(6,998)**	(822)	(698)	(983)	(4,495)
2022						
Trade payables	(3,534)	**(3,534)**	(3,534)	–	–	–
Lease liabilities	(7,543)	**(7,543)**	(647)	(732)	(1,403)	(4,761)

19(d). Interest rate risk

Although the Group's financing activities in the year expose it to the financial risks of interest rates, the Directors do not believe that the Group's financial stability is threatened because of this risk as interest expense is not considered significant to the Group. The Board keeps this risk under regular review and will, as appropriate, enter into derivative financial instruments in order to manage any significant risks.

INTEREST RATE SENSITIVITY

If the Bank of England SONIA interest rate increased by 1% and all other variables remained constant, the Group's profit after tax for the year and reserves would have decreased by £50,000 (2022: £50,000).

Notes forming part of the Consolidated Financial Statements continued

19. Financial risk management and financial instruments continued

19(e). Foreign currency risk

Although the Group has some exposure to foreign currency risk from trading transactions in currencies other than GBP, the Directors do not believe that the Group's financial stability is threatened because of an exposure to this risk as there is a natural hedge due to the balance of imports and exports. The Board keeps this risk under regular review and will, as appropriate, enter into derivative financial instruments in order to manage any significant risks.

19(f). Capital risk

The Group establishes credit limits for all financial instruments taking into account independent ratings, past experience and other factors. The capital risk of cash deposits is further reduced by spreading investment across more than one bank.

19(g). Capital management

The Directors' 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 2023	**531**	–	–	–	–	**531**
31 January 2022	524	–	–	–	–	524

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 years.

The Group has made a Prior Year Adjustment in respect of the FY2021 deferred tax asset arising on acquisition of SLE Limited. This note has been restated accordingly. Please see note 27 for further detail of the Prior Year Adjustment.

Note that the effective future tax rate is 25% (2022: 25%).

Notes forming part of the Consolidated Financial Statements continued

21. Deferred tax continued

	2023 £'000	2022 Restated £'000	2021 Restated £'000
Asset at beginning of year	**2,012**	900	–
Credit to Goodwill on acquisition	**–**	–	957
Credit to the Income Statement for the year	**351**	1,112	–
Included directly in equity	**–**	–	(57)
ASSET AT END OF YEAR	**2,363**	2,012	900

	2023 £'000	2022 £'000	2021 £'000
Liability at beginning of year	**(1,925)**	(1,141)	(227)
Charge to the Income Statement for the year	**(114)**	(784)	49
Included directly in equity	**–**	–	(6)
Included on business combinations	**–**	–	(957)
LIABILITY AT END OF YEAR	**(2,039)**	(1,925)	(1,141)

The elements of deferred taxation provided for are as follows:

	2023 £'000	2022 Restated £'000	2021 Restated £'000
Unused tax losses relating to SLE	**1,959**	1,661	900
Unused tax losses relating to Inditherm	**331**	351	–
Short-term timing differences	**73**	–	–
DEFERRED TAX ASSET	**2,363**	2,012	900

	2023 £'000	2022 £'000	2021 £'000
Accelerated capital allowances	**(186)**	(140)	(197)
Intangible assets	**(879)**	(751)	–
Intangibles arising on business combinations	**(974)**	(1,125)	(976)
Short term timing differences	**–**	91	32
DEFERRED TAX LIABILITY	**(2,039)**	(1,925)	(1,141)

The deferred tax assets and deferred tax liabilities have been presented on a net basis in the Consolidated Statements of Financial Position, as follows:

	2023 £'000	2022 Restated £'000	2021 Restated £'000
Deferred tax asset	**2,363**	2,012	900
Deferred tax liability	**(2,039)**	(1,925)	(1,141)
NET DEFERRED TAX ASSET/(LIABILITY)	**324**	87	(241)

Notes forming part of the Consolidated Financial Statements continued

21. Deferred tax continued

At the year-end date the Group had gross unused losses of £15,248,186 (2022: £13,988,205) potentially available to offset against future profits, which largely relate to the unused losses arising in SLE Limited prior to the acquisition by Inspiration Healthcare Group plc on 7 July 2020 (2023: £7,834,659, 2022: £6,645,302) and brought forward losses transferred to the Group due to the reverse acquisition of Inditherm plc (2023 and 2022: £7,342,903). 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 it is estimated that taxable profits will be generated in the future and consequently, a deferred tax asset has been recognised in respect of these losses. A deferred tax asset has also been recognised in respect of the brought forward losses transferred to the Group following the acquisition of SLE Limited. A Prior Year Adjustment has been made to recognise a deferred tax asset to the extent of the deferred tax liability relating to the intangibles recognised on the acquisition of SLE Limited. See note 27.

The amounts of deferred tax not recognised are as follows:

	2023 £'000	2022 Restated £'000
UNUSED TAX LOSSES	1,505	1,485

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%.

22. Shareholders' equity

22(a). Called up share capital

SHARE CAPITAL	Number of shares (Allotted & Issued)	Share capital £'000
AT 1 FEBRUARY 2022	68,121,447	6,812
Issue of share options	9,159	1
AT 31 JANUARY 2023	68,130,606	6,813

The Group issued 9,159 shares on the exercise of share options relating to the employee share option scheme.

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

SHARE PREMIUM	£'000
AT 1 FEBRUARY 2022	18,838
Issue of share options	4
AT 31 JANUARY 2023	18,842

22. Shareholders' equity continued

22(c). Reverse acquisition reserve

The reverse acquisition reserve of £(16,164,000) (2022: £(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 £405,000 (2022: £278,000), represents the expense recognised in the Consolidated Income Statement in relation to the Group Share Option Scheme. See note 24.

23. Commitments

23(a). Capital commitments

At 31 January 2023, the Company had capital expenditure commitments totalling £nil (2022: £nil).

23(b). Lease commitments

The total amount included within administrative expenses in relation to short-term leases during the year was £2,000 (2022: £2,000). All balances are due within 12 months.

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.

The Black-Scholes model is used to determine fair value.

Details of the share options outstanding at 31 January 2023 and movements during the year by exercise price is show below:

	2023		2022	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
Outstanding as at 1 February	**£nil**	**477,538**	£nil	251,837
Granted during the year	**£nil**	**–**	£nil	263,953
Exercised during the year	**£nil**	**(6,250)**	£nil	–
Forfeited during the year	**£nil**	**(67,756)**	£nil	(38,252)
Lapsed during the year	**£nil**	**(6,250)**	£nil	–
OUTSTANDING AS AT 31 JANUARY	**£nil**	**397,282**	£nil	477,538
EXERCISABLE AS AT 31 JANUARY	**£nil**	**192,833**	£nil	228,585

Notes forming part of the Consolidated Financial Statements continued

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 2023	Share options 31 January 2022
7 November 2017	20 April 2022	£nil	**–**	12,500
7 November 2018	26 April 2023	£nil	**192,833**	216,085
7 May 2021	30 April 2026	£nil	**204,449**	248,953
TOTAL			**397,282**	477,538
Weighted average remaining contractual life of options outstanding at the end of the year			1.8 years	2.9 years

The assessed fair value at grant date of options granted during the year ended 31 January 2023 was £0.53 (2022: £1.20). Fair value is determined by the Black-Scholes pricing model.

SHARESAVE PLAN

The Group operates an employee Sharesave scheme which is available to all employees subject to qualifying conditions. The scheme encourages 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 2023 and movements during the year by exercise price are shown below:

	2023		2022	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Outstanding as at 1 February	**£0.87**	**310,524**	£nil	150,529
Granted during the year	**£0.82**	**115,126**	£0.87	159,995
Exercised during the year	**£0.55**	**(2,909)**	£nil	–
Forfeited during the year	**£0.73**	**(96,582)**	£nil	–
AS AT 31 JANUARY	**£0.75**	**326,159**	£0.87	310,524

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 2023	Share options 31 January 2022
20 March 2020	19 March 2023	£0.55	**108,969**	150,529
26 March 2021	25 March 2024	£0.87	**119,708**	159,995
31 March 2022	30 March 2025	£0.82	**97,482**	–
TOTAL			**326,159**	310,524

An amount of £132,000 (2022: £139,000) 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 2023 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 (2022: No material field issues noted).

26. Pension schemes

The Group made contributions in respect of defined contribution pension arrangements of £480,000 (2022: £410,000). At the year-end the amount of contributions payable to the schemes was for the £25,000 (2022: £37,000).

27. Prior Year Adjustment

A Prior Year Adjustment has been made in respect of the Group's deferred tax asset. In FY2021, the Group recognised a deferred tax liability relating to taxable temporary differences that arose from the recognition of intangibles on the acquisition of SLE Limited in July 2020. At the time of the acquisition, a deferred tax asset was not recognised. However, accounting standards require a deferred tax asset to be recognised to the extent of the existing deferred tax liability and therefore a deferred tax asset should have been recognised in FY2021. This has been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	IMPACT OF CORRECTION OF ERROR		
31 JANUARY 2021	As previously reported £'000	Adjustments £'000	As restated £'000
Intangibles	15,206	(957)	14,249
Other	28,027	–	28,027
TOTAL ASSETS	**43,233**	**(957)**	**42,276**
Deferred Tax Liability	(1,141)	900	(241)
Other	(10,516)	–	(10,516)
TOTAL LIABILITIES	**(11,657)**	**900**	**(10,757)**
Retained Earnings	21,960	(57)	21,903
Other	9,616	–	9,616
TOTAL EQUITY	**31,576**	**(57)**	**31,519**

Notes forming part of the Consolidated Financial Statements continued

27. Prior Year Adjustment continued

31 JANUARY 2022	IMPACT OF CORRECTION OF ERROR As previously reported £'000	Adjustments £'000	As restated £'000
Intangibles	16,782	(957)	15,825
Deferred Tax Asset	470	(383)	87
Other	34,197	(1)	34,196
TOTAL ASSETS	**51,449**	**(1,341)**	**50,108**
Deferred Tax Liability	(1,925)	1,925	–
Other	(14,619)	–	(14,619)
TOTAL LIABILITIES	**(16,544)**	**1,925**	**(14,619)**
Retained Earnings	25,141	584	25,725
Other	9,764	–	9,764
TOTAL EQUITY	**34,905**	**584**	**35,489**

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2022	IMPACT OF CORRECTION OF ERROR As previously reported £'000	Adjustments £'000	As restated £'000
PROFIT BEFORE TAX	**3,963**	–	**3,963**
Income Tax	(370)	641	271
PROFIT FOR THE YEAR	**3,593**	**641**	**4,234**

EARNINGS PER SHARE FOR THE YEAR ENDED 31 JANUARY 2022	IMPACT OF CORRECTION OF ERROR As previously reported	Adjustments	As restated
Basic EPS	5.28p	0.94p	**6.22p**
Diluted EPS	5.22p	0.94p	**6.16p**

28. Related party transactions

There is no ultimate controlling party.

LEASE OF LEICESTERSHIRE FACILITY

The Leicestershire facility at Earl Shilton is rented on an arms length basis for £22,000 per annum (2022: £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.

EMPLOYMENT OF RELATED PARTIES

Several close family members of the directors are employed by the Group, and they are remunerated at a fair market rate which is commensurate with their role.

29. Subsequent events

In April 2023, the Directors made the decision to close the Earl Shilton (Leicestershire) office, in order to further consolidate our properties, reduce overheads and bring teams together at our new Manufacturing and Technology Centre in Croydon. The expected closure date is August 2023. Discussions are ongoing with those employees affected by the decision.

Company Statement of Financial Position

as at 31 January 2023

(Registered Number: 03587944)

	Note	2023 £'000	2022 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	4	**32,881**	32,881
Deferred tax asset	8	**43**	63
		32,924	32,944
CURRENT ASSETS			
Trade and other receivables	5	**7,996**	1,433
Cash and cash equivalents	6	**199**	310
		8,195	1,743
TOTAL ASSETS		**41,119**	34,687
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**(8,594)**	(7,973)
		(8,594)	(7,973)
NON CURRENT LIABILITIES			
Borrowings		**(4,000)**	–
		(4,000)	–
Total liabilities		**(12,594)**	(7,973)
NET ASSETS		**28,525**	26,714
SHAREHOLDERS' EQUITY			
Called up share capital	9	**6,813**	6,812
Share premium account	9	**18,842**	18,838
Share-based payment reserve	9	**560**	433
Retained earnings		**2,310**	631
TOTAL EQUITY		**28,525**	26,714

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 profit for the year ended 31 January 2023 is £2,098,000 (£2,643,000, excluding non-recurring items) (2022: loss £1,943,000, no non-recurring items).

The accompanying notes form an integral part of these Financial Statements.

The Company Financial Statements were approved by the Board of Directors on 11 May 2023 and signed on its behalf by:

Neil Campbell

Director

Company Statement of Changes in Equity

for the year ended 31 January 2023

	Issued share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	**Total £'000**
AT 1 FEBRUARY 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	–	–	–	–	**–**
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	–	–	139	–	**139**
TOTAL TRANSACTIONS WITH OWNERS	**–**	**–**	**139**	**(412)**	**(273)**
AT 31 JANUARY 2022	**6,812**	**18,838**	**433**	**631**	**26,714**
Profit for the year	–	–	–	2,098	**2,098**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**–**	**2,098**	**2,098**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Issue of Ordinary Shares, net of transaction costs and tax	1	4	(5)	–	**–**
Dividends	–	–	–	(419)	**(419)**
Employee share scheme expense	–	–	132	–	**132**
TOTAL TRANSACTIONS WITH OWNERS	**1**	**4**	**127**	**(419)**	**(287)**
AT 31 JANUARY 2023	**6,813**	**18,842**	**560**	**2,310**	**28,525**

The accompanying notes form an integral part of these Financial Statements.

Notes forming part of the Company Financial Statements for the year ended 31 January 2023

1. Accounting policies

BASIS OF PREPARATION

The Company Financial Statements cover the year ended 31 January 2023.

The Company 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.

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)
  - 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)
- 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

Notes forming part of the Company Financial Statements continued

1. Accounting policies continued

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are the same as those disclosed in note 1 to the Consolidated Financial Statements. The relevant accounting policies for the Company that are disclosed in note 1 to the Consolidated Financial Statements are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Share capital
- Taxation

The accounting policies relevant only to the Company are as follows:

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 Company's business model for managing financial assets.

CRITICAL ESTIMATE AND JUDGEMENTS

Impairment of investments in subsidiaries

The carrying value of investments in subsidiaries is disclosed in note 4 of the Company Financial Statements. Determining whether an investment is impaired involves management's judgement, requiring assessment of the recoverable amount, by comparing to market capitalisation at differing points during the year.

2. Employees

	2023 £'000	2022 £'000
Aggregate employee costs are as follows:		
Wages and salaries	**1,203**	1,396
Social security costs	**162**	183
Defined contribution pension scheme cost	**79**	46
Share-based payment expense	**132**	139
TOTAL	**1,576**	1,764

Company employment costs are recharged from its subsidiary company, Inspiration Healthcare Limited, and include the costs of the Directors of the Group and senior management working in Group roles.

No employees are directly employed by the Company.

No emoluments were directly paid by the Company.

Notes forming part of the Company Financial Statements continued

3. Auditor's remuneration

The auditor's remuneration relating to audit services to the Company has been disclosed in note 4 to the Consolidated Financial Statements.

4. Investments

	Note	£'000
Cost		
At 1 February 2022		32,881
Additions in the year		–
AT 31 JANUARY 2023		**32,881**
Net book value		
AT 31 JANUARY 2023		**32,881**
At 31 January 2022		32,881

There have been no new investments in the year.

The Company has the following interests in subsidiary undertakings 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: Commerce Park, Commerce Way, Croydon, CR0 4YL				
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

Notes forming part of the Company Financial Statements continued

5. Trade and other receivables

	2023 £'000	2022 £'000
Amounts receivable from subsidiary undertakings	**7,688**	1,286
Other taxes and social security	**187**	26
Other receivables	**18**	16
Prepayments and accrued income	**103**	105
TOTAL	**7,996**	1,433

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.

The carrying amounts of the Group's receivables are denominated in Pound Sterling.

6. Cash and cash equivalents

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

The Company currently banks with HSBC Bank plc, which has a Moody's long-term rating of A1 as at 31 January 2023.

7. Trade and other payables

	2023 £'000	2022 £'000
CURRENT		
Trade payables	**204**	22
Other taxes and social security	**–**	4
Amounts payable to subsidiary undertakings	**8,141**	7,319
Other payables	**3**	3
Accrued expenses	**246**	625
TOTAL	**8,594**	7,973

The fair value of trade and other payables approximates to book value at 31 January 2023. Amounts due to Group undertakings are non-interest bearing, unsecured and repayable on demand.

Notes forming part of the Company Financial Statements continued

8. Deferred tax

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

Note that the effective future tax rate is 25% (2022: 25%).

	Note	2023 £'000	2022 £'000
Asset at beginning of year		**63**	25
Credit to the Income Statement for the year		**(20)**	38
ASSET AT END OF YEAR		**43**	63

The elements of deferred taxation provided for are as follows:

	2023 £'000	2022 £'000
Short-term timing differences	**43**	63
DEFERRED TAX ASSET	**43**	63

9. Shareholders' equity

9(a). Called up share capital and share premium

The Share Capital and Share Premium amounts have been disclosed in note 22 to the Consolidated Financial Statements.

9(b). Share-based payment reserve

The share-based payment reserve of £560,000 (2022: £433,000), represents the expense recognised in the Company level Income Statement in relation to the Group Share Option Scheme.

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 online 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 and you will require your unique investor code, which can be found on your share certificate, for this purpose.

Share dealing services

You can buy and sell 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, the Channel Islands or the Isle of Man.

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 that 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.

For general shareholder enquiries, please 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

Company Secretary	Charlie Strickland
Registered Office	Unit 2, Satellite Business Village, Crawley, West Sussex RH10 9NE
Company number	03587944
Independent Auditors	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
Bankers	HSBC Bank plc, 1st Floor, First Point, Buckingham Gate, London Gatwick Airport, West Sussex RH6 0NT
Nominated advisor and broker	Cenkos Securities plc, 6,7,8 Tokenhouse Yard, London EC2R 7AS
Legal advisors	CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF
Registrars	Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Registered Office:

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

inspirationhealthcaregroup.com

Cover manufactured from FSC®
Recycled 100% post-consumer waste.
Manufactured in accordance with
ISO certified standards for environmental,
quality and energy management.