ANNUAL REPORT AND
FINANCIAL STATEMENTS **2024**

INSPIRATION
HEALTHCARE GROUP

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INSPIRATION
HEALTHCARE GROUP

About the Group

Inspiration Healthcare (AIM: IHC) designs, manufactures and markets pioneering medical technology. Headquartered in the UK, the Company specialises in neonatal intensive care medical devices, which are addressing a critical need to help to save the lives and improve the outcomes of patients, starting with the very first breaths of life.

The Company has a broad portfolio of its own products and complementary distributed products, for use in neonatal intensive care designed to support even the most premature babies throughout their hospital stay. Its own branded products range from highly sophisticated capital equipment such as ventilators for life support through to single-use disposables.

The Company sells its products directly to hospitals and healthcare providers in the UK and Ireland, where it also distributes a range of advanced medical technologies for infusion therapy. In the rest of the world the Company has an established network of distribution partners giving access to more than 75 countries.

The Company's commercial strategy is focused on accelerating growth through maximising in-market sales, geographic and portfolio expansion and strategic M&A.

The Company operates in the UK from its Manufacturing and Technology Centre in Croydon, South London, and in the USA from its facility in Melbourne, Florida.

Find out more:
inspirationhealthcaregroup.com

Our business

Our Markets

The Group operates within a single business segment, providing essential medical technology. Within this segment, the Group sells products and services into two main market areas: ‘Neonatal’ and ‘Infusion Therapies’.

Neonatal Intensive Care

Neonatal intensive care is our primary area of concentration where the focus is on saving the youngest and most vulnerable patients. Worldwide, more than 1 in 10 babies are born prematurely. In 2020 there were an estimated 13.4 million preterm births globally while in 2019 900,000 deaths were attributed to preterm birth complications. (Source: World Health Organization 2023).

Premature births are the single biggest cause of death of children under the age of five and remain a consistent challenge to healthcare professionals. There is increasing demand for technologies that can deliver the best possible outcomes and prevent serious complications.

Our products have been developed to improve patient outcomes, starting with the first breaths of life.

We have a range of products, both capital equipment and consumables, that we have developed and own outright or through licence arrangements of Intellectual Property which we can sell globally where regulatory approvals allow. We supplement our own products with commercial arrangements which allow us to distribute third party products. This adds value to our customers and distribution partners as they are able to acquire products they need from a single source.

As well as our broad portfolio of products, we supplement this with technical support directly in the UK and the USA and through distributors elsewhere for the capital equipment that we sell. We train our distributors and hospital biomedical engineers and provide spare parts to those who have been appropriately trained.

Infusion Therapies

We manage a range of advanced medical technologies for infusion therapy for which we are the exclusive distributor in the UK. Total parenteral nutrition (“TPN”) is currently the Group’s largest market in Infusion therapy and there are also significant opportunities in chemotherapy and pain management that are suitable for hospital and homecare settings. Expansion into these areas is a strategic focus.

As with our Neonatal Intensive Care range, for Infusion, we offer technical support for our customers through training programmes or directly at our Manufacturing and Technology Centre in Croydon.

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. In the USA we support our distributors with our own sales team. 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.

Our Business continued

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.

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 our operational strategy. The environment and sustainability are important to our customers. In our biggest market, the UK, the government has mandated the NHS to be carbon neutral by 2040, our aim is to use this to drive the Group to be ahead of this date which will stand us in good stead around the world.

Social

As a medical technology company, we are deeply embedded in society to improve the outcomes for the patients we serve. 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 are an organisation committed to the ongoing professional growth of every team member. Regardless of position, we provide the opportunity to excel and enhance their skills.

We have considered our employees' overall well-being. 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 actively monitor gender pay and acknowledge the benefits of a diverse workforce. Diversity fosters varied perspectives and ways of thinking, which in turn will improve the Group's performance.

We are also aware of our responsibilities to the local environment where many of our employees live. We have started an initiative with a local college to give training to T-Level students, aged between 16-18 years old, who are interested in pursuing a career in manufacturing and engineering.

We are committed to ethical business practices and ensure all our employees understand their obligations to make sure that our business is conducted in a fair and transparent manner. We 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 and as a member of the Quoted Companies Alliance ("QCA"), the Board follows their best practice on Governance aiming to ensure everything we do is with the highest level of governance and transparency.

Chairman and Chief Executive Officer's Report

Welcome to my first review as Executive Chairman and Interim CEO of Inspiration Healthcare Group plc. It is a privilege to take on this role at this time. Despite the challenges of the past couple of years I believe we have a number of significant opportunities ahead of us in both the UK and International markets, including North America, which is a significant strategic market and future growth opportunity for the Group.

Overall however, the year was disappointing with revenues down 8.7% to £37.6m (FY2023: £41.2m) which consequently meant that Adjusted EBITDA was reduced to £2.0m (FY2023: £4.0m). Cash was impacted as was working capital with net debt (excluding IFRS 16 liabilities)[1] increasing to £(6.0)m. Despite recent challenging market conditions, the Company has invested in the business to expand its manufacturing capabilities and product portfolio, building the foundations to deliver long-term sustainable growth.

My initial focus as Chairman has been to examine the key factors impacting the business and identify a constructive path forward. The last couple of years have been difficult for the medical device sector, which has added pressure on the internal resources within the Group.

The Group operates within a single business segment, providing essential medical technology. Within this segment, the Group sells products and services into two main market areas: 'Neonatal' and 'Infusion Therapies'.

Neonatal focuses on intensive care equipment for premature and sick babies. We design, manufacture and sell our equipment around the world to over 75 countries and we also distribute complementary products in the UK and Ireland.

Infusion Therapies focuses on infusion pumps and associated consumables in the UK where we are an active distributor of these technologies into various therapy areas.

[1] Cash and cash equivalents plus short-term investments, less revolving credit facility and invoice financing borrowings

Neonatal

Neonatal revenues were lower than last year at £29.1m (FY2023: £32.1m), this was impacted by delays in receiving a large Middle Eastern order and a key distributed product not receiving its CE marking under the new European Medical Device Regulations ('MDR'). We also saw increased competition in the neonatal ventilator market, due to the saturation of the adult ventilator market following increased purchasing during the Covid-19 pandemic and those manufacturers seeking new markets for their products. We expect the markets to normalise over the next 12-18 months, particularly with the withdrawal of Medtronic from the adult ventilator market.

During the year, supply chain issues continued to require attention. The limited availability of certain components has required the company to devise new solutions, taking up valuable R&D resources and requiring us to acquire parts at elevated prices impacting both gross cash and cash equivalents plus short-term investments, less revolving credit facility and invoice financing borrowings margin and working capital as we held more stock. Although these solutions are not ideal, it does give us the security of being able to manufacture our products.

Chairman and Chief Executive Officer's Report continued

The changes to the European regulatory landscape, with the implementation of the EU Medical Device Regulation has also resulted in the early discontinuation of some of our products. Our commitment to our customers means that we have to maintain the supply of spare parts for seven years, which has increased working capital in some areas. Additionally, we have invested time and resources to ensure our products remain compliant within both the EU and the UK under the new legislation despite the EU extending the deadline for compliance to MDR to 2027.

During the year we also launched several new products:

- **SLE1500** – A compact respiratory support system that provides non-invasive ventilation ("NIV") modes, which is considered the gold standard of care for preterm infants with respiratory distress syndrome ('RDS') and is gradually becoming the first choice for respiratory support. The SLE1500 gives respiratory support to babies that have a breathing reflex by providing nasal continuous positive airway pressure ('CPAP') and High Flow Oxygen therapy. We have also included our Oxygenie patented automatic Oxygen control algorithm.
- **SLE6000N** – A non-invasive version of our leading specialist neonatal ventilator, which facilitates precise, controlled ventilation for critically ill infants and can also feature Oxygenie. This has allowed us to enter slightly different markets. This also led to a re-branding of other variants of the SLE6000 to differentiate the entire portfolio and we now have three variants across critical care, high dependency care and non-invasive respiratory support. The SLE6000N is CE marked and available where CE marking allows products to be registered.
- **LifeStart** – having received feedback from US customers we launched a new version of LifeStart, our specialist unit that can be used as a stabilisation platform for babies that have experienced a difficult birth. The new version is more aligned with US user requirements, allowing US manufactured accessories to be added to the platform.

China continues to be an important market for us and remains challenging due to local legislation favouring locally manufactured goods. To address this, we have instigated a project for assembly of the SLE6000 ventilator range in China. This will allow us to protect our current market position and opens up a larger part of the market that we have not been able to enter previously.

There is also significant growth potential in our consumables business, and we are looking to expand our portfolio of disposable products. We have undertaken a thorough review of our consumables for Neonatal Intensive Care and have identified a number of overlapping products along with gaps in the portfolio. This will lead to us improving our product offerings, whilst streamlining the number of products and working closely with existing suppliers.

Our technical support offering for maintenance programmes and spare parts represents another opportunity for growth. We have been running a project entitled 'service as a product' to challenge the way we approach technical service, which has identified many areas in which we can grow our technical service revenues, and with greater consumables and a better focus on technical support, we expect to drive growth in recurring revenue streams over FY2025 and beyond.

Infusion Therapies

The Infusion Therapies products delivered revenues of £8.5m in the year (FY 2023: £9.1m), the decline was primarily due to a one-off de-stocking of a major customer during H1. This de-stocking, which meant sales for the year were below our initial expectations, was over by the end of the first half when order patterns returned to traditional levels. Revenues in H2 saw a strong recovery in line with the prior year, albeit from a lower base at the end of H1.

We have continued to invest in sales, marketing and clinical support in this area of our business and have introduced new products into the range in new therapy areas, which are starting to gain traction. This diversification is a key part of our growth strategy for this business, and we are working to develop the market by further expanding our product portfolio through distribution agreements and looking at new therapy areas for the existing portfolio.

We were delighted to be able to launch a key new pump from our partner Micrel. With the UK NHS increasingly looking to treat patients out of hospital, it is important that new devices have the capability of being able to be monitored remotely. The new pump from Micrel will allow for this making it an attractive option for our existing customer base and allowing for future growth.

Chairman and Chief Executive Officer's Report continued

North America strategy

North America accounts for approximately 50% of the world market for neonatal intensive care products and is a significant strategic market and key focus for our long-term growth. In January 2024, we acquired Airon Corporation ('Airon') in Melbourne, Florida, providing an established platform to support and de-risk the Company's US commercial operations. The acquisition was the first step in advancing our US/North American strategy, which aims to reduce the Group's reliance on markets dominated by large tenders. The Company is looking to expand its product portfolio in the US through the regulatory approval of existing technologies and is also evaluating complementary acquisition and licensing opportunities.

Airon is a leading manufacturer of pneumatic ventilators, which can be used in transport and MRI for babies through to adults. It has established sales channels, through national distributor(s), and provides a good platform to launch Inspiration Healthcare's existing products into the USA. It also allows the export of Airon products through the Group's international distribution network. The acquisition is in line with our long-term strategy to acquire companies with both complementary technologies and sales reach to expand the Group's global footprint, add scale and accelerate growth. It is expected to be earnings accretive in the second full year of ownership.

We are excited to be working with our new colleagues as we welcome them into the Group and execute our North America strategy together. Although it is a small business, it is already showing signs of growth and potential through its national distributor.

In the summer of 2023, we submitted an initial application to the FDA for clearance of the SLE6000 ventilator, albeit with some features removed. In light of recently amended FDA guidelines, particularly pertaining to cyber security, we have opted to reassess the most effective employment of our resources to comply with these new regulations. As a result, we are reassessing the application and this is pending further clarification from a meeting with the FDA, planned for the summer of 2024.

In January 2024, the Company received Medical Device Single Audit Program ("MDSAP") certification, confirming its Quality Management System processes comply with the requirements of the EU, USA, Japan, Australia and Canada. MDSAP is compulsory for Canada and following certification, we have initiated the registration process of our product range in Canada, which is expected to be commercially available during FY2025.

Commercial and Board structure

The Board continues to evaluate the focus of the Group, including the market and products along with the resources and structure of the Group. This has led to the appointment of a new Chief Commercial Officer reporting directly to me as Interim CEO. This new pivotal role will bring together all our commercial activities and will help drive our business forward.

In June 2024, we announced that we would close our Hailsham facility at the end of July. Activities undertaken at Hailsham are either being outsourced to a long-standing supplier or moved to the Group's Croydon site. This impacts 12 employees with several expected to transfer to Croydon. This further rationalises the Group's operations into a single site and is anticipated to realise annualised savings of approximately £0.5m.

With the advancement of our North American strategy, a restructure of the commercial team and the addition of new products, I am confident that we are taking the right steps to deliver the longer-term growth ambitions of the Company.

The Group also strengthened the Board during the year with the appointments of Alan Olby as Chief Financial Officer and Marlou Janssen as Non-executive Director. Both bring significant commercial expertise in the medical device space and their experience will be instrumental as the Group continues to execute on its growth strategy.

Post year-end there were two additional changes to the Board, Mark Abrahams retired as Chairman in March 2024 and Neil Campbell stepped down as CEO in May 2024 to become a Non-executive Director of the Group. On behalf of the Company and the shareholders, I would like to thank both Mark and Neil for their service and commitment to the Company over the past nine years and look forward to continuing to work with Neil as a Non-executive Director and in his capacity as a Global Advocate supporting key relationships and business development opportunities.

Chairman and Chief Executive Officer's Report continued

Outlook

While there have been challenges beyond our control presented by volatility in the international markets we serve, we continue to be robustly positioned in a stable global long term growth sector with a best-in-class product portfolio.

We are actively executing our growth strategy to increase our presence in more stable markets, most notably North America, where our recent acquisition of Airon provides a suite of complementary products and a ready-made platform to grow. This strategic move not only aims to mitigate the impact of short-term market volatility, but also will be a future growth driver for the Group.

While revenues are expected to be second half weighted in FY25, current trading is in line with management's expectations. We are grateful to our shareholders for their continuing support, and we look forward to a successful FY25 and beyond.

I would like to thank our dedicated team around the world for all of their hard work and our customers for their continued use of our products, we are proud to support clinicians around the world in the life saving work that they do.

I would like to summarise by re-iterating my excitement for and confidence in the Group's ability to capitalise on the opportunities ahead. I believe our Group has a solid portfolio of best-in-class, life-saving neonatal technologies and infusion products that are addressing a critical need and is well placed to deliver significant long-term sustainable growth.

Roy Davis
Executive Chairman and Interim CEO

30 July 2024

Our business strategy

We design, manufacture and market medical technology globally. Our world class design and manufacturing expertise, combined with our deep understanding of patient needs enables us to provide a broad portfolio of own branded innovative medical products, supplemented by complementary distributed products, for use in neonatal intensive care.

The Group has an established global footprint, selling its products directly in the UK and Ireland and via its network of distribution partners across Europe, MENA and ASIA-PAC.

Our commercial strategy is focused on accelerating growth through maximising in-market sales, geographic and portfolio expansion and strategic M&A, with a long-term ambition to become a world leading provider of innovative medical devices.

- Maximise revenue from existing products and markets.
  - Developing new features for existing products, for example we recently added features to our LifeStart to meet US customer requirements.
  - Increase education and support for end users and distributors, we have recently launched a new online learning management system for products.
  - Add value through services, including education and technical support, such as webinars to support education.
  - Focus on increasing recurring revenues from disposable products having undertaken a fundamental review of our range and working with our current supply partners.
- Expand product portfolio through investment in R&D to invigorate the Company's pipeline of branded products, technology agreements such as targeted in-licensing or IP acquisitions and the addition of new distributed products.
  - New variants of ventilators launched in Q2 2023, specifically designed to meet specialist healthcare of smallest neonates across critical care, high dependency care in non-invasive respiratory support.
- Entry into new geographical markets through regulatory approvals, with a particular focus on North America.
  - Opportunity to expand distribution network and products in Canada now that we have achieved MDSAP registration for the Group.
  - Reviewing all products to plan FDA approval in the USA starting with our ventilator range.
- M&A and IP licensing opportunities to add complementary new products/IP and capabilities and expand global footprint to add scale and accelerate company growth.
  - Strategic acquisition of Airon Corporation in January 2024, added scale, complementary technologies and sales reach to expand the Group's global footprint and accelerate growth.

Infusion Therapies

We have been focusing on penetration into new therapy areas with the range of products we have in our portfolio. This has proved successful and we look forward to launching a new range of capital products in FY2025.

We continue to look for additional complementary and supplementary products to add value to our range and give our customers a more complete range to choose from.

Operational and Financial Review

Revenue

Group revenue decreased 8.7% to £37.6m (FY2023: £41.2m). This includes £0.2m revenue from Airon Corporation in the period following completion of the acquisition on 3 January 2024. Going forwards, Airon revenue will be included within Neonatal product revenues.

Neonatal

Neonatal products achieved revenues of £29.1m for FY2024, a decline of 9.3% from the £32.1m in FY2023. There were several factors in this performance:

- Loss of revenue from a distributed product of £1.0m, resulting from the loss of regulatory approval for the product.
- The Group has chosen to discontinue a number of products due to the increasing cost of parts and costs associated with maintaining CE marking making these uneconomic to continue with. Revenue from these products declining by £1.3m in FY24, with a similar decline predicted in FY25.
- Revenue from the remaining Neonatal products declined by 5.0% in the year with order and delivery patterns significantly impacting reported revenues. The Group shipped 247 ventilators in January 2023, boosting FY23 revenues, while only 47 ventilators were shipped in FY24, partly due to production being diverted for the anticipated Middle East order. Ignoring the final month of the year, unit sales of ventilators, which make up 55% of the neonatal product revenues, increased by 10% in the period from February to December 2023 compared to the same period in the prior year, and in revenue terms increased by 21%. This demonstrates that underlying demand for one of the Group's key products remains strong, despite the decline in reported revenue for the year.

Infusion

Revenues for the Infusion products were £8.5m in the year, representing a decline of 6.6% from the £9.1m reported for FY2023. This followed a challenging first half of the year during which our leading customer was de-stocking, resulting in a 14% fall in first half revenue. The second half of the year showed a marked improvement as this customer returned to normal ordering patterns and revenues were in-line with the same period in FY2023. With a new pump launched in April 2024, combined with a focus on growth opportunities outside the homecare sector, we are optimistic of a return to growth for the Infusion products in FY2025.

Gross profit

Gross profit of £17.9m was 1.1% lower than the prior year (FY2023: £18.1m) and represents a gross margin of 47.6% for FY2024, increased from the 43.9% achieved in FY2023. The margin improvement was driven by an improving sales mix of neonatal products, and increased absorption of manufacturing overheads into finished goods.

Operational and Financial Review continued

Operating loss

The Group reported an Operating loss of £4.9m for the year (FY2023: profit of £0.4m). This included non-recurring items of £4.5m (FY2023: £1.2m) and amortisation of acquired intangible assets of £0.6m (FY2023: £0.6m) leading to an Adjusted Operating Loss (before non-recurring items) of £(0.4)m (FY2023: profit of £1.6m).

Administrative expenses (pre non-recurring items) increased year-on-year by 10.9% to £18.3m (FY2023: £16.5m), partly reflecting the high inflationary macro-economic environment. Employment costs which represent approximately 60% of administrative expenses increased by 8% in the year because of a 7% pay increase for the year and a small increase in headcount. Other increases were in marketing expenses and travel as activity continued to recover from covid related restrictions in previous years. There were also increases in insurance premiums, foreign exchange variances and amortisation charges.

There were £4.5m of non-recurring items in the year (FY2023: £1.2m), comprising a £4.1m impairment of capitalised development costs, £0.1m of acquisition costs relating to the Airon acquisition and £0.3m of restructuring and other professional fees (see note 4).

Adjusted EBITDA reduced to £2.0m (FY2023: £4.0m) because of the lower gross profit and the increase in administrative expenses outlined above. A reconciliation of operating loss to adjusted EBITDA is set out below:

	2024 £'000	2023 £'000
Operating (loss)/profit	**(4,927)**	**431**
Non-recurring items	4,527	1,158
Adjusted Operating (loss)/profit	**(400)**	**1,589**
Depreciation	1,293	1,354
Amortisation of intangible assets	1,144	931
Share based payment	(52)	132
Adjusted EBITDA	**1,985**	**4,006**

Finance expenses increased to £0.8m (FY2023: £0.4m) reflecting the increased level of net debt, combined with the increase in effective interest rates seen through the year.

The Group recorded a tax charge of £0.4m for the year (FY2023: credit of £0.2m) which is mainly a deferred tax charge resulting from a write off of previously recognised deferred tax assets.

Loss Per Share (“LPS”)

Basic and diluted LPS were 8.85p per share for FY2024 as a result of the loss for the year (FY2023: EPS 0.40p and 0.39p).

Cash flow

The Group generated net cash flow from operations of £1.8m in the year, significantly better than the operating cash outflow of £3.5m in FY2023. This was a combination of EBITDA profit and a reduction in working capital.

Cash outflow on investing activities was significantly reduced at £2.7m compared with £8.3m in FY2023. This included £1.1m outflow relating to the acquisition of Airon. Capitalised development costs reduced to £1.1m in the year (FY2023: £2.0m) and capital expenditure reduced significantly to £0.4m (FY2023: £6.2m) following completion of the new Manufacturing and Technology Centre in 2023.

Net debt (excluding IFRS16 lease liabilities) increased to £6.0m at 31 January 2024, compared with £3.8m last year, an increase of £2.2m.

In February 2024, the Group renewed and increased its Revolving Credit Facility (‘RCF’) with a £10m RCF now in place, expiring in February 2027, with an option to extend for a further year. The Group also continues to have access to its invoice discounting facility of up to £5.0m. As at 31 January 2024, £5.0m of the RCF and £1.7m of the invoice discounting facility were utilised.

The Group has received waivers from its bank in relation to the covenant tests due at 31 January and 30 April 2024 caused as a result of the delay to the anticipated large Middle East order. Following these waivers, revised covenants have been put in place for the period until 31 January 2025 and bank consent is required for further drawings on the RCF.

Operational and Financial Review continued

On 26 June 2024, the Company announced a placing, subscription and retail offer ('the Fundraising') to raise gross proceeds of £3.0 million. The net proceeds of the Fundraising (approximately £2.8 million) are to be used to reduce net debt and provide additional liquidity headroom to the Group. The Fundraising was approved by shareholders in a general meeting on 22 July 2024, following which 21,428,570 new ordinary shares in the Company were issued and admitted to trading on AIM on 23 July 2024. Following the Fundraising, the Company is able to make further drawdowns of the full undrawn amount of the RCF without HSBC consent, subject only to ongoing covenant compliance, including monthly minimum liquidity level of £1.5 million.

Net assets

The value of non-current assets as at 31 January 2024 totalled £26.0m (FY2023: £30.8m). The net £4.8m year-on-year decrease mostly relates to the amortisation and impairment of capitalised development costs, net of goodwill arising on the acquisition of Airon.

Inventory increased by £3.8m in the year to £13.7m (FY2023: £9.9m) through a combination of weaker revenues and ongoing supply chain disruptions requiring the Group to secure increased holding of various components to ensure continuity of supply for customers, the anticipated Middle East order; as well as inventory of £0.4m acquired as part of the Airon acquisition. Trade and other receivables decreased by £3.2m to £8.7m (FY2023 £11.9m) largely because of weaker revenues in the final quarter of the year compared with last year.

Overall net assets at 31 January 2024 were £29.0m (FY2023: £35.5m).

Dividends

The final dividend for the year ended 31 January 2023 of 0.41p per share was paid on 25 July 2023. An interim dividend of 0.205p per share (FY2023: 0.205p) was paid on 29 December 2023. As a result of the performance of the business, the Board is not recommending payment of a final dividend (FY2023: 0.41p) making a total dividend for the year of 0.205p per share (FY2023: 0.615p). Going forward, the Board has decided to suspend payments of dividends until further notice and will keep the dividend policy under review.

Alan Olby
Chief Financial Officer

30 July 2024

Principal Risks & 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.

For Financial & Compliance risks our appetite is to adopt 'Minimal'

Principal Risks & Uncertainties continued

Strategic Risks "Seeking"

	Description of Risk	Current Mitigation
1. 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.	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 Executive team are charged with keeping projects on target and in budget, although with the changing and challenging regulatory regime (especially in Europe) there is an accepted risk around bringing new technologies to market on time.
2. Sustainability	Major customers, such as the NHS, are becoming increasingly vocal and demanding regarding sustainability and ensuring this drives purchasing decisions. Additionally, employees, shareholders and other stake holders are increasingly concerned about the impact companies have on the environment, this can have a knock-on effect on staff morale, recruitment / retention and ability to raise capital.	We are aware of the NHS timetable for 'net zero' and we are working to be ahead of it. This is being led by an Executive Director of the Group with responsibility for Sustainability (Brook Nolson). We are monitoring our Scope 1, 2, and 3 emissions and take action as appropriate to reduce them whilst growing our business. Recent initiatives such as investment in our new facility, recycling, reuse, 100% no landfill, electric vehicles, hybrid working and compressed working week etc have reduced our environmental impact as we work towards our aim of net zero.

Principal Risks & Uncertainties continued

Strategic Risks "Seeking" continued

	Description of Risk	Current Mitigation
3 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.	The Executive team have developed a reliable model that can be used preacquisition and understand the need for synergies to be realistic and pragmatic with a suitable plan to extract benefits once the acquisition has completed, which the Board review against any target that is of significant interest. 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 unique challenges and needs which will mean that the post-acquisition plan will be individually tailored.
4. Revenue Growth (International and Domestic)	We are targeting double-digit revenue growth. Macro-economic and geo-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.	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. However, being in a relatively niche market does present risks as well as rewards and the ability to move into other markets is limited.

Principal Risks & Uncertainties continued

Operational Risks "Cautious"

	Description of Risk	Current Mitigation
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.	The Chief Operating Officer is ultimately responsible for supplier management and aligns stock levels with sales demand to balance customer satisfaction with working capital. Supplier management & sales demand is reviewed regularly (Weekly MRP run, Monthly QA/Supply Chain concerns and high level at QMS Management Review). Recent events have highlighted a need to adapt to changes quickly. Diverting R&D resources & using cash to increase stock holding ensured continuity of supply whilst components are scarce. Sales forecasting accuracy will strongly influence the management decisions to ramp or slow demands. A disaster recovery plan exists and is tested from time to time. However, it was never envisaged to cope with a Pandemic and the initial loss of supply due to lack of shipping and enforced business closure due to the spread of a disease. Focus on reduction in inventory, robust processes & supply contracts is key to ensuring continued supply to customers & facilitating cash flow.
2. 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.	The Group uses data encryption, two-factor authentication (2FA) and cybersecurity services from leading technology suppliers and all software is updated regularly. The Group currently complies with Cyber Essentials (a standard for cyber security) and will be applying for Cyber Essentials Plus and have third party Security Management from a large and reputable supplier; staff training is also undertaken through a third party) to provide greater assurance to customers. We have implemented dual access and backup support systems, using fibre connections from 2 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.

Principal Risks & Uncertainties continued

Financial and Compliance Risks "Minimal"

	Description of Risk	Current Mitigation
1. 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. Some amendments to legislations are difficult to get access to as there are released in foreign languages, such as China and Japan. Therefore adding more risk to compliance issues.	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.
2. 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.	The Group has four operating companies (now including the recent acquisition of Airon Corp) and invested more heavily in staff as it has transitioned to MDSAP and MDR in Europe. The three UK companies are operating under one Quality Management System which is audited by one Notified Body. 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. Airon Corp (a recent acquisition to the Group and based in the USA), also is certified to MDSAP although has its own QMS and procedures.
3. Going concern	The Company has incurred significant expenditure in manufacturing stock for a large export order which has not yet materialised for reasons beyond our control. This has provided an additional challenge to cash and liquidity in the short-term.	On 26 June 2024, the Company announced a placing, subscription and retail offer ('the Fundraising') to raise gross proceeds of £3.0 million. The net proceeds of the Fundraising (approximately £2.8 million) are to be used to reduce net debt and provide additional liquidity headroom to the Group. Following completion of the Fundraise, the Group also has full access to its £10.0 million RCF. The large export order was received in July 2024 and is expected to be delivered in the second half of the current financial year which will reduce inventory and further improve liquidity. The company's plans and downside sensitivities have been reviewed in detail by the audit committee and auditors.
4. Increased Cost of Capital	The Company cost of capital has risen recently with interest rates going up and stock markets having little confidence.	Increased cost of capital, either debt or equity, will make it harder to justify acquisitions and large strategic investments which could hamper growth. Improvements in working capital management will enable the Group to operate within its existing facilities.

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 we engage with our stakeholders
Learning and Development We have partnered with an external leadership and performance consultancy, *Will It Make The Boat Go Faster?*, to provide an 18-month developmental training programme to our managers to better equip them with tools and techniques to enhance their own and their team's performance. The programme is being rolled out to a second cohort of employees in 2024, while we continue to encourage learning and development opportunities to all of our employees.	We continue to engage with our employees through our engagement platform, on which weekly newsletters and ad hoc news items and announcements are posted. Our platform also allows our employees the opportunity to react through the use of emojis or comment on the posts, further encouraging engagement in the conversation. Our "Question Time" and other employee events continue to be run, through which we share news and respond to questions. We survey employees to gather feedback, and have a tool on our engagement platform that allows our employees to 'speak up' anonymously or otherwise. Our quarterly performance review process and regular employee one-to-one meetings also provide an opportunity for messaging and feedback to pass up and down our organisational structure.
Closing our facilities in Earl Shilton, Leicestershire and Crawley, West Sussex The Board made the decision to further consolidate our operations, which saw the closure of our warehouse and office facility in Earl Shilton and office facility in Crawley, and its operations relocate to our premises in Croydon and Hailsham. All affected employees were offered relocation and/or greater flexible working options.	
Employee Wellbeing We continue to promote wellbeing initiatives to our employees, predominantly through our wellbeing partner, *Everymind at Work*. Through this company, and its focus on wellbeing and mental health, we deliver monthly communications, quarterly webinars, and. In 2023, financial wellbeing sessions for interested employees with FCA authorised financial advisers.	

Companies Act Section 172 Statement continued

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 strengthen 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. As part of our continued commitment to our customers and aim to provide best in class customer experience. Customers have a single point of contact for sales and technical service support. Driving improved communication and efficiencies for our customers.

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
Consolidation of Procurement & Materials Team under one Head of Department The Materials, Goods In, and Procurement teams have been consolidated to report to one Head of Department. This will enable the business to streamline end to end Supply Chain processes from point of ordering through to pick, pack, and supply to customer. Additional restructuring has taken place within the Procurement team, with renewed focus placed on the implementation of robust processes and vendor commercial agreements.	**External Stakeholders** As part of our continued commitment to our supplier relationships, the Group holds monthly critical supply chain meetings with key suppliers. These meetings are supported by the QA/RA team, enabling us to develop stronger cross-functional relationships with suppliers whilst ensuring our procurement processes are operating in the most efficient manner possible. **Internal Stakeholders** Weekly, cross-functional, reviews between Supply Chain, Production, and Customer Experience have been instated to review advance Customer requirements and collectively act to mitigate risk to supply.

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 2023.	The Group regularly communicates with its shareholders, through investor presentations, roadshows, retail shareholder events and Regulatory News Service ("RNS") announcements. For further information on how the company engages with its investors, refer to our Statement of Corporate Governance – QCA Principle 2.

Roy Davis
Executive Chairman and Interim CEO

30 July 2024

Statement of Corporate Governance

I am pleased to present the Group's Corporate Governance Statement for the period ended 31 January 2024. The Group has adopted the Quoted Companies Alliance Corporate Governance Code (the "Code") and this report sets out how we have met the principles of the Code and explains how we have applied the guidance or where we have diverged from it. The Board considers that the Group complied with the Code in all aspects during the period to which this report relates. However, since the year end and publication of this report a number of changes have been made, not least in respect of my role. This is a minor derogation from the principles of the Code and is explained in more detail below.

The Board is committed to its corporate governance programme as it underpins the long-term sustainability and success of the Group. We are committed to open and transparent communications with all our stakeholders. We believe in the great culture at Inspiration Healthcare and that this shines through whenever we visit colleagues in our manufacturing and technology centre and offices. Solid governance underpins everything we do as a Board and despite the challenging year, I am proud to say that good corporate governance remains at the heart of how we ensure we are well positioned to deliver in the long-term.

We have strengthened the Board this year with a number of new appointments (my own included) which maintains the balance, diversity and experience at Board level and brings new skillsets to the benefit of the Group. The Board has reviewed the newly published Code and will be reviewing the detail to align with the governance expectations of our stakeholders and ensure we smoothly transition to this new updated Code in line with its requirements for the Financial Year commencing February 2025. We believe our current processes to be well placed to enable the transition smoothly and in good time.

QCA Principles

Deliver Growth

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

The Group's core purpose is to improve neonatal outcomes with the use of its technology. Our purpose is to pioneer first breaths of life support to children.

Our strategy is set out in Our Business Strategy and our business model is on our website. These are underpinned by our values, which are: patient focused, outcome changing, pioneering and research-driven. They reflect our long-term objective of enhancing patient care and delivering business growth and profitability.

The Chairman's Review sets out the measures by which we judge ourselves. The Principal Risks and Uncertainties report highlights key opportunities and threats and the detail of the financial performance throughout this report clearly shows the necessary detail for stakeholders to understand the Group's performance.

2. Seek to understand and meet shareholder needs and expectations

The Group's website, **www.inspirationhealthcaregroup.com**, provides both historic and up to date detailed information for all stakeholders. It includes all Annual Reports and regulatory news service announcements. Regular meetings between the Group's shareholders and the Directors (both Executive and Non-executive) provide assurance that their demands are being listened to and feedback following these meeting is discussed by the Board.

Presentations by the Group's Executive Management are regularly made to institutional investors, analysts and stakeholders and their feedback is reported to and discussed by the Board. The Group's Nominated Adviser (NOMAD), Panmure Liberum Limited, appointed during the year is regularly appraised of performance and provides timely guidance on shareholder sentiment and expectations as well as on governance matters and the AIM listing rules. As part of their appointment, they undertook a compliance audit to ensure the Group maintains its compliance against the Code and Listing Rules.

Statement of Corporate Governance continued

Deliver Growth continued

The Group actively welcomes and encourages all shareholders to attend its Annual General Meeting ("AGM"). It is an opportunity to meet the Directors and other shareholders, and to hear updates about the Group. There is an opportunity to speak with the Directors both individually or as a group.

All resolutions put forward at the AGM are published together with the number of votes delivered against each one for shareholders to review in advance of the meeting.

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

The Group's model and strategy are designed to promote long-term success and this is outlined in the Strategic Report. The Board utilises a number of different routes to obtain feedback and ensure wide stakeholder engagement. How these interests have been considered in Board discussions and decision making can be found in the Section 172 statement.

A. Employees

Our talented colleagues are the bedrock on which our success is founded, and employee engagement is regularly reviewed. Our Senior Independent Director, Bob Beveridge, has the responsibility of representing employees' interests at the Board and hosts regular all Company "question time" meetings. These are informal and designed to encourage employees to engage with the Executive Team. These are very much, two-way meetings and feedback is reviewed by the whole Board. He also visits our sites to talk to employees at all levels within the Group and garner their feedback. This enables the Board to understand how employees are engaged and to see first-hand that their wellbeing is being catered for. Bob is also the Board level point of contact for the Group's whistleblowing policy.

The Group is proud of its record on employee engagement and the wellbeing support it offers employees. We remain a living wage employer and offer equal opportunities to all. The Group employs highly flexible working arrangements. These include a blended working policy and a compressed four-day working week aimed at ensuring it can meet the varying needs of its diverse workforce.

The Group's move to its new manufacturing and technology centre has taken our already excellent health and safety record and improved it. Our colleagues are our most important consideration and we continue to introduce training, processes and other measures to keep them safe while they are at work. This was apparent when the Board toured the facility in the year.

Employees are regularly invited to meetings or "town hall" style get togethers to ensure they are up to date with business performance and the latest initiatives. These meetings enable them the opportunity to feedback as well. The Board utilises indirect methods of assessing colleague engagement through feedback and engagement survey reports provided by the Group's Head of People, who presents to the Board during the year.

B. Customers

Hospitals are our key market for our acute care products, with neonatal intensive care being the focus. We work closely with key opinion leaders in the healthcare system to develop, evaluate and enhance our propositions. Our reputation is for innovative, outcome-enhancing products which aid the life chances of babies born prematurely or following surgery. We support research where appropriate, and attend scientific conferences that both support ongoing clinical research and also allow for engagement with our customers at many levels from Professors of medicine to junior nursing staff. This feedback loop is beneficial to both the Group and its customers alike.

C. Suppliers

The nature of our product range means that our relationship with key strategic suppliers must be long term and collaborative to ensure continued product innovation. As a medical technology company, we regularly assess supplier performance. This enables us to agree objectives to enhance product capability and performance.

Statement of Corporate Governance continued

Deliver Growth continued

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

The Board regularly reviews the Group's risks and opportunities as well as the means by which it assesses these. Detail of this is contained in the Principal Risks and uncertainties report. The Board is continually evolving the Group's risk management framework in order to ensure the appetite is appropriate to the reward, acknowledging that risk is an inherent and accepted element of doing business.

The Group's Risk management framework is integral to its ability facilitate the identification, assessment and mitigation of risks to an acceptable level whilst enabling the delivery of its strategic objectives. The risk review process applies a commonly accepted methodology across the Group for identifying and assessing risk.

The Board has recently re-focused its approach to risk and further embedding it withing the Group's workings. The Group continues to progress the implementation of Cyber Essential + cyber security assurance which is aimed at mitigating the impact and likelihood of cyber attacks.

Whilst impossible to reduce all risk, the Board considers that the internal controls in place to be 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 and discussed in detail at all Board Meetings.

The Audit Committee report sets out how it 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. This includes liaison with the Group's external auditors.

Maintaining a Dynamic Management Framework

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

During the year, the Board was made of up three Executive Directors and four independent Non-executive Directors, including the Chair, Roy Davis. All Non-executive directors were considered to be independent during the period. Meetings are transparent and constructive, with every director participating fully. Meetings take place regularly throughout the year or by video conference when time requires. Formal Board meetings, of which there are six in the year, are always conducted in person at the Group's Manufacturing and Technology Centre. Following the year end a number of changes to the Board were made, further detail of which is outlined in section 9 of this report.

It is the responsibility of the Chair to lead the Board and ensure its effectiveness. As Chair I work to ensure the right Board dynamic and that all strategic decisions receive adequate time and attention at Board meetings to ensure the Non-executive Directors are fully appraised of decisions being taken. Whilst the Executive Directors (of which I am currently one) are responsible for the day-to-day running of the business and developing corporate strategy, the Non-executive Directors are tasked with constructively challenging the decisions and ensuring robust processes remain in place. The Non-executive Directors give informal advice to the Executives between meetings and devote sufficient time to be effective in this regard. During this interim period when my role as Chair and CEO has been combined, we take this aspect of governance with an even higher level of resolve.

Board papers, together with an agenda are circulated prior to all meetings, allowing time for full consideration and necessary clarifications in advance. Monthly reports are submitted by the Executive Team when there is no formal Board meeting. Board dinners are held from time to time and at least twice in each year to allow broader discussion and development of effective Board relations in an informal environment. The Non-executive Directors also meet without the Executives present.

Statement of Corporate Governance continued

Maintaining a Dynamic Management Framework continued

The Group has effective procedures in place to monitor and deal with conflicts of interest and has recently reviewed and updated all Directors' roles and commitments outside the Group. Any changes to these commitments and interests are reported to the Company Secretary and, where appropriate, agreed with the rest of the Board.

A new Chief Financial Officer, Alan Olby, was appointed during the year. The Board has appointed an outsourced independent Company Secretary. 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.

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

The Directors bring a broad portfolio of skills and experience to the Group and this is set out in the Board of Directors section of this report.

The skills and experience required of the Board are discussed at the Nominations Committee and form part of the Group's succession planning. The recent appointment of Marlou Janssen-Counotte has brought increased medical devices market knowledge as well as significant additional international experience to the Board. As such, the Board remains satisfied that, it has an effective and appropriate balance of skills and experience, needed at this stage of the Group's development.

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. During FY2025 the Remuneration Committee has started a review of Executive remuneration using an independent external adviser.

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. The Company Secretary provides regular briefings to all Directors in respect of their duties and on other pertinent legal and compliance matters. All Directors stand for re-election by shareholders each year.

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

The Board maintains a calendar of scheduled meetings and principal matters to be discussed throughout the year. Meetings are scheduled three years in advance to aid diary planning and attendance by all Directors. All meetings have an agenda and papers provided in advance. All actions are reviewed at the beginning of each meeting to ensure they are completed to the satisfaction of the Board. The Board held 6 scheduled meetings in the year.

The Board, through the Nominations Committee, considers succession planning for all Directors on an ad-hoc basis. Terms of reference for the Board and Remuneration Committee have been updated as have reserved powers for the Board in the year with all available on the Group's website. The Board through the Nominations Committee has informally evaluated its performance in the year. Plans are in place to formalise this process in the forthcoming financial year.

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

The Group's culture is based on its core values of being; patient focused, outcome changing, pioneering and research driven. As Executive Chair, I believe these values flow into the Group's culture which lay the foundations of its strategy and business model. Culture in all businesses is led by its leaders and particularly the Executive Directors. Their leadership is reviewed through engagement surveys conducted by the Group, which, as already detailed, are reviewed by the Board. Regular town hall meetings are conducted enabling colleagues to ask questions of the leadership team and all the Executive Directors have their main place of work at the Group's manufacturing and technology centre.

Statement of Corporate Governance continued

Maintaining a Dynamic Management Framework continued

All formal Board Meetings take place at the Group's manufacturing and technology centre and the Board tours the premises to see the operations in action first hand. These tours are undertaken by middle management, often without Executive Directors present, with a view to giving our employees an opportunity to discuss matters pertinent to their teams direct with the Board. The Non-executive Directors join colleagues at the Group's annual awards events and facilitate sessions in areas where they can bring their extensive experience to colleagues at all levels throughout the business. These types of session are designed with two-way communication at heart and are aimed at promoting a healthy and transparent corporate culture. Senior managers regularly present to the Board, ensuring there is an opportunity for the Non-executive Directors to meet the Group's senior leaders and understand their risks and opportunities at a more granular level. It enables the Non-executive Directors to witness senior management first hand and provide assurance that they have the support required to effect the Group's strategy.

The move of all the Group's functions to a single site alongside the leadership team is considered a positive for maintaining the Group's already strong sense of purpose and ensuring all teams integrate as seamlessly as possible to aid the furthering of the Group's strategy. In having the majority of employees based in one location, it is easier to ensure any deviations from the Group's culture can be addressed quickly and effectively and ensure our values remain at the heart of all we do.

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

The Board reviewed the Group's corporate governance code in line with its obligations under AIM Rule 26 in the year. This review, also conducted independently by the Group's NOMAD, found that it was in compliance with the principles of the Code during the financial year. Since the end of the financial year, a number of changes to the make-up of the Board have been implemented. Neil Campbell has stepped aside as Chief Executive Officer and has taken up a role of Non-executive Director. His experience in the Group's market is second to none, and as such we look forward to retaining this experience in his new role.

On a temporary basis, I have taken on the joint role of Chief Executive and Chair whilst the Group conducts a thorough process to find a successor to Neil. We believe this is the correct approach for a Group of our size and appropriate to ensure a smooth transition of roles and is in the best interests of the Group for the benefit of its members. I believe I am ably supported by my Board colleagues, both executive and non, some of whom have been with the Group for a number of years, who will provide the necessary support as well as challenge during this period. We acknowledge that Neil's and my change of role mean that the Company derogates slightly from the requirements of the Code, in that we now technically have fewer independent directors versus those who are not, and the role of Chief Executive and Chair are combined. Whilst we believe the Board to be of a size appropriate to the Company and of suitably independent mind, we will look to address these matters in due course. Updates to this aspect of the Group's governance will be provided as relevant.

Following the changes, I am responsible for both leading the Board, setting its agenda and monitoring its effectiveness, as well as the day to day management and implementation of the strategy of the Group. As a relatively new appointment as Chair, I took the opportunity as part of my induction to review the governance structures and the performance of the Board. I was pleased to see that terms of reference for all sub-committees of the Board have been reviewed and updated where necessary. I believe the updated terms for the Board clarify matters reserved for the Board (available on the Group's website) and I am pleased to see that there is the necessary flexibility on the part of the Executives and Non-executive Directors to ensure agility when required (a recent example being the acquisition of Airon Corporation, as well as the equity raise). The Board calendar is clear and ensures all areas of the business report into the Board at least on an annual basis. The Group, as it grows, will continue to develop its reporting in areas such as risk management and diversity. I look forward to further developing the Board's strategic role.

The Board has delegated authority to three sub-committees. These committees meet independently of the Board.

Statement of Corporate Governance continued

Maintaining a Dynamic Management Framework continued

Audit Committee

The role of the Audit Committee is to monitor the integrity of the Group's financial statements and ensure that the interests of shareholders are protected in all financial matters. It is made up of three members, Bob Beveridge (Chair), Liz Shanahan and Marlou Janssen who are all independent. The Chief Financial Officer and external auditors attend meetings by invitation. The Audit Committee monitors and reviews the effectiveness of internal controls alongside the wider compliance environment within which the Group operates. It recommends the appointment of the Group's auditor and reviews their performance, independence and objectivity as well as their scope of work.

A separate report of the Audit Committee activities is contained in this report. The terms of reference for the Audit Committee can be found on the Group's website.

Remuneration Committee

The Remuneration Committee's principal responsibilities are to determine and recommend to the Board the Group's remuneration policy and monitor its effectiveness, determine and recommend the remuneration of the executive directors and determine the headline targets for any performance related elements of their pay, both short and long-term. It is also responsible for monitoring, reviewing and approving the levels and principles of other senior employees within the Group. Further detail in respect of the activities of the Remuneration Committee is set out in this report. The Remuneration Committee has three members, Liz Shanahan (Chair), Bob Beveridge and Marlou Janssen who are all independent. The Company Secretary and other directors attends by invitation as requested.

Terms of reference, which were reviewed and updated in the year, for the Remuneration Committee can be found on the Group's website.

Nominations Committee

The Nominations Committee is responsible for ensuring that the Board is effective both now and in the future. It leads the process for Board appointments, ensures effective succession planning is in place and evaluates the skill, experience and make up of the Board and its sub-committees. During the year, it had four members, Roy Davis (Chair), Bob Beveridge, Liz Shanahan, Marlou Janssen and Neil Campbell. It also has the responsibility to oversee the development of a diverse pipeline for succession. It meets on an ad hoc basis throughout the year. As part of Neil's change of role, he no longer sits on the Nominations Committee.

Terms of reference for the Nominations Committee can be found on the Group's website. Whilst they were not changed, they were reviewed along with all other terms of reference in the year.

The following table sets out the member attendance at Board and Committee meetings during the year ended 31 January 2024.

Board Members	Number of Meetings Attended			
	Board	AC	RC	NC
Mark Abrahams	6/6	-	-	1/1
Neil Campbell	6/6	-	-	1/1
Bob Beveridge	6/6	6/6	3/3	1/1
Brook Nolson	6/6	-	-	-
Liz Shanahan	5/6	6/6	3/3	1/1
Marlou Janssen-Counette	3/3*	1/1	3/3	1/1
Alan Olby	3/3**	-	-	-
Roy Davis	1/1***	-	-	-

*Marlou Janssen-Counette appointed to the Board on 22nd June 2023.
**Alan Olby appointed to the Board on 12th June 2023
*** Roy Davis appointed to the Board on 7th December 2023

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.

Statement of Corporate Governance continued

Maintaining a Dynamic Management Framework continued

Build Trust

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

The Group's principal means of ensuring dialogue with its stakeholders, including shareholders, is via its website, its Annual Report, the Annual General Meeting and investor meetings. These are generally attended by the Chief Executive Officer and Chief Financial Officer. The Chair is also available as are Chair of the Audit Committee and the Remuneration Committee if required. The Chief Executive Officer and Chief Financial Officer make presentations to institutional investors, shareholders and potential shareholders immediately following the release of the interim and full-year results and also attend events aimed at promoting the Group to future investors. The Board receives detailed external and independent feedback (from the Group's NOMAD) in respect of any investor meetings. This vital and often frank feedback is discussed by the Board.

The Group's website has an extensive and well-resourced back catalogue of corporate information including historic Annual Reports, Interim Statements and other circulars and investor presentations.

It was welcomed that here were no significant votes against any of the resolutions at the previous AGM.

Regular informal meetings between the Executive and Non-executive Directors are aimed at ensuring strong relations are maintained. All scheduled Board Meetings have taken place face-to-face and Non-executive Directors continue to meet with other senior managers informally to give advice and assistance, sometimes at Groupwide events. There have been two board dinners held during the year aimed at providing an informal opportunity to discuss Group performance and strategy.

Roy Davis
Executive Chairman and Interim CEO

30 July 2024

Audit Committee Report

The Audit Committee comprises three members: Bob Beveridge, who Chairs the committee, a chartered accountant with recent and relevant financial experience, Liz Shanahan, a seasoned NED and audit committee member and Marlou Janssen, an industry expert, who joined the Committee in December 2023.

The committee met six times during the year. The Chief Financial Officer (or interim) attended all meetings at the invitation of the Committee Chair and the external auditors attended four meetings. 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 auditor's report.
- Going concern review.
- Review of the risk management process and internal control procedures
- Review of effectiveness of the external auditor, and approve the FY2024 audit plan and fee.

Financial Reporting

The Committee has recently concluded that the Annual Report and Financial Statements for the year ended 31 January 2024, 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. In respect of this year's accounts, the Committee considered in particular the following key matters of judgement:

- Capitalisation of product development expenditure.
- Valuation of goodwill and intangible assets, and any possible impairment indicators.
- Revenue recognition and associated policies and procedures.
- Going Concern – The Committee considered financial projections for the next 18months covering several scenarios, including a significant revenue downside versus the base case budget. These projections demonstrate that the Group can operate within the revised headroom available following completion of the placing for the foreseeable future. The Committee is therefore of the opinion that the Group has adequate facilities to continue as a going concern and that the going concern basis is appropriate. Please refer to the Directors' Report for further detail.
- Restructuring provisions and other significant non-recurring items.
- Accounting in respect of the Airon acquisition, completed in January 2024.

Audit Committee Report continued

External Audit

A review of the prior year's audit effectiveness took place in June and improvements agreed including earlier testing; the 2024 audit plan was agreed in December. 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 FY2024 audit plan. The fees paid to the auditors, BDO, were £300,000 (FY2023: £227,000) for FY2024 audit services, and £4,000 (FY2023: £4,000) for non-audit services. No services were provided pursuant to contingent fee arrangements.

Risk Management and Internal Controls

The risk register was reviewed 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.

An enhanced process was developed and presented to the Board in November including greater focus on mitigating actions. 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.

During the year the Committee received an update on the internal control environment. Key control procedures continue as follows:

- **Management responsibility and authorisation controls**

  The Group has an authorisation matrix and delegation of authorities are built into the ERP system. The new CFO has commenced a detailed review to identify opportunities to automate and strengthen controls and will report to the Committee in 2024.

- **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.

- **Strong cash management**

  The Group maintains tight cash management control through, for example, delegated authorities and dual signatories on all bank accounts.

Deep Dives

The Committee received a presentation on key Cyber and IT risks. The team is working to achieve Cyber Essentials Plus in the first half of 2024, which will provide a government recognised, independent verification of key cyber-risk security controls including firewalls, access controls and malware protection.

The Committee reviewed an analysis of key Foreign Exchange transactions and approved a proposal to hedge Euro risk on Infusion products.

Policies

The Committee agreed an update to the Policy on non-audit services.

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

30 July 2024

Board of Directors

Roy Davis

Executive Chair and Interim Chief Executive Officer

Roy is the Company's Executive Chair (having joined the Board in January 2024). He is also Chairman of LungLifeAi plc, a lung cancer diagnostic company, Foster & Freeman Ltd, a leading forensic imaging manufacturer, and RAIR Health Ltd, a real-world data insights start up. He is also a Non-executive Director of Futura Medical plc, a UK pharmaceutical company focused on the sexual health market. Roy was previously Chairman of Medica Group plc until its sale to IK Partners in 2023 and Chairman of Edinburgh Molecular Imaging Ltd. Prior to these roles Roy served as the Chief Executive Officer of Optos plc, a leading ophthalmology medical device business, from 2008 until June 2016 when he stepped down following the company's acquisition by Nikon Corporation. Before joining Optos, he served from 2007 as Chief Executive Officer of Gyrus Group plc, a leading medical device company, prior to its acquisition by the Olympus Corporation of Japan in 2008, having previously served as Chief Operating Officer of Gyrus from 2003 and a Non-executive Director since flotation in 1997. Prior to this, Roy was CEO of NTERA, a nanotechnology company, and before that spent almost ten years with Arthur D Little, the global management consulting company, where he was vice president and global head of its operations management business. His early career included experience in the connector, oil, and automotive sectors. Roy holds a mechanical engineering degree from the University of Southampton and an MBA from the London Business School.

Key areas of expertise

International medtech experience, Business Strategy Development & Implementation, M&A, Investor Relations, Post Merger Integration, Operations, Supply Chain & R&D.

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.

Board of Directors continued

Alan Olby

Chief Financial Officer

Alan Olby joined the Board as Chief Financial Officer in June 2023. Alan is a chartered accountant with over 20 years' experience in finance leadership roles in life science companies. Alan previously spent 16 years at Sinclair Pharma, 12 as Chief Financial Officer, playing a key role in transforming the business into a fast growth global aesthetics business, initially as an AIM listed group and subsequently under private ownership following the sale to Huadong Medicine Co Ltd (China) in 2018. Alan has overseen a number of strategically important M&A transactions and capital raisings, while also managing the operational financial challenges of a growing international business.

Key Areas of expertise:

Financial planning & management, working capital management, business partnering, financing, M&A, risk management, investor relations.

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 was until recent retirement a Non-executive Director of Finsbury Food Group plc as well as chair of their Audit Committee); he is currently Chairman of the Berkshire Local Enterprise Partnership, a non-executive director of Maintel 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 Non-executive Chair of Advanced Medical Solutions plc and a Non-executive Director of 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, where she is Entrepreneur in Residence 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.

Board of Directors continued

Marlou Janssen-Counotte

Non-executive Director

Marlou Janssen-Counotte is a senior MedTech Executive with 25+ years of experience as Vice President, President, General Manager, driving business development and comprehensive marketing & clinical operations through effective strategy execution, solutions planning and delivery, and transformational leadership. Accomplished General Manager adept at overseeing all-round business management in introducing growth-oriented strategies, successfully executing sales and marketing plans, and directly managing high-performing cross-functional teams within large- and medium-sized organizations such as Medtronic, St. Jude Medical, Biotronik, Philips.

Marlou currently holds a non executive board position at Acarix AB/SA, Field Medical Inc, EBAMed SA and Sonion A/S.

Key areas of expertise

Medical Device and healthcare industry expertise, strategic business planning, product development and launch, clinical research, commercial strategies and execution including US Medtech market expertise, communication strategies, new business development, partnerships & strategic alliances.

Neil Campbell

Non-executive Director

In 2024, Neil became Non-executive Director, having been CEO and a founding partner of Inspiration Healthcare Limited since 2002, 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 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.

Directors' Remuneration Report

I am 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 2024 ("FY2024").

Overview of year

FY2024 has been a year of mixed outcomes. We have had some great successes on some of our strategic priorities such as securing a foothold in the US, as well as some welcome Board changes which have strengthened the Board.

Alan Olby was appointed CFO in June 2023, Marlou Janssen-Counotte also joined the Board in June 2023 and Roy Davies joined the Board in December 2023, subsequently being appointed Chair in March 2024. Post year end, Roy became our Interim CEO and Executive Chair, when Neil Campbell stepped down as CEO. We sadly say goodbye to Mark Abraham's who has Chaired the business since 2015, providing sage advice and guidance to the Executive and his fellow board members throughout his term. He will be sorely missed.

Despite our strategic successes, financially, this has been a tough year. Despite the challenges, our Executive Directors, continue to retain a strong focus on the success of the business and tackle every challenge head on. However, Group revenues fell well short of the threshold for bonuses for FY2024.

Membership

The Remuneration Committee welcomed Marlou Janssen-Counotte as a member, with Bob Beveridge, and myself, Liz Shanahan continuing as members.

The Committee has met formally three times but regularly had informal discussions during the year. The Committee's responsibilities include: setting, reviewing and recommending to the Board the remuneration policy for Executive Directors, certain aspects of other senior 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 also appraised of the FRC UK Corporate Governance Code 2018, including the updated code. 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 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, their terms are also subject to reappointment by the members.

The Executive Directors' fixed packages consist of basic salary, pension contributions of 5% of basic salary on a matched contribution basis, a company vehicle (which must be electric), private healthcare insurance and a death in service insurance scheme. Either party can serve six months' written notice to terminate their employment.

Directors' Remuneration Report continued

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. The LTIP performance measures are based 60% on revenue growth and 40% on a number of measurable ESG targets.

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. As of 31st January 2024, 50 employees are participating with 338,261 shares committed.

Executive remuneration for year ending 31 January 2024

Fixed Aspects

The Executive Directors' salaries increased in line with the rest of the workforce. 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 FY2024. Full details are set out in the table shown.

Performance-related Aspects

Bonus

The maximum annual bonus achievable for the Executive Directors is 100% of basic salary. The underachievement of the financial performance was such that no bonus was awarded this year.

Directors' total remuneration for the year ended 31 January 2024:

	Salary		Annual Bonus		Pensions		Benefits		Total Remuneration	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
£'000										
Executives										
Neil Campbell	**221**	207	**–**	5	**11**	10	**16**	14	**248**	236
Brook Nolson	**177**	165	**–**	67	**9**	8	**13**	13	**199**	253
Jon Ballard[1]	**–**	129	**–**	4	**–**	6	**–**	11	**–**	150
Alan Olby[2]	**132**	–	**–**	–	**4**	–	**14**	–	**150**	–
Non-executive Directors										
Mark Abrahams[3]	**45**	45	**–**	–	**–**	–	**–**	–	**45**	45
Bob Beveridge	**30**	30	**–**	–	**–**	–	**–**	–	**30**	30
Liz Shanahan	**30**	30	**–**	–	**–**	–	**–**	–	**30**	30
Gordon (Roy) Davis[4]	**1**	–	**–**	–	**–**	–	**–**	–	**1**	–
Louise Marie Janssen-Counotte[5]	**18**	–	**–**	–	**–**	–	**–**	–	**18**	–
	654	606	**–**	76	**24**	24	**43**	38	**721**	744

[1] Jon Ballard resigned from the board on 22 December 2022
[2] Alan Olby joined the board on 12 June 2023
[3] Mark Abrahams resigned from the board on 20 March 2024
[4] Gordon Davis joined the board on 25 January 2024
[5] Louise Marie Janssen-Counotte joined the board on 22 June 2023

Directors' Remuneration Report continued

Long-term incentive Plan ("LTIP")

LTIP options were granted in FY2024 to the Executive Directors for assessment and vesting at FY2026, subject to the performance measures being achieved. The performance criteria for the FY2022 LTIP's which were due to vest in May 2024 have not been achieved and thus have lapsed.

Priorities and Executive remuneration for year ending 31 January 2025

The Committee continually assesses and reviews the policy. Post year-end, the Committee appointed external advisors to help us review our strategy and approach. Due to personnel changes, we will be changing our performance related arrangement for YE 31 January 2025, maintaining the same fixed remuneration approach, but blending our Bonus and LTIP into an integrated incentive. The eligible amount remains the same, but it merges our bonus and LTIPs. The maximum achievable remains 130% of salary, with 100% being eligible as cash (as before) and 30% in deferred shares (as before), based on primary financial targets.

Salary

The Executives have been awarded a 5% salary increase, below the company average for YE 31st January 2025.

Integrated Incentive (Previously Annual bonus & LTIP)

For our Executive Directors in FY2025, 80% of the integrated incentive KPI's are financial and 20% are now personal.

Directors' interests in share awards in the Company as at 31 January 2024 are as follows:

The exercise price of the options is £nil.

	Number of shares awarded under award								
	On 01 February 2023	Granted during the year	Exercised during the year	Lapsed during the year	At 31 January 2024	Date of Award	Performance Period	Exercising Date	Expiry Date
Neil 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	30 Apr 26
	–	115,000	–	–	115,000	31 Mar 23	01 Feb 22 31 Jan 25	01 May 25	30 Apr 27
	–	155,043	–	–	155,043	08 Jun 23	01 Feb 23 31 Jan 26	01 May 26	30 Apr 28
	115,385	**270,043**	**–**	**(115,385)**	**270,043**				
Alan Olby									
	–	222,222	–	–	222,222	12 Jun 23	05 Jun 23 04 Jun 26	05 Jun 26	04 Jun 28
	–	**222,222**	**–**	**–**	**222,222**				
Brook Nolson									
	40,000	–	–	(40,000)	–	07 May 21	01 Feb 21 31 Jan 24	01 May 24	30 Apr 26
	–	92,000	–	–	92,000	31 Mar 23	01 Feb 22 31 Jan 25	01 May 25	30 Apr 27
	–	124,034	–	–	124,034	08 Jun 23	01 Feb 23 31 Jan 26	01 May 26	30 Apr 28
	40,000	**216,034**	–	**(40,000)**	**216,034**				

Directors' Remuneration Report continued

The Directors total interests in shares in the Company as at 31 January 2024 and at the date of this report were as follows:

Directors' Interests	30 July 2024	31 January 2024	31 January 2023
Mark Abrahams	**n/a**	**256,576**	256,576
Neil Campbell	**4,416,646**	**4,416,646**	4,416,646
Jon Ballard[1]	**n/a**	**–**	15,375
Brook Nolson	**34,323**	**34,323**	34,323
Alan Olby[2]	**43,211**	**43,211**	–
Liz Shanahan	**177,857**	**35,000**	35,000
Roy Davis	**178,571**	**–**	n/a

[1] Jon Ballard resigned from the board on 22 December 2022

[2] Alan Olby joined the board on 12 June 2023

Conclusion

The year ended 31 January 2024 has had some notable strategic successes and some significant financial challenges. Our entire workforce have shown great resilience, making sure we focused on seamless production and delivery of products to our customers, helping to save the lives and improve outcomes, around the globe, for one of society's most vulnerable groups, premature and sick babies.

Liz Shanahan
Chair, Remuneration Committee

30 July 2024

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 certain circumstances.

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.

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 2024 ("FY2024").

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 Unit 7/8 Commerce Park, Commerce Way, Croydon, CR0 4YL. 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.

Results and Dividends

The Group has reported a loss for the year of £6,034,000 (FY2023: profit of £272,000). An interim dividend of 0.205p per share (FY2023: 0.205p per share) was paid on 29 December 2023. The board is not recommending a final dividend (FY2023: 0.41p per share) to make a total dividend for the year of 0.205p per share (FY2023: 0.615p per share).

Business Review and Future Developments

Details of the business activities during the year can be found in the Strategic Report.

Going Concern

The Group is reliant on borrowing facilities from external lenders to finance its ongoing operations. The Group has access to a revolving credit facility ("RCF") of £10.0million and an invoice finance facility of up to £5.0 million. The RCF facility contains certain financial covenants relating to the Group.

As a result of ongoing delays in receiving a material export order, the Group sought and received waivers from its lender in relation to the covenant tests as at 31 January 2024 and 30 April 2024, and has agreed alternate covenants for the period to 30 April 2025, with further drawdown of the RCF subject to lender consent.

On 26 June 2024, the Company announced a placing, subscription and retail offer ("the Fundraising") to raise £2.8 million, net of expenses, by the issue of 21,428,570 new Ordinary Shares in the Company. The Fundraising completed on 23 July 2024 following shareholder approval and admission of shares to trading on AIM. Conditional upon the placing completing as expected, the Group's lender has agreed to release any restriction on further drawdown of the RCF which will provide the Group with additional liquidity of £3.5 million, subject only to continued compliance with the revised covenants. On 25 July 2024, the Company announced that it had signed the material export order, valued at $4.3 million, and expects to deliver the goods in the second half of the current financial year.

The Directors have considered financial projections for the next 18 months covering several scenarios, these include a significant (10%) revenue downside versus the base case budget for the period. These projections demonstrate that the Group can operate within the revised headroom available following completion of the placing for the foreseeable future. The Directors, after taking into account the proceeds of the Fundraising, the material export order, and availability of the RCF, believe that they have a reasonable basis for concluding that the Group has adequate facilities to continue as a going concern and have therefore adopted the going concern basis in the preparation of these financial statements. The financial statements do not reflect any adjustments that would be required if they were prepared on a basis other than the going concern basis.

Directors' Report continued

Directors

The Directors of the Company who served during the year and up to the date of this report were:

M S Abrahams	Non-executive Chairman (resigned 20 March 2024)
N J Campbell	Chief Executive Officer*
B Nolson	Chief Operating Officer
R J Beveridge	Non-executive Director
L A Shanahan	Non-executive Director
A M Olby	Chief Financial Officer (appointed 12 June 2023)
L M Janssen-Counotte	Non-executive Director (appointed 22 June 2023)
G R Davis	Non-executive Director* (appointed 7 December 2023)

*Neil Campbell stepped down as CEO on 30 May 2024 to become Non-Executive Director and as a result, Roy Davis has become Executive Chairman and Interim CEO.

Directors' Interests in Shares and Contracts

Directors' interests in shares of the Company at 31 January 2024 and 31 January 2023, and any changes to the date of this report, are set out in the Directors' Remuneration Report. 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 remains in force at the date of these financial statements.

Financial Instruments and Risk Management

Disclosures regarding financial instruments are provided within the Principal Risks and Uncertainties and in 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 £3.5m (FY2023: £3.2m) 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.

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.

Directors' Report continued

Substantial Interests

At close of business on 30 June 2024, 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	11,725,487	17.2%
Berenberg Asset Management	5,884,391	8.6%
Mr N J Campbell	4,424,262	6.5%
Mennen Medical Ltd	4,229,991	6.2%
Liontrust Asset Management	4,198,205	6.2%
Mr S G Motley	4,111,628	6.0%
Octopus Investments	3,800,000	5.6%
Mr T Foster	3,428,350	5.0%
Castlefield Investments	2,320,440	3.4%

Note that the above table does not reflect changes resulting from the placing and subscription approved by shareholders on 22 July 2024.

Political and Charitable Donations

No charitable donations were made during the year (FY2023: £nil), however, disbursements were made to the value of £33,000 (FY2023: £85,000) from the donation made to CAF in FY2022. No political donations were made (FY20223 £nil).

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.
- 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.

Directors' Report continued

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.

Subsequent Events

On 26 June 2024, the Company announced a placing, subscription and retail offer ('the Fundraising') to raise gross proceeds of £3.0 million. The net proceeds of the Fundraising (approximately £2.8 million) are to be used to reduce net debt and provide additional liquidity headroom to the Group. The Fundraising was approved by shareholders in a general meeting on 22 July 2024, following which 21,428,570 new ordinary shares in the Company were issued and admitted to trading on AIM on 23 July 2024. Following the Fundraising, the Company is able to make further draw downs of the full undrawn amount of the RCF without HSBC consent, subject only to ongoing covenant compliance, including monthly minimum liquidity level of £1.5 million.

In June 2024, the Directors made the decision to close the Hailsham site from the end of July 2024, further rationalising the Group's operating sites. Certain activities will be transferred to the Group's Manufacturing and Technology Centre in Croydon while others are outsourced to long-term supply partners.

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.
- 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.

Alan Olby
Chief Financial Officer

30 July 2024

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 2024 and of the Group's loss 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 2024 which comprise the Consolidated Income Statement, the Consolidation Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders' Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including material accounting policy information.

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.

Independent auditor's report to the members of Inspiration Healthcare Group Plc continued

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:

- A review of the terms and conditions attaching to the share placing that was announced on 26 June 2024.
- A review of the correspondence with the Group's lender in connection with the release of restrictions on future drawdowns against the RCF.
- A review of the directors' assessment of going concern and challenge of the key assumptions used to make their assessment, including revenue forecasts, research and development expenditure, capital expenditure and debt/equity financing cashflows. These were assessed through discussions with directors, review of previously forecast results against actual results and by reference to our knowledge of the industry and experience to date of relevant cash flows in respect of the Group's operations;
- A review of the accuracy of the forecast model through corroboration of the opening cash position to bank statements and re-performance of calculations;
- We assessed the completeness and accuracy of the matters disclosed in the going concern note by reference to our work performed over the directors' assessment of the Group and Parent Company's ability to continue as a going concern.

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

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

Overview

Coverage	99% (2023: 83%) of Group profit before tax 98% (2023: 95%) of Group revenue 91% (2023: 93%) of Group total assets		
Key audit matters		2024	2023
	Revenue Recognition	Y	Y
	Valuation of the consideration and the appropriateness of the discount rate applied within the Business Combination	Y	N
Materiality	Group financial statements as a whole £186,900 (2023: £93,600) based on 0.5% of revenue (2023: based on 5% of the last three years average 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 to the members of Inspiration Healthcare Group Plc 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. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition (notes 1 and 3)	Inspiration Healthcare Group revenue includes the sale of branded and distributed products, technology support and freight 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 judgement involved in determining the period covered by the contract from the inappropriate or incorrect calculation of the split between revenue and contract liability. The group has a number of international markets in which it operates, which may drive complexities with revenue recognition. We therefore consider there to be a risk of fraud or 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 IFRS 15. We completed cut off testing by tracing a sample of invoices from January 2024 to February 2024 through to supporting documentation to ensure these items have been 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 have been appropriately provided for and did not relate to revenue recognised in 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 upon the work performed we did not identify any indicators to suggest that revenue has not been recognised appropriately.
Valuation of the consideration and the appropriateness of the discount rate applied within the Business Combination (notes 1 and note 27)	Inspiration Healthcare Group Plc completed the acquisition of Airon Corporation during the year. Under IFRS 3, management are required to calculate the fair value of the consideration payable as a result of the acquisition, which involves judgement in the calculation of the contingent consideration, including an assessment of probability of meeting relevant earn out thresholds and assessment of the appropriate discount rate for the time value of money. Due to the judgement involved, we considered there to be a significant risk of material misstatement relating to the valuation of the consideration and the appropriateness of the discount rate applied within the business combination. Therefore this was also considered to be a key audit matter.	We have checked management's calculation of consideration paid to supporting third party documentation, including the share purchase agreement (SPA). We obtained management's calculation of the fair value of contingent consideration, together with management's forecasts for the Airon business covering the earn-out period. We assessed the arithmetic accuracy of the earn-out calculation and challenged Management on the achievability of the forecasts and whether the SPA defined targets would be met, with reference to forecasts provided. We have reviewed the completion balance sheet and obtained supporting explanations and documentation for variances above a set threshold, identified as a percentage of the group materiality With the assistance of our internal valuation experts we reviewed management's valuation expert's report and the discount rate used was compared to our valuations experts' determined discount rate. We considered the appropriateness of key assumptions in the discount rate applied. **Key observations:** We did not identify any indicators to suggest that managements judgements used to value the consideration and the appropriateness of the discount rate applied within the business combination were inappropriate.

Independent auditor's report to the members of Inspiration Healthcare Group Plc continued

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	
	2024 **£**	2023 £	**2024** **£**	2023 £
Materiality	186,900	93,600	77,000	88,300
Basis for determining materiality	0.5% of revenue	5% of the average profit before tax over the last three years	95% of group materiality	95% of group materiality Rationale for the benchmark applied
Rationale for the benchmark applied	Materiality has been set based upon revenue as a result of the change in shareholder base in the year. The shareholders have a greater focus on growth in revenue and adjusted EBITDA as the groups KPIs.	The volatility in the 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 caused the result for the year to be significantly lower than usual. We therefore applied an average to normalise the impact of the results for the year.	Parent company materiality was capped at £177,000 to respond to aggregation risk	Parent company materiality was capped at £88,300 to respond to aggregation risk
Performance materiality	140,100	70,200	132,800	66,200
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 the audit engagement.		75% of parent company materiality as this is reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of the audit engagement.	

Independent auditor's report to the members of Inspiration Healthcare Group Plc continued

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group based on a percentage of between 67% and 83% (2023: 66% and 84%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £125,100 to £155,200 (2023: £61,800 to £78,500). In the audit of each component, we further applied performance materiality levels of 75% (2023: 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 £9,300 (2023:£3,720). 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.

Key audit matter	How the scope of our audit addressed the key audit matter
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.

Independent auditor's report to the members of Inspiration Healthcare Group Plc continued

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; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

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.

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; and
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit.

Independent auditor's report to the members of Inspiration Healthcare Group Plc continued

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; and
- 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 and the valuation of the acquisition, for which our procedures have been set out as Key Audit Matters above, capitalisation of development costs and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including through revenue recognition and the accounting for the business combination as discussed within the Key Audit Matters section;

  In order to assess the fraud risk in relation to capitalisation of development costs, we have selected a sample of costs capitalised to ensure they 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

30 July 2024

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 2024

	Note	2024 Adjusted £'000	2024 Non-recurring items £'000	2024 Total £'000	2023 Total £'000
Revenue	3	**37,630**	**–**	**37,630**	41,233
Cost of sales		**(19,743)**	**–**	**(19,743)**	(23,140)
Gross profit		**17,887**	**–**	**17,887**	18,093
Administrative expenses	4	**(18,287)**	**(4,527)**	**(22,814)**	(17,662)
Operating (loss)/profit		**(400)**	**(4,527)**	**(4,927)**	431
Finance income	6	**61**	**–**	**61**	40
Finance expense	6	**(810)**	**–**	**(810)**	(395)
(Loss)/profit before tax		**(1,149)**	**(4,527)**	**(5,676)**	76
Income tax	7(a)	**(358)**	**–**	**(358)**	196
(Loss)/profit for the year attributable to owners of the parent Company		**(1,507)**	**(4,527)**	**(6,034)**	272
(Loss)/earnings per share					
Basic (pence per share)	8			**(8.85p)**	0.40p
Diluted (pence per share)	8			**n/a**	0.39p

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2024

	2024 Total £'000	2023 Total £'000
(Loss)/Profit for the year	**(6,034)**	272
Other comprehensive income		
Items that may be reclassified to profit or loss	**–**	–
Total other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(6,034)**	272

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

Consolidated Statement of Financial Position

as at 31 January 2024 (Registered Number: 03587944)

	Note	31 January 2024 £'000	31 January 2023 £'000
ASSETS			
Non-current assets			
Intangible assets	10	**13,278**	17,004
Property, plant and equipment	11	**7,137**	7,497
Right of use assets	12	**5,578**	5,970
Deferred tax asset	21	**–**	324
		25,993	30,795
Current assets			
Inventories	13	**13,743**	9,935
Trade and other receivables	14	**8,669**	11,888
Short-term investments		**197**	–
Cash and cash equivalents	15	**412**	2,276
		23,021	24,099
Total assets		**49,014**	54,894
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(6,591)**	(5,812)
Lease liabilities	12	**(697)**	(822)
Financial liabilities	18	**(1,654)**	(2,079)
Contract liabilities	20	**(625)**	(531)
		(9,567)	(9,244)
Non-current liabilities			
Lease liabilities	12	**(5,477)**	(6,176)
Financial liabilities	18	**(5,002)**	(4,000)
		(10,479)	(10,176)
Total liabilities		**(20,046)**	(19,420)
Net assets		**28,968**	35,474
Shareholders' equity			
Called up share capital	22	**6,823**	6,813
Share premium account	22	**18,905**	18,842
Reverse acquisition reserve	22	**(16,164)**	(16,164)
Share-based payment reserve	22	**280**	405
Retained earnings		**19,124**	25,578
Total equity		**28,968**	35,474

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

The Consolidated Financial Statements were approved by the Board of Directors on 30 July 2024 and signed on its behalf by:

Alan Olby
Director

Roy Davis
Director

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 January 2024

	Note	Issued share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Share based payment reserve £'000	Retained earnings £'000	**Total £'000**
At 1 February 2022		**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**
Profit for the year		–	–	–	–	(6,034)	**(6,034)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(6,034)**	**(6,034)**
Transactions with owners in their capacity as owners							
Issue of Ordinary Shares, net of transaction costs and tax		10	63	–	(73)	–	**–**
Dividends		–	–	–	–	(420)	**(420)**
Employee share scheme credit	24	–	–	–	(52)	–	**(52)**
Total transactions with owners		**10**	**63**	**–**	**(125)**	**(420)**	**(472)**
At 31 January 2024		**6,823**	**18,905**	**(16,164)**	**280**	**19,124**	**28,968**

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

Consolidated Cash Flow Statement

for the year ended 31 January 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
(Loss)/Profit for the year		**(6,034)**	272
Adjustments for:			
Depreciation and amortisation		**2,437**	2,285
Remeasurement of leases		**(210)**	(25)
Impairment of right of use assets	12	**–**	446
Impairment of intangible assets	10	**4,120**	–
Employee share scheme (credit)/expense	24	**(52)**	132
Loss/(Profit) on disposal of tangible assets		**108**	(26)
Loss on disposal of intangible assets	10	**–**	6
Finance income	6	**(61)**	(40)
Finance expense	6	**810**	395
Income tax	7(a)	**358**	(196)
		1,476	3,249
Increase in inventories		**(3,378)**	(3,486)
Decrease/(increase) in trade and other receivables		**3,000**	(2,501)
Increase/(decrease) in trade and other payables		**630**	(740)
Increase in contract liabilities		**94**	7
Cash flows generated from/(used in) operations		**1,822**	(3,471)
Taxation received	7(b)	**190**	–
Net cash generated from/(used in) operating activities		**2,012**	(3,471)
Cash flows from investing activities			
Bank interest received	6	**21**	5
Interest received on leases	6	**40**	35
Acquisition of subsidiary, net of cash acquired	27	**(1,114)**	–
Purchase of property, plant and equipment	11	**(434)**	(6,226)
Purchase of intangible assets	10	**(63)**	(140)
Capitalised development costs	10	**(1,135)**	(1,976)
Net cash used in investing activities		**(2,685)**	(8,302)

	Note	2024 £'000	2023 £'000
Cash flows from financing activities			
Principal elements of lease payments	12	**(829)**	(697)
Principal elements of lease receipts	14	**281**	217
Interest paid on lease liabilities	6	**(272)**	(300)
Interest paid on loans and borrowings	6	**(528)**	(84)
Dividends paid to the holders of the parent	9	**(420)**	(419)
Proceeds from loans and borrowings	18	**577**	6,079
Net cash (used in)/generated from financing activities		**(1,191)**	4,796
Net decrease in cash and cash equivalents		**(1,864)**	(6,977)
Cash and cash equivalents at the beginning of the year		**2,276**	9,253
Cash and cash equivalents at the end of the year	15	**412**	2,276

Notes forming part of the Consolidated Financial Statements

for the year ended 31 January 2024

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 7/8, Commerce Park, Commerce Way, Croydon, CR0 4YL 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 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 is reliant on borrowing facilities from external lenders to finance its ongoing operations. The Group has access to a revolving credit facility ('RCF') of £10.0million and an invoice finance facility of up to £5.0million. The RCF facility contains certain financial covenants relating to the Group.

As a result of ongoing delays in receiving a material export order, the Group sought and received waivers from its lender in relation to the covenant tests as at 31 January 2024 and 30 April 2024, and has agreed alternate covenants for the period to 30 April 2025, with further drawdown of the RCF subject to lender consent.

On 26 June 2024, the Company announced a placing, subscription and retail offer ("the Fundraising") to raise £2.8million, net of expenses, by the issue of 21,428,570 new Ordinary Shares in the Company. The Fundraising completed on 23 July 2024 following shareholder approval and admission of shares to trading on AIM. Conditional upon the placing completing as expected, the Group's lender has agreed to release any restriction on further drawdown of the RCF which will provide the Group with additional liquidity of £3.5million, subject only to continued compliance with the revised covenants. On 25 July 2024, the Company announced that it had signed the material export order, valued at $4.3 million, and expects to deliver the goods in the second half of the current financial year.

The Directors have considered financial projections for the next 18 months covering several scenarios, these include a significant (10%) revenue downside versus the base case budget for the period. These projections demonstrate that the Group can operate within the revised headroom available following completion of the placing for the foreseeable future. The Directors, after taking into account the proceeds of the Fundraising, the material export order, and availability of the RCF, believe that they have a reasonable basis for concluding that the Group has adequate facilities to continue as a going concern and have therefore adopted the going concern basis in the preparation of these financial statements. The financial statements do not reflect any adjustments that would be required if they were prepared on a basis other than the going concern basis.

Group

The Consolidated Financial Statements cover the year ended 31 January 2024.

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.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

Basis of consolidation

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

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. All subsidiaries are 100% owned.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases, in accordance with IFRS 10. Intra group transactions and balances, and any unrealised gains or losses arising from intra group transactions, are eliminated in preparing the Consolidated Financial Statements.

Critical estimates and judgements

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

Judgements

The Group applies judgement in how it applies its accounting policies, which could materially affect the numbers disclosed in these financial statements. The key accounting judgements that have been applied in these financial statements are as follows:

▶ Taxation Provision

In arriving at the tax provision required at the balance sheet date, management make a judgement on the accuracy of preliminary tax computations prior to their submission and acceptance by the tax authorities. As a significant investor in research and development ("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(b) for the impact on the tax provision as at 31 January 2024 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 £1,135,000 (2023: £1,976,000) which includes £416,000 (2023: £920,000) 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. Management believes that presenting these items separately enables users of the 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. Details of non-recurring items incurred in the year are set out in Note 4b.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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.

Revenue

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 are 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 Adopted IFRSs. These judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. The following are areas that are deemed to require the most complex judgements about matters that have potential material impacts on the amounts recognised in the Financial Statements.

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

Impairment

Carrying value of capitalised development costs

The fair value of capitalised development costs is determined by discounting estimated future net cash flows generated by the asset where no active market for the asset exists. A weighted average cost of capital of 12.5% is used. The net book value of capitalised development costs as at 31 January 2024 is £1,837,000 (2023: £5,160,000). 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 £338,000 (2023: £157,000). An impairment of £4,120,000 was recognised in the year (2023: £nil).

Goodwill

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

- The selection of discount rates to reflect the risks involved.
- Future revenue and costs.
- Long-term growth rates.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results. See Note 10 for further information on the assumptions used in the Group's impairment model.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

Deferred Taxation

Judgement is required on whether future profitability is likely in making the decision whether or not to recognise a deferred tax asset. Tax losses of £8,569,430 (2023: £7,834,659) arose in SLE Limited prior to the acquisition by Inspiration Healthcare Group plc on 7 July 2020 and £7,223,477 (2023: £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 2024 is £2,987,000 (2023: £1,505,000). See also note 21 on Deferred Tax.

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.

Leases

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

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

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

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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 continues to sub-let several of its former Croydon properties. 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.

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.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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.

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'.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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.

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

- Customer receives benefits as performed/another would 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.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

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.

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.

Notes forming part of the Consolidated Financial Statements continued

1. Accounting policies continued

Business Combinations

The acquisition method of accounting is applied to all business combinations made by the Group. The cost of an acquisition is measured as the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, at the rate of exchange (where applicable) on the date of acquisition. Acquisition costs are expensed as incurred and recognised within exceptional items.

Identifiable assets acquired and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values on the date of acquisition, based on the rate of exchange (where applicable) on the date of acquisition. The excess of the consideration over the fair value of the Group's share of identifiable net assets, including intangible assets acquired, is recorded as goodwill.

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:

- 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).

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 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 following amendments are effective for the period beginning 1 February 2025:

- IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment - Lack of Exchangeability).

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 in this Annual Report for further information.

- Adjusted EBITDA.
- Adjusted Operating Profit.
- Net Debt excluding IFRS 16 lease liabilities.

Notes forming part of the Consolidated Financial Statements continued

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 two market sectors: Neonatal and Infusion Therapy and these sectors are defined and reported in Our business strategy and the Operating and financial review sections of the strategic report.

3. Revenue

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

Products:	2024 £'000	2023 £'000
– Neonatal products	**29,097**	32,105
– Infusion products	**8,533**	9,128
Total	**37,630**	41,233

Geography:	2024 £'000	2023 £'000
Domestic		
– UK	**17,680**	19,340
– Ireland	**1,001**	547
International		
– Europe	**4,354**	5,315
– Asia Pacific	**8,436**	9,458
– Middle East & Africa	**4,206**	5,386
– Americas	**1,953**	1,187
Total	**37,630**	41,233

In the current year, no single customer accounted for more than 10% (2023: 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 £531,000 which had been included in Contract Liabilities at 1 February 2023 (1 February 2022: £524,000). See note 20 on Contract Liabilities.

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	2024 £'000	2023 £'000
Cost of Sales		**19,743**	23,140
Employee benefit expense [1]	5	**11,042**	10,326
Depreciation			
– property, plant and equipment	11	**685**	523
– right of use assets	12	**607**	831
Amortisation			
– intangible fixed assets	10	**539**	326
– acquisition related intangible assets	10	**605**	605
Trade receivables loss allowance		**232**	4
Loss/(profit) on disposal of intangible and tangible assets		**109**	(20)
Foreign exchange losses/(gains)		**110**	(79)
R&D expenditure		**118**	116
Non-recurring costs		**4,527**	1,158
Other expenses	4(b)	**4,240**	3,872
Total cost of sales and operating expenses		**42,557**	40,802

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

The numbers above include:

	2024 £'000	2023 £'000
Auditors' remuneration		
Audit fees payable to the Group's auditor - Group	**260**	182
Audit fees payable to the Group's auditor - Company	**40**	30
Additional costs in relations to prior year audit	**–**	15
Total audit fees payable to the Group's auditor	**300**	227
Non-audit services provided by the Group's auditor	**4**	4
Total non-audit services provided by the Group's auditor	**4**	4

4(b). Non-recurring items

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

	2024 £'000	2023 £'000
Impairment of capitalised development costs	**4,120**	–
Impairment (credit)/charge on leased properties	**(86)**	446
Acquisition costs	**69**	467
Restructuring	**142**	–
Other	**282**	245
Total non-recurring items	**4,527**	1,158

An impairment charge of £4,120,000 has been recognised in relation to capitalised development costs, following the decision to cease work on a number of projects and to focus resources on a smaller number of strategic projects.

An impairment credit of £86,000 has been recognised in the year following the sub-lease of vacant properties that were impaired in the prior year. In 2023, 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 and leases of £446,000, relating to our Leicester, Crawley and former Croydon properties.

Acquisition costs in the year of £69,000 were incurred including legal and professional fees in relation to the acquisition of Airon Corporation. In the prior year, acquisition costs of £467,000 covered professional fees relating to an aborted acquisition.

Restructuring costs of £142,000 relate to redundancy and severance costs incurred as a result of the consolidation of the Group's property portfolio and moving all roles to the Group's new premises in Croydon.

Other non-recurring charges include £133,000 which relate to project consultancy costs incurred in the year. £149,000 were legal and professional fees relating to a contract dispute.

Notes forming part of the Consolidated Financial Statements continued

5. Employees

	2024 £'000	2023 £'000
Aggregate employee costs are as follows:		
Wages and salaries	**9,535**	8,645
Social security costs	**1,079**	1,069
Defined contribution pension scheme cost	**480**	480
Share-based payment (credit)/expense	**(52)**	132
Total	**11,042**	10,326

Employee costs include the costs of the Executive and Non-executive Directors along with severance payments of £20,000 (2023: £30,000).

Key management

Key management control 7% (2023: 7%) of the voting shares of the Company.

Key management comprises the Group's Executive and Non-executive Directors, as well as the Group's Interim Chief Financial Officer, who was employed by the Group until August 2023.

The aggregate compensation for key management personnel is as follows:

	2024 £'000	2023 £'000
Salaries and benefits	**951**	755
Contributions to defined contribution pension scheme	**34**	24
Total	**985**	779

The total remuneration of the highest paid director in the year was £248,000 (2023: £253,000).

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

	2024	2023
Management and Administration	**80**	74
Sales	**33**	40
Development and Quality	**59**	61
Production	**52**	35
Total	**224**	210

The number of Directors for whom retirement benefits are accruing under defined contribution pension schemes during the year were 3 (2023: 3).

No directors exercised share options during the year (2023: none).

Directors' remuneration for the year is as follows:

	2024 £'000	2023 £'000
Salaries and benefits	**697**	720
Contributions to defined contribution pension scheme	**24**	24
Total	**721**	744

Please refer to the Directors' Remuneration Report for further detail.

6. Finance income and expense

	2024 £'000	2023 £'000
Finance income		
Interest receivable – Leases	**40**	35
Bank interest receivable	**21**	5
Total finance income	**61**	40
Finance expense		
Bank interest payable	**(528)**	(84)
Interest payable – Leases	**(272)**	(300)
Other interest payable	**(10)**	(11)
Total finance expense	**(810)**	(395)

Notes forming part of the Consolidated Financial Statements continued

7. Income tax

7(a). Analysis of tax for the year

	Note	2024 £'000	2023 £'000
Domestic current year tax*			
UK corporation tax			
Current year		**–**	14
Prior Year Adjustment		**37**	28
Total current tax		**37**	42
Deferred tax	21		
Origination and reversal of temporary timing differences		**321**	(668)
Prior year adjustment		**–**	430
Total deferred tax		**321**	(238)
Tax charge/(credit) on (loss)/profit on ordinary activities		**358**	(196)

*All tax in both FY2024 and FY2023 arose in the UK

7(b). Factors affecting tax for the year

The tax assessed for the year is higher (2023: lower) than the standard rate of corporation tax in the UK 24.0% (2023: 19.0%) as explained below:

			Effective Tax Rate	
	2024 £'000	2023 £'000	2024 %	2023 %
(Loss)/Profit on ordinary activities before taxation	**(5,676)**	76		
Tax using the effective UK corporation tax rate of 24.0% (2023: 19.00%)	**(1,362)**	14	**24.0**	19.0
Effects of:				
Non-deductible expenses	**251**	188	**(4.4)**	246.9
Additional deduction for research and development	**–**	(314)	**0.0**	(413.1)
Fixed asset differences	**112**	44	**(2.0)**	58.2
Adjustment in respect of prior periods	**37**	(137)	**(0.7)**	(180.7)
Unrecognised temporary differences	**1,320**	9	**(23.3)**	11.8
Total tax expense	**358**	(196)		
Effective tax rate			**(6.3)**	(257.9)

Budget 2021 announced that the UK corporation tax rate was to increase from 19% to 25% with effect from 1 April 2023. This provision was substantively enacted on 24 May 2021 and the deferred tax balances have been calculated at 25%.

Notes forming part of the Consolidated Financial Statements continued

8. Loss per Ordinary Share

Basic (loss)/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 (loss)/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. No diluted loss per share is presented for the year ended 31 January 2024 as the exercise of share options would have the effect of reducing loss per share and is therefore not dilutive.

	2024	2023
(Loss)/Profit attributable to equity holders of the Company £'000	**(6,034)**	272
Weighted average number of ordinary shares in issue during the year	**68,216,532**	68,127,218
Dilutive effect of potential ordinary shares:	**n/a**	691,392
Diluted weighted average number of shares in issue during the year	**n/a**	68,818,610

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

	Basic 2024 pence	**Diluted 2024 pence**	Basic 2023 pence	Diluted 2023 pence
(Loss)/Earnings per share (pence)	**(8.85)**	**n/a**	0.40	0.39

9. Dividends

The final dividend for the year ended 31 January 2023 of 0.41p per share was paid on 25 July 2023. The interim dividend for the year ended 31 January 2024 of 0.205p per share (2023: 0.205p per share) was paid on 29 December 2023. The Board are not proposing to pay a final dividend for the year (2023: 0.41p per share).

Notes forming part of the Consolidated Financial Statements continued

10. Intangible assets

	Goodwill £'000	Intangible assets £'000	Development costs £'000	Intellectual property £'000	Software costs £'000	Total £'000
Cost						
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 1 February 2023	**7,610**	**5,528**	**6,097**	**276**	**896**	**20,407**
Capitalised in the year	–	12	1,135	–	63	1,210
Additions arising on business combinations	328	–	–	–	–	328
At 31 January 2024	**7,938**	**5,540**	**7,232**	**276**	**959**	**21,945**
Accumulated Amortisation						
At 1 February 2022	–	1,028	780	276	388	2,472
Charge in the year	–	605	157	–	169	931
At 1 February 2023	**–**	**1,633**	**937**	**276**	**557**	**3,403**
Charge in the year	–	605	338	–	201	1,144
Impairments	–	–	4,120	–	–	4,120
At 31 January 2024	**–**	**2,238**	**5,395**	**276**	**758**	**8,667**
Net book value						
At 31 January 2024	**7,938**	**3,302**	**1,837**	**–**	**201**	**13,278**
At 31 January 2023	7,610	3,895	5,160	–	339	17,004

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 2025 approved by the Board. The cashflows beyond the budget period are extrapolated for a further four-years based on future expectations. This forecast is then extrapolated to perpetuity using a 2.0% (2023: 2.0%) growth rate.

Annual growth rates for revenues for the five-year forecast period have been included between 5% and 7.5% year-on-year and costs between 3% and 5% year-on-year. A post-tax discount rate of 12.5% (2023: 13.0%) 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 13.3% (2023: 19%) would need to be applied 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 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 1 February 2023	**7,040**	**112**	**2,207**	**58**	**9,417**
Additions in the year	168	11	225	–	434
Disposals in the year	(289)	(45)	(23)	(8)	(365)
At 31 January 2024	**6,919**	**78**	**2,409**	**50**	**9,486**
Accumulated Depreciation					
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 1 February 2023	**370**	**76**	**1,433**	**41**	**1,920**
Charge in the year	375	7	290	13	685
Disposals in the year	(192)	(41)	(19)	(4)	(256)
At 31 January 2024	**553**	**42**	**1,704**	**50**	**2,349**
Net book value					
At 31 January 2024	**6,366**	**36**	**735**	**–**	**7,137**
At 31 January 2023	6,670	36	774	17	7,497

Depreciation charged for the financial year is split between cost of sales £81,000 (2023: £60,000) and administrative expense £604,000 (2023: £463,000) 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 the leasehold property at Croydon.

Right of use assets

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	**Total £'000**
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 1 February 2023	**5,703**	**267**	**5,970**
Additions in the year	50	170	220
Amortisation	(420)	(187)	(607)
Disposal	–	(5)	(5)
At 31 January 2024	**5,333**	**245**	**5,578**

[1]During the prior 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 has been presented in Trade and Other Receivables, Note 14.

Notes forming part of the Consolidated Financial Statements continued

12. Leases continued

Lease liability

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
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 1 February 2023	**6,728**	**270**	**6,998**
Additions in the year	50	170	220
Interest expense	262	10	272
Lease disposals	(183)	–	(183)
Lease payments	(904)	(197)	(1,101)
Lease remeasurement	(33)	1	(32)
At 31 January 2024	**5,920**	**254**	**6,174**

	2024 £'000	2023 £'000
Current	**697**	822
Non-current	**5,477**	6,176
Total	**6,174**	6,998

The total cash outflow for leases during the year was £1,101,000 (2023: £997,000).

At 31 January 2024 and 31 January 2023, 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 2024	**8,327**	**893**	**653**	**1,376**	**5,405**
At 31 January 2023	9,462	1,094	937	1,588	5,843

13. Inventories

	2024 £'000	2023 £'000
Raw materials	**7,623**	7,749
Work in progress	**1,897**	563
Finished goods	**4,223**	1,623
Total	**13,743**	9,935

Inventories are presented net of provisions of £225,000 (2023: £337,000) to write down the values to management's estimate of net realisable value.

Notes forming part of the Consolidated Financial Statements continued

14. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	**8,071**	10,393
Loss allowance	**(498)**	(266)
Net trade receivables	**7,573**	10,127
UK corporation tax receivable	**–**	143
Other taxes and social security	**–**	304
Net investment in leases	**489**	616
Other receivables	**245**	183
Prepayments and accrued income	**362**	515
Total	**8,669**	11,888

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 2024, 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.

The loss allowance as at 31 January 2024 and 31 January 2023 was determined as follows for trade receivables:

31 January 2024 – £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	0.62%	1.31%	2.21%	3.52%		
Gross carrying amount – Trade receivable	4,065	1,538	845	1,233	390	8,071
Loss allowance	**26**	**20**	**19**	**43**	**390**	**498**

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**

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:

	2024 £'000	2023 £'000
Pounds Sterling	**7,815**	8,991
Euro	**158**	1,870
US Dollars	**692**	1,024
Swiss Franc	**4**	3
Total	**8,669**	11,888

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.

Notes forming part of the Consolidated Financial Statements continued

14. Trade and other receivables continued

Net Investment from patient warming rentals

	£'000
At 1 February 2022	230
Additions in the year	261
Interest Income	29
Lease receipts	(181)
At 1 February 2023	**339**
Additions in the year	154
Interest Income	31
Lease receipts	(198)
At 31 January 2024	**326**

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**
Additions in the year	–
Interest Income	9
Lease receipts	(123)
At 31 January 2024	**163**

15. Cash and cash equivalents

Cash and cash equivalents comprise solely of 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 2024.

16. Current tax

The following are the major current tax assets/(liabilities) recognised by the Group.

	Note	2024 £'000	2023 £'000
UK corporation tax asset	14	**–**	143
UK corporation tax liability	17	**(82)**	–

At the year-end date the Group has not recognised a separate receivable in respect of potential research and development tax claims (2023: £nil).

17. Trade and other payables

	2024 £'000	2023 £'000
Current		
Trade payables	**4,359**	4,081
UK corporation tax	**82**	–
Other taxes and social security	**583**	257
Other payables	**606**	434
Accrued expenses	**961**	1,040
Total	**6,591**	5,812

The fair value of trade and other payables approximates to book value at 31 January 2024. Trade payables are non-interest bearing and the average credit period taken for trade purchases is 70 days (2023: 48 days). Accruals are normally settled monthly throughout the financial year.

Notes forming part of the Consolidated Financial Statements continued

18. Financial liabilities

	2024 £'000	2023 £'000
Current liabilities		
Invoice Financing Facility	**1,654**	2,079
Non-current liabilities		
Revolving Credit Facility ("RCF")	**5,002**	4,000
	6,656	6,079

Revolving Credit Facility

On 22 February 2024, the Group renewed and extended its £5.0m RCF facility. The new facility is for a committed amount of £10.0m and will expire in February 2027 with the option to extend for a further year and attracts a 2.5% margin above SONIA. During the year, the Group utilised £5m of the RCF facility. Covenants of EBITDA/finance charges and net debt/EBITDA are in place and are tested quarterly. The Company received a waiver from its bank in respect of the 31 January 2024 and 30 April 2024 covenant tests because of the delay to a material Middle East order that was anticipated to be received before the year end.

The Company has agreed revised covenants for the period until 31 January 2025 including monthly minimum liquidity target of £1.5m and a quarterly EBITDA target.

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

	2024 £'000	2023 £'000
At 1 February	**4,000**	–
Proceeds from drawdown of loans	**1,002**	4,000
At 31 January	**5,002**	4,000

Invoice Financing Facility

The Group continues to benefit from an invoice financing facility to borrow 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 Group's Statement of Financial Position. Availability under the facility is capped at £5.0m and borrowings bear interest at 2.05% over SONIA. There are no covenants relating to this facility.

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 of this Annual Report.

The Group holds the following financial instruments:

	Note	2024 £'000	2023 £'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	14	**7,573**	10,127
Other receivables	14	**245**	183
Cash and cash equivalents	15	**412**	2,276
Financial Liabilities			
Liabilities at amortised cost			
Trade payables	17	**4,359**	4,081
Other payables	17	**606**	434
Accrued expenses	17	**961**	1,040

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

Notes forming part of the Consolidated Financial Statements continued

19. Financial risk management and financial instruments continued

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 FY2024 and 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(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 2024 and 31 January 2023, 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
2024						
Trade payables	(4,359)	**(4,359)**	(4,359)	–	–	–
Lease liabilities	(6,174)	**(6,174)**	(697)	(435)	(802)	(4,240)
2023						
Trade payables	(4,081)	**(4,081)**	(4,081)	–	–	–
Lease liabilities	(6,998)	**(6,998)**	(822)	(698)	(983)	(4,495)

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 signficant 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 £71,000. (2023: £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 2024	**625**	–	–	–	–	**625**
31 January 2023	531	–	–	–	–	531

21. Deferred tax

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

Note that the effective future tax rate is 25% (2023: 25%).

	2024 £'000	2023 £'000
Asset at beginning of year	**2,363**	2,012
(Charge)/Credit to the Income Statement for the year	**(1,059)**	351
Asset at end of year	**1,304**	2,363

	2024 £'000	2023 £'000
Liability at beginning of year	**(2,039)**	(1,925)
Credit/(Charge) to the Income Statement for the year	**737**	(114)
Included on business combinations	**(2)**	–
Liability at end of year	**(1,304)**	(2,039)

Notes forming part of the Consolidated Financial Statements continued

21. Deferred tax continued

The elements of deferred taxation provided for are as follows:

	2024 £'000	2023 £'000
Unused tax losses relating to SLE	**1,082**	1,959
Unused tax losses relating to Inditherm	**–**	331
Short-term timing differences	**222**	73
Deferred tax asset	**1,304**	2,363

	2024 £'000	2023 £'000
Accelerated capital allowances	**(222)**	(186)
Intangible assets	**(259)**	(879)
Intangibles arising on business combinations	**(823)**	(974)
Deferred tax liability	**(1,304)**	(2,039)

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

	2024 £'000	2023 £'000
Deferred tax asset	**1,304**	2,363
Deferred tax liability	**(1,304)**	(2,039)
Net deferred tax asset	**–**	324

At the year end date the Group had gross tax losses of £17,490,342 (2023: £15,248,186) 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 (2024: £8,569,430, 2023: £7,834,659) and brought forward losses transferred to the Group due to the reverse acquisition of Inditherm plc (2024:£7,223,477 and 2023: £7,342,903). These losses can be carried forward and utilised against any future taxable profits of the same business from which they were generated.

Following a review of the future taxable profits of the above business streams, the Group has concluded that no deferred tax asset should be recognised in the year in respect of these losses as a result of the losses incurred in the year and the expected future benefits of R&D tax credits.

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

Notes forming part of the Consolidated Financial Statements continued

22. Shareholders' equity

22(a). Called up share capital

Share Capital	Number of shares (Allotted & Issued)	Share capital £'000
At 1 February 2023	68,130,606	6,813
Issue of share options	104,196	10
At 31 January 2024	**68,234,802**	**6,823**

The Group issued 104,196 (2023: 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 2023	18,842
Issue of share options	63
At 31 January 2024	**18,905**

22(c). Reverse acquisition reserve

The reverse acquisition reserve of £(16,164,000) (2023: £(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 £280,000 (2023: £405,000), represents the cumulative expense recognised in the Consolidated Income Statement in relation to the Group's share awards. See note 24.

23. Commitments

23(a). Capital commitments

At 31 January 2024, the Company had capital expenditure commitments totalling £nil (2023: £nil).

23(b). Lease commitments

The total amount included within administrative expenses in relation to short-term leases during the year was £7,000 (2023: £2,000). All balances are due within 12 months.

Notes forming part of the Consolidated Financial Statements continued

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 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.

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 2024 and movements during the year by exercise price is shown below:

	2024		2023	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
Outstanding as at 1 February	**£nil**	**397,282**	£nil	477,538
Granted during the year	**£nil**	**1,255,273**	£nil	–
Exercised during the year	**£nil**	**(104,196)**	£nil	(6,250)
Forfeited during the year	**£nil**	**–**	£nil	(67,756)
Lapsed during the year	**£nil**	**(52,500)**	£nil	(6,250)
Outstanding as at 31 January	**£nil**	**1,495,859**	£nil	397,282
Exercisable as at 31 January	**£nil**	**88,637**	£nil	192,833

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 2024**	Share options 31 January 2023
7 November 2018	26 April 2023	£nil	**88,637**	192,833
7 May 2021	30 April 2026	£nil	**151,949**	204,449
31 January 2023	30 April 2027	£nil	**459,512**	–
8 June 2023	30 April 2028	£nil	**573,539**	–
12 June 2023	30 April 2029	£nil	**222,222**	–
Total			**1,495,859**	397,282
Weighted average remaining contractual life of options outstanding at the end of the year			3.6 years	1.8 years

The assessed fair value at grant date of options granted during the year ended 31 January 2024 was £0.48 and £0.43 (2023: £0.53). Fair value is determined by the Black-Scholes pricing model.

Notes forming part of the Consolidated Financial Statements continued

24. Share-based payments continued

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 2024 and movements during the year by exercise price is shown below:

	2024		2023	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
Outstanding as at 1 February	**£0.75**	**326,159**	£0.87	310,524
Granted during the year	**£0.40**	**232,105**	£0.82	115,126
Exercised during the year	**£0.55**	**(2,545)**	£0.55	(2,909)
Forfeited during the year	**£0.65**	**(197,534)**	£0.73	(96,582)
As at 31 January	**£0.58**	**358,185**	£0.75	326,159

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 2024**	Share options 31 January 2023
20 March 2020	19 March 2023	£0.55	**–**	108,969
26 March 2021	25 March 2024	£0.87	**79,500**	119,708
31 March 2022	30 March 2025	£0.82	**64,400**	97,482
06 April 2023	05 April 2026	£0.40	**214,285**	–
Total			**358,185**	326,159

A credit of £52,000 (2023: charge of £132,000) has been recognised within administrative expenses in the Consolidated Income Statement in respect of the above share options, as a result of share awards that have lapsed in the year and non-market performance conditions that are not expected to be met.

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 2024 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 (2023: No material field issues noted).

26. Pension schemes

The Group made contributions in respect of defined contribution pension arrangements of £480,000 (2023: £480,000). At the year end the amount of contributions payable to the schemes were £153,000 (2023: £25,000).

Notes forming part of the Consolidated Financial Statements continued

27. Business combinations

On 3 January 2024, the Group purchased 100% of the share capital in Airon Corporation, a specialist respiratory device company based in Florida, USA.

Airon Corporation is recognised as a leading manufacturer of specialist pneumatic oxygen-powered life support ventilators. These devices have diverse applications, including use in Magnetic Resonance Imaging (MRI) machines and transportation for neonates to adults. The company also offers a range of continuous positive airway pressure (CPAP) devices, crucial in emergency medicine for supporting children and adult patients.

In the period from acquisition to 31 January 2024, Airon contributed £181,000 of net revenue to the Group and £28,000 of operating profit.

Consideration transferred on acquisition

	USD $'000	£'000
Cash	1,500	1,178
Total	**1,500**	**1,178**

Net cash flow on acquisition

	USD $'000	£'000
Cash	1,500	1,178
Cash acquired	(82)	(64)
Total	**1,418**	**1,114**

Acquisition-related fees amount to £69,000 have been excluded from the consideration transferred and have been recognised as an expense in the Income Statement in the current period.

Assets acquired and liabilities recognised at the date of acquisition

	Opening balance sheet value		Fair Value	
	USD $'000	£'000	USD $'000	£'000
Assets				
Non-current assets				
Intangible assets	–	–	15	12
Right of use assets	63	50	63	50
	63	**50**	**78**	**62**
Current assets				
Inventories	548	430	548	430
Trade and other receivables	276	217	276	217
Short-term investments	250	197	250	197
Cash and cash equivalents	82	64	82	64
	1,156	908	1,156	908
Total assets	**1,219**	**958**	**1,234**	**970**
Liabilities				
Current liabilities				
Trade and other payables	(86)	(68)	(86)	(68)
Lease liabilities	(63)	(50)	(63)	(50)
	(149)	**(118)**	**(149)**	**(118)**
Non-current liabilities				
Deferred tax liability	–	–	(3)	(2)
	–	**–**	**(3)**	**(2)**
Total liabilities	**(149)**	**(118)**	**(152)**	**(120)**
Net assets	**1,070**	**840**	**1,082**	**850**

Notes forming part of the Consolidated Financial Statements continued

27. Business combinations continued

Goodwill arising on acquisition

Goodwill arose in the acquisition because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets

None of the goodwill is expected to be deductible for tax purposes.

	USD $'000	£'000
Consideration transferred	1,500	1,178
Less fair value of identifiable net assets acquired	(1,082)	(850)
Goodwill recognised in the period	**418**	**328**

Contingent consideration

Contingent consideration is due to the shareholders of Airon, based on revenue targets for the 12month period ending on 30 April 2025. The maximum amount payable is $1,000,000 if the highest revenue target is achieved. Any contingent consideration due is payable in June 2025. None of the contingent consideration has been provided for, either at the acquisition date or at 31 January 2024 as management forecasts prepared at that date indicated that the minimum threshold for the earn-out would not be met.

Airon revenues in the initial months post-acquisition have shown growth due to a number of factors that have arisen since the year end, that if maintained for the whole of the earn out period, would result in the maximum contingent consideration being paid.

28. Related party transactions

There is no ultimate controlling party.

Lease of Leicestershire Facility

The Leicestershire facility at Earl Shilton was rented on an arms length basis for £22,000 per annum (2023: £22,000) from a self-invested pension plan controlled by Neil Campbell and others, prior to the lease termination in October 2023.

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

On 26 June 2024, the Company announced a placing, subscription and retail offer ('the Fundraising') to raise gross proceeds of £3.0 million. The net proceeds of the Fundraising (approximately £2.8 million) are to be used to reduce net debt and provide additional liquidity headroom to the Group. The Fundraising was approved by shareholders in a general meeting on 22 July 2024, following which 21,428,570 new ordinary shares in the Company were issued and admitted to trading on AIM on 23 July 2024. Following the Fundraising, the Company is able to make further draw downs of the full undrawn amount of the RCF without HSBC consent, subject only to ongoing covenant compliance, including monthly minimum liquidity level of £1.5 million.

In June 2024, the Directors made the decision to close the Hailsham site from the end of July 2024, further rationalising the Group's operating sites. Certain activities will be transferred to the Group's Manufacturing and Technology Centre in Croydon while others are outsourced to long-term supply partners.

Company Statement of Financial Position

as at 31 January 2024
(Registered Number: 03587944)

	Note	2024 £'000	2023 £'000
Assets			
Non-current assets			
Investments	4	**25,742**	32,881
Right of use assets	5	**53**	–
Deferred tax asset	9	**–**	43
		25,795	32,924
Current assets			
Trade and other receivables	6	**6,826**	7,996
Cash and cash equivalents	7	**50**	199
		6,876	8,195
Total assets		**32,671**	41,119
Liabilities			
Current liabilities			
Trade and other payables	8	**(10,966)**	(8,594)
Lease liabilities	5	**(16)**	–
		(10,982)	(8,594)
Non-current liabilities			
Lease liabilities	5	**(34)**	–
Borrowings	10	**(5,002)**	(4,000)
		(5,036)	(4,000)
Total liabilities		**(16,018)**	(12,594)
Net assets		**16,653**	28,525
Shareholders' equity			
Called up share capital	11	**6,823**	6,813
Share premium account	11	**18,905**	18,842
Share-based payment reserve	11	**435**	560
Retained earnings		**(9,510)**	2,310
Total equity		**16,653**	28,525

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Company profit and loss account. The Company's loss for the year ended 31 January 2024 is £11,400,000 (£2,802,000, excluding non-recurring items) (2023: profit of £2,098,000 (£2,643,000 excluding 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 on 30 July 2024 and signed on its behalf by:

Alan Olby
Director

Roy Davis
Director

Company Statement of Changes in Equity

for the year ended 31 January 2024

	Issued share capital £'000	Share premium account £'000	Share based payment reserve £'000	Other reserves £'000	Retained earnings £'000	**Total £'000**
At 1 February 2022	**6,812**	**18,838**	**433**	**–**	**631**	**26,714**
Profit for the year	–	–	–	–	2,098	**2,098**
Cash flow hedges:						
Income recognised on hedging instruments	–	–	–	–	–	**–**
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**
Loss for the year	–	–	–	–	(11,400)	**(11,400)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(11,400)**	**(11,400)**
Transactions with owners in their capacity as owners						
Issue of Ordinary Shares, net of transaction costs and tax	10	63	(73)	–	–	**–**
Dividends	–	–	–	–	(420)	**(420)**
Employee share scheme credit	–	–	(52)	–	–	**(52)**
Total transactions with owners	**10**	**63**	**(125)**	**–**	**(420)**	**(472)**
At 31 January 2024	**6,823**	**18,905**	**435**	**–**	**(9,510)**	**16,653**

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 2024

1. Accounting policies

Basis of preparation

The Company Financial Statements cover the year ended 31 January 2024.

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The Financial Statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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

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.

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 starements are as follows:

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

Notes forming part of the Company Financial Statements continued

1. Accounting policies continued

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

	2024 £'000	2023 £'000
Aggregate employee costs are as follows:		
Wages and salaries	**1,341**	1,203
Social security costs	**153**	162
Defined contribution pension scheme cost	**61**	79
Share based payment expense	**235**	132
Total	**1,790**	1,576

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.

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 31 January 2023		32,881
Additions in the year		1,248
At 31 January 2024		**34,129**
Accumulated amortisation and impairment		
At 31 January 2023		–
Impairment		8,387
At 31 January 2024		**8,387**
Net book value		
At 31 January 2024		**25,742**
At 31 January 2023		32,881

The additions in the year relate to the acquisition of Airon Corporation on 3 January 2024, see note 27.

An impairment of £8,387,000 was recognised during the year to reflect the current carrying value of the underlying investments.

Notes forming part of the Company Financial Statements continued

4. Investments continued

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: Unit 7/8 Commerce Park, Commerce Way, Croydon, CR0 4YL				
SLE Limited	Sale and manufacture of medical goods	Direct	100	Ordinary
The registered office of the above Company is: Unit 7/8 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				
Airon Corporation	Sale and manufacture of medical goods	Direct	100	Ordinary
The registered office of the above Company is: 751 North Dr STE 6, Melbourne, FL 32934, United States				

* Entities exempt from the requirement to have a statutory audit

Notes forming part of the Company Financial Statements continued

5. Leases

The Company has annual commitments under non-cancellable leases relating motor vehicles.

Right of use assets

	Plant, machinery and motor vehicles £'000	Total £'000
At 31 January 2022 and 31 January 2023	**–**	**–**
Additions in the year	56	**56**
Amortisation	(3)	**(3)**
At 31 January 2024	**53**	**53**

Lease liability

	Plant, machinery and motor vehicles £'000	Total £'000
At 31 January 2022 and 31 January 2023	**–**	**–**
Additions in the year	56	**56**
Interest expense	1	**1**
Lease payments	(7)	**(7)**
At 31 January 2024	**50**	**50**

	2024 £'000	2023 £'000
Current	**16**	–
Non-current	**34**	–
Total	**50**	–

The total cash outflow for leases during the year was £7,000 (2023: £nil).

At 31 January 2024 and 31 January 2023, the Company'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 2024	**56**	**20**	**20**	**16**	**–**
At 31 January 2023	–	–	–	–	–

6. Trade and other receivables

	2024 £'000	2023 £'000
Amounts receivable from subsidiary undertakings	**6,719**	7,688
Other taxes and social security	**43**	187
Other receivables	**10**	18
Prepayments and accrued income	**54**	103
Total	**6,826**	7,996

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.

Notes forming part of the Company Financial Statements continued

7. Cash and cash equivalents

Cash and cash equivalents comprise solely of 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 2024.

8. Trade and other payables

	2024 £'000	2023 £'000
Current		
Trade payables	**99**	204
Amounts payable to subsidiary undertakings	**10,520**	8,141
Other payables	**3**	3
Accrued expenses	**344**	246
Total	**10,966**	8,594

The fair value of trade and other payables approximates to book value at 31 January 2024. Amounts due to Group undertakings are non-interest bearing, unsecured and repayable on demand.

9. 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%).

	2024 £'000	2023 £'000
Asset at beginning of year	**43**	63
Charge to the Income Statement for the year	**(43)**	(20)
Asset at end of year	**–**	43

The elements of deferred taxation provided for are as follows:

	2024 £'000	2023 £'000
Short-term timing differences	**–**	43
Deferred tax asset	**–**	43

Notes forming part of the Company Financial Statements continued

10. Borrowings

	2024 £'000	2023 £'000
Revolving Credit Facility ("RCF")	**5,002**	4,000
Total	**5,002**	4,000

£5m (2023: £4m) has been presented as a non-current liability in the Statement of Financial Position as at 31 January 2024.

On 22 February 2024, the Company renewed and extended its £5.0m RCF facility. The new facility is for a committed amount of £10.0m and will expire in February 2027 with the option to extend for a further year and attracts a 2.5% margin above SONIA. During the year, the Company utilised £5m of the RCF facility. Covenants of EBITDA/finance charges and net debt/EBITDA are in place and are tested quarterly. The Company received a waiver from its bank in respect of the 31 January 2024 and 30 April 2024 covenant tests because of the delay to a material Middle East order that was anticipated to be received before the year end.

The Company has agreed revised covenants for the period until 31 January 2025 including monthly minimum liquidity target of £1.5m and a quarterly EBITDA target.

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

	2024 £'000	2023 £'000
At 1 February	**4,000**	–
Proceeds from drawdown of loans	**1,002**	4,000
At 31 January	**5,002**	4,000

11. Shareholders' equity

11(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.

11(b). Share-based payment reserve

The share based payment reserve of £435,000 (2023: £560,000), represents the cumulative expense recognised in the Company level Income Statement in relation to the Company's share awards.

12. Subsequent events

On 26 June 2024, the Company announced a placing, subscription and retail offer ('the Fundraising') to raise gross proceeds of £3.0 million. The net proceeds of the Fundraising (approximately £2.8 million) are to be used to reduce net debt and provide additional liquidity headroom to the Group. The Fundraising was approved by shareholders in a general meeting on 22 July 2024, following which 21,428,570 new ordinary shares in the Company were issued and admitted to trading on AIM on 23 July 2024. Following the Fundraising, the Company is able to make further draw downs of the full undrawn amount of the RCF without HSBC consent, subject only to ongoing covenant compliance, including monthly minimum liquidity level of £1.5 million.

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.

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, 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 7/8 Commerce Park, Commerce Way, Croydon, CR0 4YL
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	Panmure Liberum Limited, Ropemaker Place, 25 Ropemaker Street, London, EC27 9LY
Registrars	Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL