# Induction
Healthcare Group Plc

**Every stakeholder, every day, choosing an Induction product so people get better care.**

Annual Report & Accounts 2020

## Contents



# About us

Our **products** help healthcare professionals, institutions and **patients** remove friction from basic but essential tasks. These are products our users **choose to use.**

## Our purpose

We give back time to our users. Time for doctors to treat their patients and time for patients to get the treatment they need sooner. From bypassing the hospital switchboard, to ensuring clinical teams know when and where they are working, our apps for clinical teams are the most used in the UK.

Our relentless focus on simple, but effective solutions – underpinned by sophisticated data integration technology – is helping fuel the inevitable digital transformation of healthcare.

It's about the right people, in the right place, with the right data, at the right time.

### Initial Public Offering (IPO)

**22nd May 2019**

**Admission to Alternative Investment Market ("AIM") and first day of dealings**

### Podmedics Limited acquisition

**7th May 2019**

**Creation of Induction Healthcare Group PLC ("Induction Group" or the "Group" or "Induction" or the "Company") and Podmedics Limited ("Podmedics") acquisition**

### 100,000 users for Induction Switch

**31st July 2019**

**Registered users pass 100,000; (109,537 users recorded)**

### Annual General Meeting (AGM)

**19th September 2019**

**1st AGM for the Group**

**May 2019**

## Mergers & Acquisitions

During the last 15 months, we have completed three key acquisitions: Podmedics, Horizon Strategic Partners and Zesty.

**Podmedics**

In early 2018, the Group entered into negotiations to acquire Induction Switch, a UK-focused hospital phone directory from Podmedics Limited (a company founded by Induction's Chief Product Officer, Dr Edward Wallitt).

In September 2018, the Group entered into an option to acquire either the shares in Podmedics or the assets of Podmedics (including, Induction Switch, all intellectual property in relation to the Induction app and the related user database).

On 7 May 2019 the Group exercised its option to acquire Podmedics.

**Horizon**

Horizon is the developer of MicroGuide, the UK market leader in the provision of digital clinical guidance. MicroGuide began with a focus on anti-microbial resistance, helping disseminate policy within hospitals on the prescription of antibiotics.

The business was lossmaking prior to acquisition. MicroGuide has reached profitability in the 9 months post-acquisition and become cash generative, meeting an ambitious earn-out target ahead of schedule. This is an important proof point in the Induction Group's story.

**Zesty**

Zesty brings two important dimensions to the Induction Group: patients and data.

Zesty has built a market-leading patient portal for hospitals in the UK and a powerful data integration platform, allowing third party applications to read and write data to the majority* of hospital electronic health record (EHR) systems.

The Zesty acquisition was concluded almost entirely with shares, and has been transformational to the Group.

### Horizon Strategic Partners Limited acquisition

6th November 2019

**Completion of Horizon Strategic Partners Limited ("MicroGuide" or "Horizon Strategic Partners" or "Horizon") acquisition**

### Half Year Results

28th November 2019

**Half year results announced for the Group**

Past 31st March 2020 Annual Report period

### March 2020

### Nightingale London

3rd April 2020

**Induction supports launch of NHS Nightingale London**

### Zesty Limited acquisition

8th June 2020

**Completion of Zesty Limited ("Zesty") acquisition**

### MicroGuide Mexico

10th June 2020

**MicroGuide Mexico agreement signed**

*majority is more than 60%.

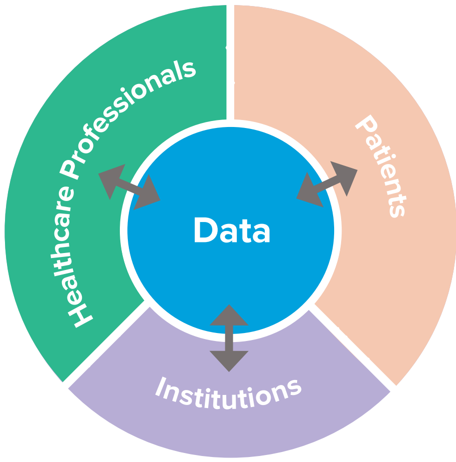
# Our operations at a glance

## Our ecosystem

**We improve care by delivering products that healthcare professionals, patients and institutions choose to use. Our products enable data to flow between stakeholders and legacy IT systems, adding substantial value to pre-existing health IT investment.**

Our products provide our customers with a powerful set of capabilities that touch most aspects of care coordination and delivery. The addition of patients to our ecosystem is a major strategic milestone.

Our data integration engine, HealthStream, allows our users to consume data held in EHR systems and push data back into the clinical record.




For more information on how our structure relates to our investment case, see page 6

## Our customers

**Our customers are healthcare institutions, primarily hospitals. As the company grows, we intend to expand our customer base into primary care and community and mental health services.**

We have commercial relationships with most of the UK National Health Service (NHS) hospitals. Going forward we are building out our sales function to leverage existing relationships and accelerate revenue growth.

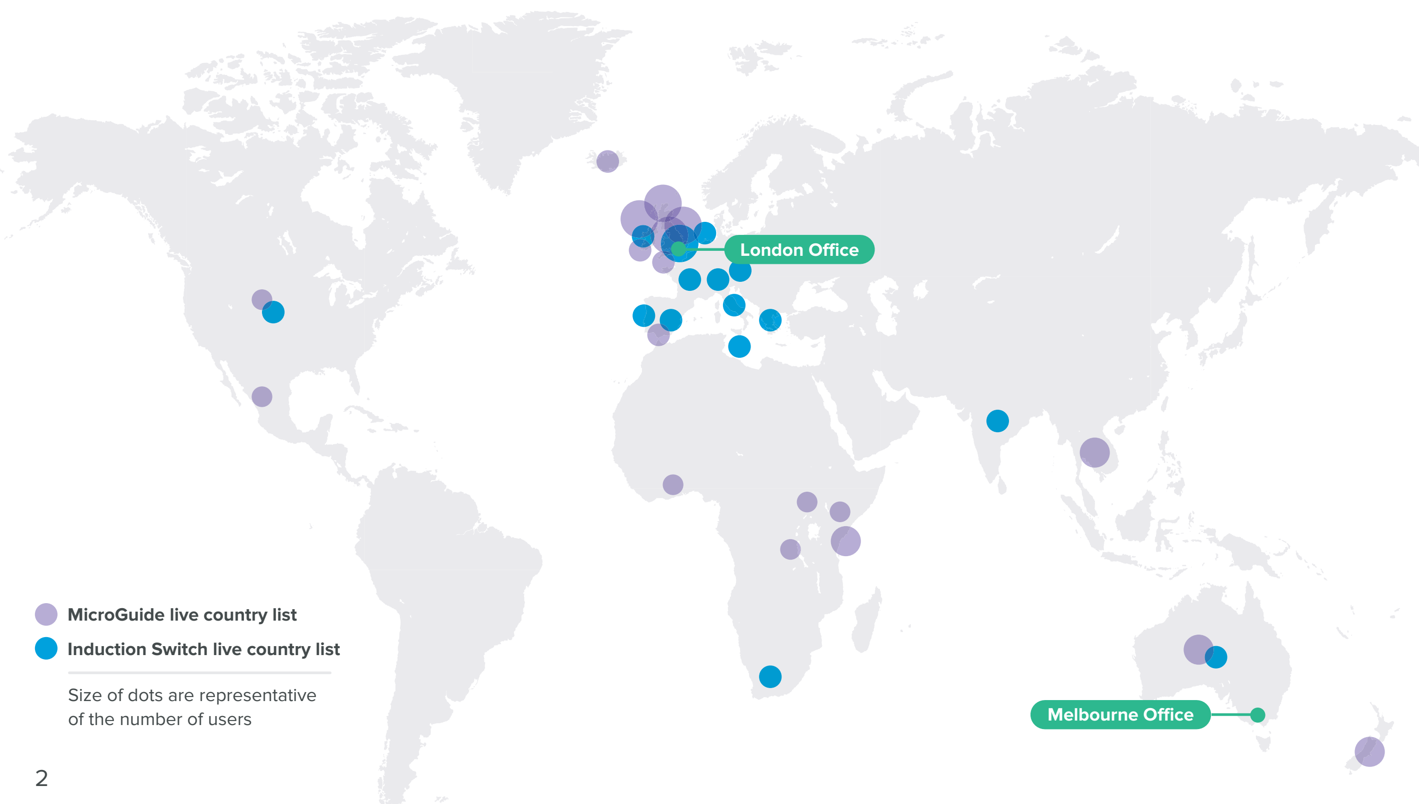
**175+**

**Combined number of paying UK customers in primary, secondary and community care.**

## Where we operate

**Our principal market is the UK and we have a growing user base in Australia, South Africa and Canada. We intend to leverage this user base to extend our commercial operations internationally.**

We have recently won a national contract in Mexico, demonstrating a clear example of international growth.



# Induction Switch, MicroGuide, HealthStream & Zesty

## Induction Switch

**Induction Switch is an iOS and Android app used by most junior doctors in the NHS.**

It saves healthcare professionals time by allowing them to bypass the hospital's switchboard, helping them locate extensions and bleeps quickly and chat securely.

We have recently launched new modules introducing TeamSpaces, secure instant messaging and a broadcast newsfeed, providing increased opportunities for engagement with our large user base.

## MicroGuide

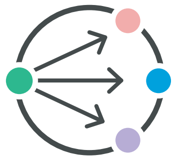
**Hospitals set clinical guidance locally, typically producing guidelines that are rarely efficiently circulated or adhered to as they are not available at the point of care.**

Local specialists use the MicroGuide platform to create, edit and publish structured and governance-controlled guidance and policies. Automated distribution of that guidance to mobile users, combined with local intranet availability, results in not only a significant increase in guidance consumption but a material increase in local guidance adherence.

## Zesty

**Zesty is a market-leading digital platform for patients visiting hospitals.**

The platform allows patients to book their appointments, read their appointment and clinical letters, store a local copy of their clinical record, and provide data to their care teams remotely. Alongside a compelling patient experience, the Zesty portal delivers significant cost benefits to hospitals.



## HealthStream

Data interoperability continues to be a significant challenge for health systems around the world. HealthStream reads and writes demographic, appointment and clinical record data from a growing number of national and global EHR systems. This connectivity enables large scale adoption of our app based services.

### Induction Switch – Registered Users

**73.4%** growth YOY

As at 31 March 2020, Induction Switch had 138,095 registered users, primarily in the UK.

The registered user base grew by 73.4% from 31 March 2019 to 31 March 2020.

### Induction Switch – Directory Calls

**65.0%** growth YOY

| | |
|---|---|
| 18/19 | 1,180,000 |
| 19/20 | 1,950,000 |

### Induction Switch – Guidelines Page Views

**132.0%** growth YOY

| | |
|---|---|
| 18/19 | 33,890 |
| 19/20 | 78,480 |

### MicroGuide – Registered Users

**35.5%** growth YOY

As at 31 March 2020, the MicroGuide app had 168,678 registered users, primarily in the UK.

The registered user base grew by 35.5% from 31 March 2019 to 31 March 2020.

### MicroGuide – Guide Publications

**51.0%** growth YOY

| | |
|---|---|
| 18/19 | 1,222 |
| 19/20 | 1,850 |

### MicroGuide – Guidelines Page Views

**82.0%** growth YOY

| | |
|---|---|
| 18/19 | 4,874,072 |
| 19/20 | 8,863,502 |

# Responding to COVID-19

## Induction Healthcare has been supporting global efforts to combat COVID-19

In these unprecedented circumstances, our top priority remains the health and safety of our people and the healthcare professionals they serve.

We are also acutely aware that as healthcare systems face increasing stress during this period, staff and patients are relying heavily upon our tools to operate under rapidly changing and unfamiliar conditions. Induction Group has been supporting global efforts to combat COVID-19 through its technology and tools for healthcare professionals in the NHS (UK), and also in Ireland, United States, South Africa and Australia.

Our Induction Switch and MicroGuide products provide healthcare professionals with the most up-to-date medical guidelines and contact details. This information helps them navigate through the current unfamiliar and quickly evolving work environment in hospitals, as well as communicate securely with their colleagues.

Engagement with our tools and technology reflects the demand for secure, low-cost solutions in a period of unprecedented pressure on global healthcare professionals and services. As a result we have invested – and continue to invest – in scalability and security to ensure our systems are available even under extraordinary conditions.

As users increasingly engage with our tools during the COVID-19 pandemic, we are seeing increased interest from hospitals and healthcare systems in expanding commercial relationships across our range of products. For example, Induction Switch was selected for use as a primary communication tool at the NHS Nightingale London Trust. MicroGuide was selected to support Barts Health NHS Trust in the Nightingale London project with antimicrobial and COVID-19 content. We believe that this increased interest reflects a desire to solve problems – particularly under remote working conditions and social distancing – using well established solutions that already have widespread workforce acceptance.

**To address this need, we are continuing to invest in:**

1. new features that expand the utility of our existing products,
2. integrations that allow our products to become gateways of choice to EHR systems, and
3. acquisitions that bring benefits of scale and interoperability to point solutions that have proven value in the field.

We are confident that as the acute crisis settles, and healthcare systems brace for the "new normal", decision makers will look to replace acute stop-gap measures with more resilient and interoperable solutions. We intend to be the solution of choice, measured by security, feature completeness, pre-existing user adoption/ease of roll-out, price and interoperability – as such organisations seek to make these decisions.

Recognizing the early impact of COVID-19 on the healthcare system, we implemented remote working for all office-based staff weeks ahead of formal government advice and have since been following all the latest official guidelines.

Given the nature of our business, a large portion of our staff were already set up to work remotely, so this change has had minimal impact on our operations. Consequently, healthcare professionals who use our technology have continued to receive the same high level of service as before.

> "Induction Healthcare products are an essential part of our immediate COVID-19 recovery plans and also our digital transformation strategy."

**Glenn Winteringham, Group Chief Digital Officer at the Royal Free London NHS Foundation Trust**

**Group Strategy**

**Read more about our overall Group strategy from page 18.**

Induction Healthcare

## Helping the NHS with COVID-19

The Group supported front-line NHS staff with technology that provided advice and official guidance to help decision making, secure communication and team collaboration to improve the delivery of care.

### Induction Healthcare at the Nightingale

In response to the COVID-19 pandemic in the UK, six critical care temporary hospitals were set up. The first of these hospitals to open was the NHS Nightingale Hospital London, where Induction Switch and MicroGuide were selected as the collaboration and communication tools for the hospital which was preparing for potential capacity of up to 5,000 beds. Both products were used for secure communications, guideline access, and training for clinicians redeployed to the new hospital.

### MicroGuide – advice and guidance for clinical staff

During the COVID-19 pandemic in the UK, MicroGuide has been supporting front-line NHS staff with our advice and medical guidelines application, covering a wide range of pharmacy and medicine management sectors including primary and secondary antimicrobial (including adult and paediatric), pain management, wound formulary, respiratory, diabetes/endocrine, renal and emergency medicine.

### Zesty – Antibody test booking for NHS staff

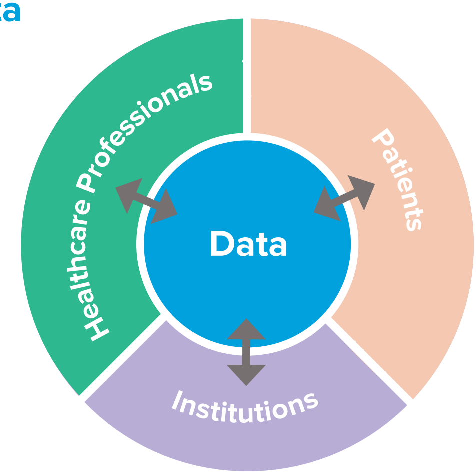
Zesty is providing acute and community hospitals with a fast, secure, online booking solution enabling staff to book a COVID-19 antibody test on their smartphone or computer in less than 60 seconds.

"Zesty created a staff booking solution for us in a matter of days. As a Trust we went from thinking about COVID antibody testing to 3000 staff tests done in 10 days."

Richard West, Sussex Community NHS Foundation Trust

# Investment case

## Healthcare Professionals, Institutions, Patients & Data




What does it take to deliver better care? The right resources, in the right place, at the right time – with the right data.

Healthcare systems around the world are making large-scale investments in information technology and related infrastructure – with estimates of annual global market size in excess of US$297bn by 2022*. These systems are designed to be mission critical, but cannot deliver more efficient healthcare outcomes without the engagement of healthcare professionals and patients.
At Induction Healthcare we help decision makers offer greater value to these stakeholders by creating a suite of tools that people choose to use, allowing interoperability between institutions, primary and secondary care, and integration with pre-existing infrastructure.

## International

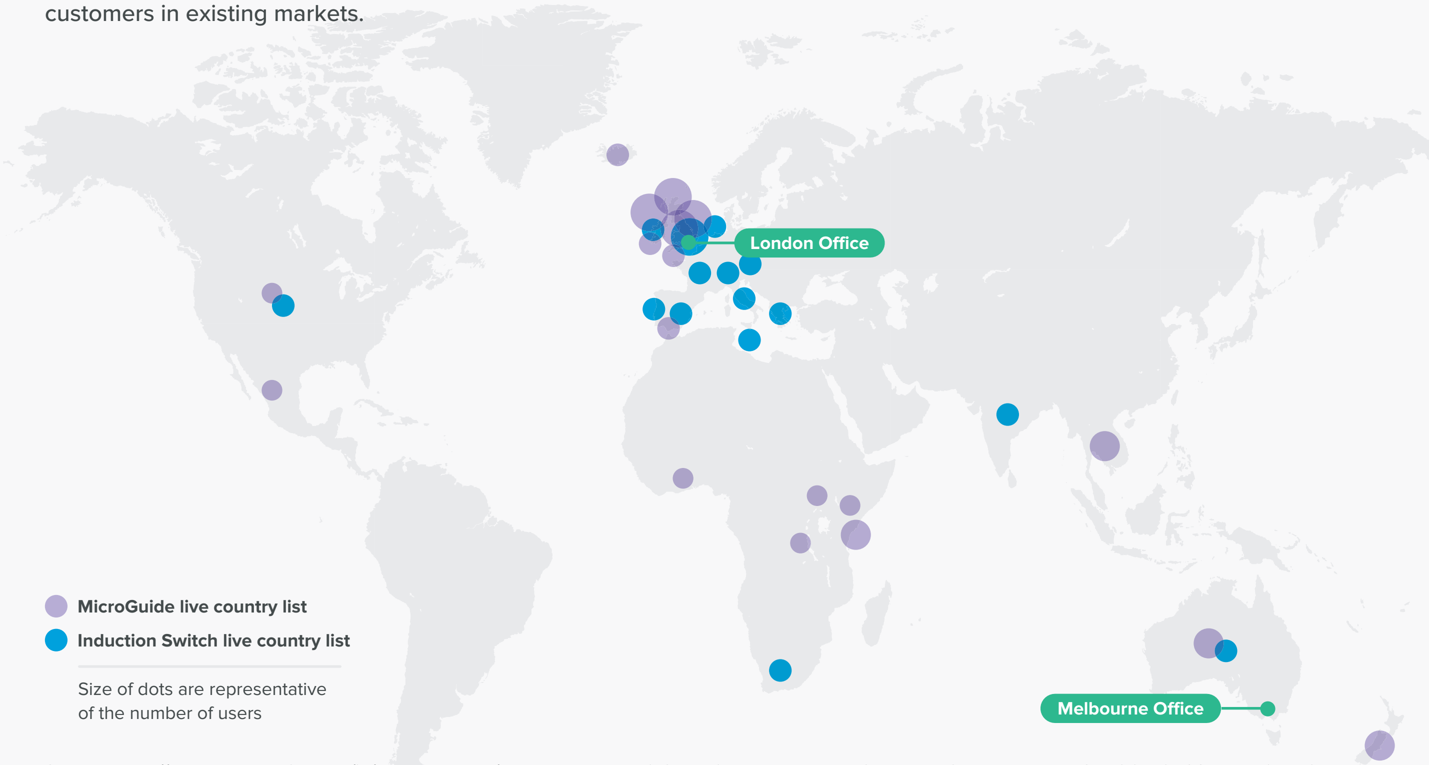
**The UK is one of many central payer markets experiencing similar healthcare challenges – offering many opportunities for international expansion.**

Our products have been designed to work in multiple geographies and languages, and whilst Induction Healthcare has an administrative presence in the UK and Australia, we are expanding our user base in more central payer markets.

Our ability to expand beyond the UK creates opportunities through access to more users, access to more customers, and access to acquisitions that can be offered to existing customers in existing markets.

Countries that we wish to consider include France, Germany, the Netherlands, Belgium, Switzerland, Sweden, Austria, Canada and South Africa.

Our expansion strategy will include the following phases (a) grassroots entry, driven from the UK, (b) local expansion and (c) acquisitions and inorganic growth.




Source: https://www.prnewswire.com/in/news-releases/global-healthcare-information-technology-hcit-market-size-was-at-usd-125-billion-in-2015-and-is-estimated-to-reach-usd-297-billion-by-2022-with-a-cagr-of-13-2-valuates-reports-tm--860587971.html

## One platform, many products – chosen by over 300,000 hospital doctors, 90,000+ patients, 175 acute hospitals, and integrated with three of the top five UK electronic patient records.

The Induction Group is a listed portfolio of companies with interoperable healthcare IT tools, coming to maturity at a time when huge pressure is being placed on health systems to deliver – and increased demand than ever exists for proven IT solutions that can be rapidly deployed. The Induction Group provides investors with a simple way to engage directly in the growing health IT sector while offering the benefits of both a diverse product set and common commercial strategy across platforms.

## Current Revenue Trajectory – Economic Tailwinds

**Enhancing Value**

Many hospitals have implemented IT projects offering limited time-saving value to end-users. Our products offer decision makers the chance to delight these users with relatively low additional investment.

**Meeting Need**

As the healthcare system comes under increased pressure to deliver more care for less, healthcare professionals come under more pressure to do more in less time. Our products have demonstrated their ability to give these users time back, regularly.

**Coordinating Care**

Care teams and clinical pathways are not limited by hospital walls. The best outcomes requires coordination between primary and secondary care, between hospitals, between public and private facilities, between doctors, nurses, allied health staff and patients. Our products help to enable the right resources – doctors, nurses, allied health professionals – to be active at the right time – in person or online.

## COVID Enhanced Trajectory

**Changing Workplace**

As more doctors are expected to work in new and unfamiliar environments, often at short notice, they are increasingly reliant upon the information and professional support network available through our products.

**Changing Interaction**

Telehealth has become commonplace, with some patients preferring this form of care wherever possible or available. Our products help to enable the right resources – doctors, nurses, allied health – to be active at the right time – in person or online.

# Chair's statement

## A year of beginnings and solid progress

" I am pleased to report a year of beginnings and solid progress for Induction Group in creating and acquiring products that help clinical teams and patients remove friction from basic but essential tasks. Tools our users choose to use."

**Chris Spencer, Chair**

**We have been admitted to trading on AIM, established and grown our registered user base, delivered our first organic product improvements under the Induction Switch brand, and begun to implement our strategy of carefully selected synergetic and revenue generating acquisitions through Podmedics, Horizon, and, after the period end, Zesty.**

### Key Achievements

Shortly before our IPO (which took place on 22 May 2019) we acquired Podmedics to provide the firm foundations for our organic product base – Induction Switch. By as soon as 31 July 2019 the Induction Switch registered user base had already risen to 100,000 (from 76,200 registered at 28 February 2019).

By the 1st May 2020, the Induction Switch registered user base had reached 140,819. Since the IPO we have launched new modules introducing TeamSpaces on 8th March 2020, secure instant messaging on 8th March 2020, and a broadcast messaging service/newsfeed on 7th April 2020.

Shortly before the half-year results were announced the team at Horizon joined Induction Group. At 6 November 2019 Horizon was a revenue-generating but loss-making business providing medical organisations with functionality, through the MicroGuide app, to create, edit, and publish their own local medical guidelines in a secure and locally administrated environment. These guidelines are accessible by clinicians either on a mobile device or an intranet. MicroGuide is paid for and used in approximately half of all NHS Trusts and three quarters of Acute Trusts. Since acquisition, MicroGuide has reached profitability, worked towards an ambitious earn-out target, and, after the year-end, further extended its geographical range.

Also after the year-end, the acquisition of Zesty – principally in consideration of shares – brought the Group an integration layer with a hospital's EHR or patient administration system (PAS) and a portal allowing patients to manage their appointments, read hospital correspondence, attend video-based consultations, and store personal copies of their clinical record – all through the one environment. Combined with Induction Switch and MicroGuide, Zesty creates one of the first technology platforms to interconnect patients, clinicians, and healthcare information across both multiple hospital sites and PAS/EHR systems.

### People and Culture

During the year we attracted and retained key talent, selecting, and developing exceptional people motivated by our healthcare first culture.

Our teams include developers, clinicians, and commercial individuals all brought together by a common drive to grow their areas of the business in the mid and long-term for the good of all our stakeholders including patients and clinicians.

Our approach to recruitment includes both internal growth and strengthening of the team through our acquisitions. Robust integration and succession plans are being developed and refined as the team grows.

Diversity in all forms brings material benefit to the Group and we seek to provide opportunities for all, regardless of background, age, gender, sexual orientation, or race. The gender diversity of our business is represented by our board which has an almost equal division of gender across the combined executive and non-executive members. We continue to promote diversity throughout the organisation.

I would especially like to congratulate all our people for delivering such a strong performance through their commitment, hard work, and support of the Group despite the challenges presented by COVID-19.

## Stakeholders and Governance

The board is very conscious of its obligation (under section 172 of the Companies Act 2006 and elsewhere) individually and collectively to act in good faith to seek to promote the success of the company for the benefit of its shareholders as a whole and the interests of other stakeholders (governance duty).

Steps taken to fulfil our governance duty in the year include:

**Strategy** – we work hard to ensure our corporate vision, goals, and strategy reflect stakeholder interests and are appropriately and proportionately monitored and reinforced by the board as a whole at board meetings and in day-to-day activities by the executive directors;

**Training** – new directors are provided with appropriate governance duty materials. Regular updates are provided for all board members at each board meeting. Appropriate governance and related training is also increasingly being given to directors of subsidiaries and management;

**Information** – the board is alert to the risk that the information directors receive may be too focussed on current operational and financial issues. They seek instead information that they need to understand enough about stakeholder interests and factors relevant to the Group rather than an excess of information which can obscure the things that really matter for the success of Induction Healthcare.

**Policies and processes** – as the Group grows and matures, policies and processes are being developed and enhanced appropriately to support its operating strategy and goal in light of the governance duty. These include contract entry and lifecycle management processes to ensure the positive and negative impacts of proposed agreements are clearly explained to the board;

**Engaging with stakeholders** – alongside the CEOs, and CFO, Ibraheem (Ibs) Mahmood, the Group's Chief Business Officer (CBO), is tasked with ensuring engagement with shareholders. Engagement with other stakeholder groups is managed by a range of executive team members including the CFO and Lloyd Price, Group Head of Marketing and Communications;

**Culture** – the Group's "healthcare first" ethos is important to both the board and senior management in strategic and day-to-day actions and leadership in setting culture.

## Board

### Executive Board members

Membership of the executive board was refined during the year as the company grew. By the year-end Dr Hugo Stephenson was CEO, Shelley Fraser CFO, and Ibs Mahmood CBO. This gave the executive team a strong blend of commercial, clinical, financial, investor relations, and M&A experience with a considerable entrepreneurial focus. After the year-end, the executive board was further strengthened in relation to hospital C-level relationships by the addition of James Balmain from Zesty as CEO alongside Hugo Stephenson.

Ibs Mahmood's expertise in investor relations and M&A was retained in the business, despite his stepping back from the board to ensure an appropriate numerical balance between executive and non-executive members.

### Non-Executive Board members

The Non-Executive board members bring a wealth of knowledge in software engineering and IT management (Jane Silber, Remuneration Committee Chair), accountancy and professional services (Leslie-Ann Reed, Audit Committee Chair), healthcare software, and legal/corporate governance (Chris Spencer, Nomination Committee and Board Chair) and, after the year-end, a former CEO of NHS Digital, the government body responsible for technology and data for the NHS in England (Andy Williams).

## Outlook 2020

Innovation remains key to our future and we will continue to invest in development of technology both organically and through acquisition.

Our strategy is closely aligned with NHS policy in bringing clinical benefits and efficiencies for clinicians and patients alike which will drive growth for all the areas of the business.

Our financial objectives are to extend the cash runway for further acquisitions, integrate the new businesses, streamline reporting and automate processes, further reduce costs, and grow revenue.

**We are unique in the breadth of users we serve and believe we are well positioned for future success.**

**Chris Spencer**
**Chair**
5 August 2020

# Joint CEO statement

## A strong strategic performance in 2020


2019/20 was a strong foundation year for the Induction Healthcare Group. We demonstrated strong adoption of our core Induction Switch product by over 150,000 healthcare professionals, primarily across the UK but also including new geographies in Australia, South Africa, Ireland and North America.

**We also began our journey of buying and building, launching new features for Induction Switch that have proven particularly useful during the COVID-19 crisis, and acquiring MicroGuide – which has provided a springboard for revenue growth across our software-as-a-service products – now servicing more than 95 NHS acute trusts.**

Our recent acquisition of the Zesty patient portal and its HealthStream integration gateway for EHR systems has rounded out a solid foundation. This now joins up a critical mass of healthcare practitioners and patients as users, NHS trusts and hospitals as clients, and linkages with pre-existing healthcare information technology infrastructure.

We achieved on-budget costs through persistent cost control across the business, despite significant one-off charges associated with our initial public offering and corporate development activities.

Our pace of execution has also improved significantly over the year, incorporating many learnings relating to remote management of systems development and information governance. As a result, we were able to accelerate the launch of new features such as user generated TeamSpaces, newsfeeds and document sharing on Induction Switch ahead of COVID-19 market needs, and follow an ambitious timeline for the integration of the Induction Switch, MicroGuide and the Zesty platforms. None of this would be possible without strong demand for our products by healthcare professionals and patients. Over the course of the year, our user base of healthcare professionals – mostly doctors – has more than doubled, while the number of patients using the Zesty patient portal grew from 32,000 to over 90,000 by the end of July 2020. This was accomplished without any expenditure on advertising.

As more healthcare professionals and patients seek to use mobile technology to manage care, we believe that interest in our products from healthcare organisations around the world – keen to enhance the capability of their large health IT investments – will continue to grow.

**“In an otherwise challenging economic environment, both doctors and patients continue to use our platforms in ever increasing numbers. In addition, our acquisition and integration of proven complimentary solutions gives us confidence we have established a strong foundation for future revenue growth.’**

# Q&A with Joint CEOs Hugo and James

**Q: New entrants often struggle with the slow pace of healthcare and challenges with organisational drag, how is Induction Group different?**

**JB:** Firstly, whilst Induction is only a year post-IPO, both Zesty and MicroGuide have been operating and growing in this market for several years. This is important, as both companies are past the initial difficulties of going from 1 to 10 or 20 customers.

There are far too many solutions chasing a problem in our market. We have a great set of advantages and we are already seeing these deliver tangible results. To sell effectively within healthcare, some key ingredients are needed – good product market fit, a core customer base who are evangelical about the company, a loyal and engaged user base and a clear business case benefit that demonstrates a hard return on investment. The Induction Healthcare Group has all of these ingredients.

Having said that, we need to work hard to build the very top of our sales funnel to be as wide as possible. Despite our advantages, we are acutely aware that sales in this sector take time. The mitigation to this is actually simple – have three or four times as many prospects on the go as you think you need.

**HS:** Healthcare institutions have made significant investments in health IT infrastructure – providing necessary functionality and reducing many hospitals' reliance on paper - but not really making the lives of staff and patients easier. Our products, which extend (and sometimes become entangled in) this foundational infrastructure, have proven - through their market leading rates of adoption by end-users – their ability to delight end users. Healthcare administrators are keen to consolidate quick wins, particularly in the current environment, and we are already seeing a palpable increase in speed associated with these decisions.

**Q: Every week another big tech company announces ambitions to enter the healthcare market, are they a threat to Induction Group?**

**JB:** I think this is a clear Group advantage, as opposed to a threat. We're already working on partnerships with some of the very large players and I see these as a significant go-to-market driver for Induction Group. We would be stupid to compete head on, and given the enormous size of the market and the opportunity for digital transformation, I just do not think we need to.

**HS:** No. Big tech have great products, but the healthcare environment places unique constraints and challenges upon these products – whether those constraints relate to information security and compliance, or that nurses might not be allowed to carry their own mobile phone while at work. We are building a platform that exists between the infrastructure and the end user, so that staff and patients can interact with big systems in a very user focused or task focused way. Our biggest challenge is the large pockets of healthcare that have little to no IT infrastructure at all… so the more big tech players entering this market to push the whole sector forward, the better for us.

**Q: The Induction Group appears to be very UK focused and reliant on the NHS?
Is this true?**

**JB:** We are, presently, focused on the NHS for the bulk of our revenue, although I'm really pleased with the MicroGuide deal after year-end in Mexico. However, it's untrue to say we are focused on the UK. Growing our geographical footprint and, by extension, generating revenue from non-NHS sources is a key priority for both Hugo and I over the coming year.

The organic growth we are seeing with the Induction Switch platform is a really encouraging sign that supports our plans to enter new markets and begin to monetise markets like Australia, South Africa, Canada and Mexico where we are already strong in terms of user penetration. Equally, our partnerships strategy is now very close to delivering significant value for the Group and will, I think, accelerate our go to market in new territories.

**HS:** There are such big opportunities in our space – in the UK, Europe, North America, Asia-Pacific – although we are staying focused on the NHS while we establish our grassroots presence in other geographies too. It is really promising that users from other markets have started coming to us, so we hope to start diversifying our revenue mix to include other healthcare sectors and geographies over the year ahead.

**Q: If you had to sum up your aims for the next year, what are they?**

**JB:** Sales, sales and more sales! We are post-IPO, with three good acquisitions completed. The foundations are in place with a plan to deliver a solid base of recurring revenue, leading to an EBITDA neutral position for each of the Group business units within the next 24 months. For me, the key to this is tightly refining our story to customers and ensuring we industrialise the sales, pre-contract, contract, and deployment stages well.

In parallel, we are pushing hard to deliver revenue outside the UK and I am confident we'll reduce our reliance on the NHS over the coming months.

Finally, I'm really focused on delivering compelling industry partnerships, working with the large IT vendors and convincing them to act as value-added resellers for our products will be a key win in the next year.

**HS:** Stay focused on the big picture. COVID-19 has reminded us all how fragile our healthcare systems can be under strain and how now, more than ever, the system relies on tools like ours to get through. Ensuring that we appropriately price and sell our premium products is key to our continued growth, and the continued improvement of our platform.

# Market overview

## Sustainable competitive advantages

We are well on the way to building a set of 'sustainable competitive advantages'

It is our strategy to bring together compelling sets of technology that, when combined, become significantly even more valuable. We measure the value of our market advantage across two dimensions: **Product Capability** and **Market Access.**

## Through products we build and companies we buy, we deliver:

### Unprecedented scale

No App platform has a breadth of clinical users that can rival Induction Group. Our user base is valuable, not only for its scale but also its level of engagement. Many health IT platforms have failed due to lack of traction with a critical mass of users

### Systems Integration

The value that standalone systems bring is inherently limited. Legacy systems integration is hard. History is populated with a graveyard of top-down, high cost, health IT programs. Our bottom-up approach is compelling, efficient, and avoids the organisational drag associated with large scale projects.

### Existing commercial relationships

Sales cycles in healthcare are notoriously long. We have existing commercial relationships with 92% of NHS hospital trusts, giving us 'existing supplier' status.

### Partnerships

We are building partnerships with the top EHR vendors in the UK, alongside key technology suppliers. This gives us a number of advantages – credibility as a 'supported' solution, implementation support (allowing us to focus on software licence sales), and efficient entry into new markets.

## Growing our sales

Our product range is exclusively Software as a service (SaaS), targeting monthly recurring revenue (MRR) growth as a key financial metric.

**Both MicroGuide and Zesty bring growing MRR to the Induction group, with a focus on both growing UK sales and tactically expanding to new territories.**

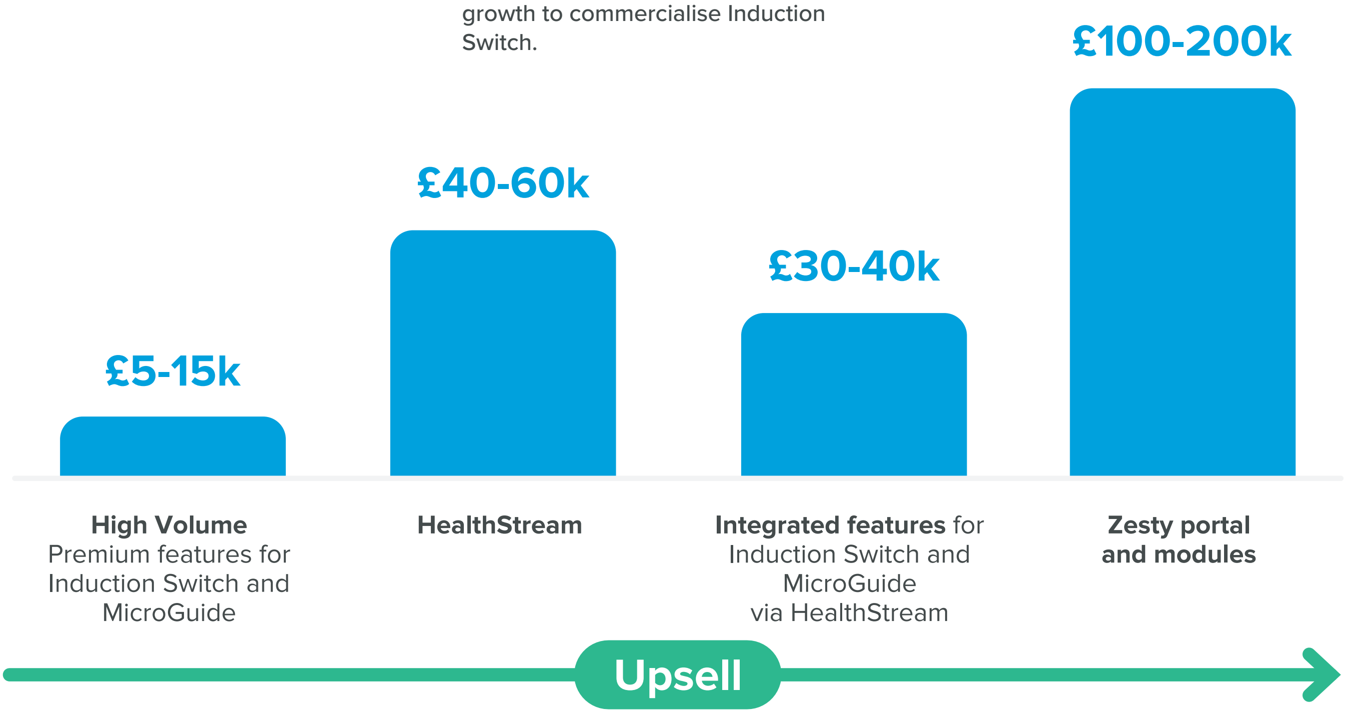
The Group is building our internal sales team to execute our go-to-market strategy.

We are building on explosive user growth to commercialise Induction Switch.

The acquisition of Zesty brings a key component in that market strategy, the HealthStream integration engine.

HealthStream enables a suite of higher value sales for both Induction Switch and MicroGuide, alongside new patient portal sales via Zesty.






## Key components to a successful execution

We have existing data points that validate each stage of our strategy.

**Stage 1 – Low value, high volume, stand alone solutions**

MicroGuide has 160 UK customers, representing 85.6% of the market, paying on average £2-5k per year. Post-acquisition, leveraging the Induction scale, revenues have increased by 35%.

**Stage 2 – Sales of HealthStream to enable integrated solutions**

Market demand for integrated features is strong and the HealthStream engine is live at several NHS trusts. Integration pushes Switch and MicroGuide into their own product category. Critically, the same logic applies to any new acquisitions.

**Stage 3 – Sales of higher value, integrated, features and the Zesty patient portal**

The combination of Switch and/or MicroGuide plus HealthStream offers game changing features such as:

- real time notification of patient test results, straight to a doctor's own device
- the ability to update a patient record in EHR direct from a healthcare professional's own device
- clinical teams can schedule appointments for patients on the ward, bypassing central admin teams
- clinical images can be pulled direct to a healthcare professional's device.

# Business model

## Making digital transformation easier

**We create value by removing friction for end users, delivering organisational cost benefits, and enhancing existing health IT spend.**

Healthcare institutions spend millions on their core IT systems. Our products extend these capabilities by delivering a critical uplift on access, usability, and benefit delivery. It is a compelling offer, delivering substantial benefits to key stakeholders at a minimal 5-10% incremental cost.

Think of our products as **the 'last mile' in healthcare IT.** We work alongside existing EHR systems to supercharge a provider's IT capability – giving doctors more time, managers cost efficiencies and patients access.

**We are proving "Freemium" works in healthcare.**

1. Clinical staff use Induction Switch for free, creating an engaged stakeholder base at significant scale. This growth is entirely organic.

2. Our large existing user base gives managers the ability to leverage our premium features for group communications, audit trails and role-based communication. These are low value sales, signed off at a department level.

3. Further operational cost savings can be delivered via additional planned Induction Healthcare services.

4. Providers look to integrate our platform with their existing EHR systems – enter HealthStream, our integration engine. Priced competitively, HealthStream unlocks a set of truly compelling capabilities, helping to deliver on past health IT spend.

5. Enabled by their purchase of HealthStream, a host of new functionality becomes available. Doctors can update the patient record direct from their smartphone, receive real time alerts on test results or communicate with their patients via secure messaging. **These are game changing capabilities.**

6. Enabled by HealthStream, healthcare institutions can now deploy Zesty. This provides a suite of market leading digital services for patients and unlocks significant annual cost savings.

## Healthcare Professionals

Most clinical professionals are frustrated by their provider's IT system on a daily basis. Systems are slow, hard to log into and unavailable on the move.

Health IT has moved on hugely in the last decade, with most providers now operating an integrated EHR systems. We build on this investment, helping to deliver the promises made to doctors, in terms of efficiency and more time to see and treat patients.



## Patients

Communication between health providers and patients has not changed in 50 years. Anyone that has been to hospital will understand this instantly – it is out of sync with every other aspect of our lives.

Doctors, patients, and, increasingly providers are demanding a digital revolution. In the next five years healthcare will be well on the way to a true digital transformation – Induction Group has a large user base of both doctors and patients, putting us in an enviable position to lead this inevitable change.

## Healthcare Institutions

Healthcare institutions are faced with a set of significant challenges in how they balance the cost of care delivery with patient outcomes. Digital transformation is now on the minds of every institution's leadership team.

**We have a compelling combination of engaged users, clear business case benefits, real world provider advocates and multi geography user traction.**

# Stakeholder engagement

## A shared motivation from all of our stakeholders

**Involving stakeholders every step of the way means we can better understand their needs.**

Having a high level of engagement allows us to get to know our stakeholders and communicate how the Group's plans and actions will affect their goals.

## Workforce/Colleagues/ Our People

**Our people are our most valuable asset. We rely on their skills, experience, knowledge and diversity to deliver our vision to provide technology to the healthcare community.**

We provide an induction process in which all new joiners read and acknowledge the policies and procedures through our in-house HR system. The Group communicates continuously on key news and structural changes through emails, video and conference calls which allow for questions from the workforce.

We value all staff including contractors and ensure our communications are to everyone to ensure there is full transparency across the business.

While our staff and contractors are happy at Induction, there is always room for improvement. Key topics for further improvement are opportunities for career progression, development and succession planning, and working practices. As a company, we are focused on sustaining a positive business culture and continue to promote our values and behaviours through performance reviews and communication.

## Shareholders

**It is important that our shareholders understand our strategic priorities and ambition, their views inform our decision-making.**

We held our first Annual General Meeting in September 2019 and gained and acted on valuable insight.

Our financial results are announced twice a year, and regulatory news announcements provide communication to our shareholders along with our annual report to help investors and other stakeholders understand our business and the performance. In conjunction with our announcements our Chief Business Officer meets regularly with our investors.

### Section 172 Statement

**Read more about our Section 172 Statement on page 33.**

## Users

**Our users, whether patients, doctors or NHS trusts, are the heart of our business model. So understanding them and their challenges is fundamental to our success. Should we fail to deliver an excellent user experience, we will not achieve our long-term financial and strategic objectives.**

We obtain regular feedback from our users and clients to ensure that we are consistently delivering to high performance standards. Monitoring and influencing the quality of our customers' experience is key. It is important that we do not rely on anecdotal feedback but conduct customer surveys and arrange panels on user experience.

We work hard to ensure issues are resolved quickly through our customer service team and, if required, we follow a process that is fair, appropriate and one that will stand up to scrutiny and challenge.

We always look at ways to improve our services to customers and so seek feedback on all areas of the customer journey including product design, implementation, and user experience. Our aim is to capture these learnings, and once understood and tested, we seek to embed any changes into our policies and procedures, training and organisation structure.

## Our Suppliers and Partners

**The Company's focus is to leverage and consolidate the Group's suppliers. To obtain better terms, we aim to build on our customer relationships from the acquisitions during the last 12 months. Our effort is to be professional at all times and establish a reputation as being a reliable customer with whom suppliers and partners want to do business.**

When taking on a new supplier, we conduct a detailed review to ensure that we understand not only the quality of their product or services but also their policies, procedures and working practices, making sure they are consistent with our values and compliance requirements.

We keep our suppliers informed of our business performance through public disclosures and communication where appropriate.

The Company ensures that the quality of the services being supplied meets the standards expected, through our engagement and monitoring payment terms. If there is a reduction in the standard, we will communicate with the supplier and if needed we will look to replace with a comparable alternative.

# Group strategy

## A strong position for future revenue growth

We recognize that healthcare institutions are challenged to deliver more visible efficiencies for their staff and patients from their extensive IT investments

**We believe that the value of extensive investment in EHR systems can be unlocked by enabling a layer of integrated, interoperable tools that healthcare professionals and patients choose to use to interface with these complex systems as well as each other.**

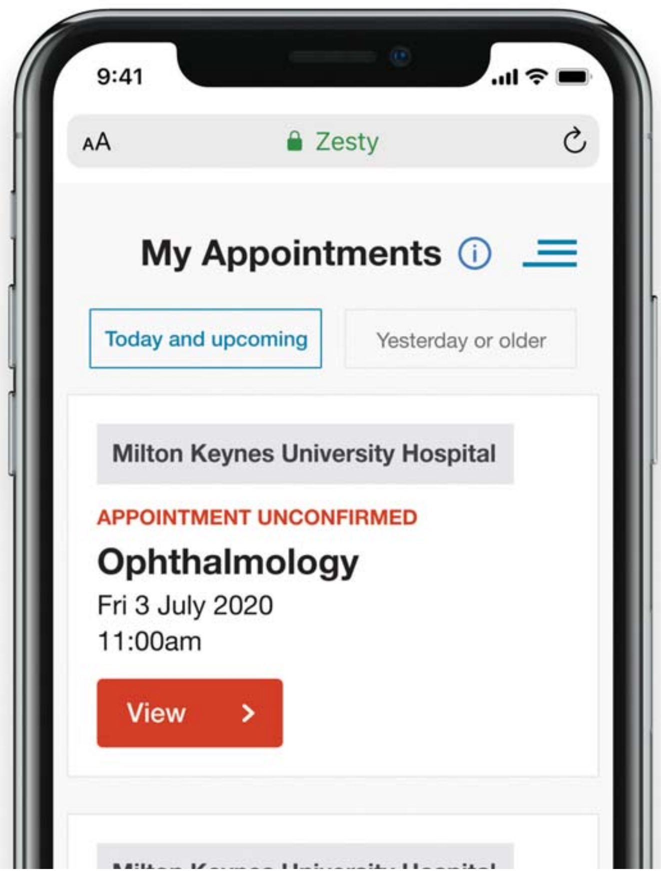
Our strategy is simple: buying and building out an ecosystem of products that healthcare stakeholders choose to use so people get better care and ensuring that these tools:

1. provide a consistent, intuitive user experience,
2. are seamlessly interoperable within the Induction Healthcare ecosystem,
3. allow stakeholders to connect with each other across roles and organisations – irrespective of the underlying IT systems enabled at such institutions, and
4. add value to existing organization investments in IT infrastructure and EHR systems.

To this end, 2019/20 has positioned Induction Healthcare in a strong position for future revenue growth despite challenging market conditions associated with Brexit and the COVID-19 crisis. Our IPO in May 2019 provided both the funds needed to accelerate development and adoption of our core Induction Switch app and the means by which to make strategic and opportunistic acquisitions.

We demonstrated our ongoing ability to develop systems that healthcare stakeholders choose to use, while acquiring companies that have given us access to the majority of acute NHS trusts in the UK, enriched our SaaS product suite, enabled direct engagement with patients, and allowed us to interface with the leading EHR systems available in the UK and around the world. Since acquiring Horizon, we have observed the accelerated growth of sales and revenue from the MicroGuide product, and establishment of new overseas opportunities for our software. Throughout the COVID-19 crisis we have seen increased engagement with our products, and increased interest in both the Zesty patient portal and the EHR integrations made possible through its HealthStream gateway. We have developed a strong and capable workplace culture operating under remote working conditions.

“ To this end, 2019/20 has positioned Induction Healthcare in a strong position for future revenue growth despite challenging market conditions associated with Brexit and the COVID-19 crisis.”



## Looking ahead into 2020/21, the following areas will be a priority for our business:

### Sales and Marketing

**Induction Healthcare has established a range of products with proven value to healthcare professionals and patients in the UK.**

We have established business relationships with a wide range of acute NHS trusts. It is our first priority to leverage these relationships and invest in sales of these products to existing customers, as well as new customers, within the UK public and private secondary healthcare markets.

### Product Development

**Our products enjoy market leading rates of adoption amongst healthcare professionals and patients. Leveraging this engagement to solve bigger problems represents a huge opportunity.**

We are constantly investing in our platform and products to develop more value for our enterprise clients. Examples include additional premium features for our existing products, such as patient questionnaires at the time of booking, and hospital intranet extension – allowing hospitals to increase the visibility of their intranet content by securely mirroring it on staff mobile phones. We have proven ability to build tools that end users choose to use, and we intend to leverage these skills to constantly improve our platform and solutions.

### Market Expansion

**The UK secondary care sector is one of many markets experiencing similar healthcare challenges – offering many opportunities for Induction Healthcare to expand.**

Our products have been designed to work in multiple geographies, languages and clinical settings, and whilst Induction Healthcare is primarily focused on the UK hospital market, we are expanding our user base in more countries – successfully initiating sales in Mexico after year-end and the United States – and seeing increased adoption of our products in primary and aged care services. Our ability to expand creates opportunities through access to more users, access to more customers, and access to acquisitions that can be valuable to existing customers.

### Strategic M&A

**The healthcare technology market is still fragmented with many country specific point solutions, often with low user bases and only a modest number of customers.**

Induction Healthcare has already completed three acquisitions, and believes that in order to be successful in the healthcare technology market, companies will need to consolidate their offerings, not only to limit the number of systems that healthcare professionals and patients need to access on a daily basis, but also to ensure efficiencies for healthcare institutions that demand the highest standards of information governance and service availability, but cannot afford to pay for this premium on behalf of many small start-ups.

# Strategy in action

## Case Study: Induction during the COVID-19 pandemic

An increased numbers of healthcare professionals faced working in unfamiliar and quickly evolving work environments. Many specialties have been redeployed to deal with increased demand.

**This saw usage of our products increase dramatically across the NHS (UK), and also in Ireland, North America, South Africa and Australia. There was a 66% increase in daily user registrations on Induction Switch.**

We made all national government guidance for healthcare professionals surrounding COVID-19 available on the Induction Switch app. These documents were viewed over 75,000 times during the peak pandemic months (March, April, May 2020).

We launched a new feature to capture sentiment from NHS staff. In just 14 days we received 11,393 responses, from nearly every hospital in the country.

This enabled a real time map to be maintained representing user sentiment and aimed to improve collaboration between healthcare organisations to ensure sufficient supply was achieved.

Induction Switch and MicroGuide were selected as the collaboration and communication tools for the NHS Nightingale London hospital which was preparing for potential capacity of up to 5,000 beds. The apps were used for secure communications, guideline access and training for clinicians redeployed to the new hospital.


Ministry of Defence

"Induction Switch was the obvious choice to give a centrally updated telephone directory for mobile telephones issued for use both in the clinical and administrative areas of NHS Nightingale London."

**Lt Col Oli Bartels RAMC, Consultant Anaesthetist, Ministry of Defence**

NHS

"Induction Switch was primarily used as a secure method for sharing uneditable documents that faculty could access either on smart phones, iPads or desktops. Most commonly it was used to share updated lesson plans that faculty could access whilst training. Importantly, it allowed us to ensure that only those authorised had access to private information. If the training programme were to continue it would have also been utilised as a hub for sharing contact information and important updates."

**Dr Joshua Kahn, Education Faculty, Nightingale Hospital London**

## A success story for Zesty – Milton Keynes University Hospital NHS Trust

Milton Keynes University Hospital (MKUH) NHS Foundation Trust is a medium-sized district hospital that provides a full range of acute hospital services and an increasing number of specialist services to the growing population of Milton Keynes and the surrounding areas.

**With around 550 beds and employing more than 4,000 staff, the hospital sees and treats appropriately 400,000 patients each year comprising of both outpatient and emergency attendances.**

### R&D Partnership

Building on a successful collaboration over a number of years in the summer of 2019, Zesty and MKUH agreed a formal research and development partnership benefitting both parties. As part of the agreement, Milton Keynes hospital is able to test and launch new digital services based on clinical input and patient feedback across its 70+ outpatient services, ranging from medicine to surgery, women and children to core clinical.

### MyCare Patient Portal

A major focus for the R&D partnership has been the joint design and development of "MyCare", MKUH's patient portal empowering citizens to manage their outpatient care and appointments.

Whilst many Trusts are providing patient portals, Milton Keynes is the first NHS hospital to provide the ability for people to directly manage their appointments solely online without needing to call the hospital.

The success of MyCare has led to various awards and accolades for MKUH, including the Patient Data Award at the Health Business Awards 2018 and NHS England highlighting the portal as a an example of digital innovation in July 2019.

### Saving the NHS millions

MKUH used to send over 400,000 letters a year, however as more and more patients are consenting to go paper free, in the same way that bank customers opt in to paperless statements, MKUH are forecast to save over £1 million in postage, stationery and administration costs in the next full financial year.

Zooming the lens out across the country, with the NHS spending on average £150 million a year on just stamps, digital solutions like Zesty's patient portal has the potential to save the NHS millions every year.

Source: https://www.mkuh.nhs.uk, http://www.hbawards.co.uk, https://www.england.nhs.uk

NHS

"Our foundation Trust has been working with the Zesty team for years. As a publicly funded hospital required to focus on how best to deliver an efficient, effective service we took the decision to become an Induction Group shareholder. I believe this speaks more positively on our views of the future than anything else."

**Joe Harrison, Chief Executive Officer, Milton Keynes University Hospital NHS Foundation Trust**

# Strategy in action

## MicroGuide in action – as part of the Prosperity Better Health Programme Mexico

The Better Health Programme Mexico is part of the UK Global Prosperity Fund Better Health Programme that covers eight countries. The programme addresses the growing incidence of noncommunicable diseases in Mexico (especially in relation to obesity and diabetes) with the aim of enhancing the economic and social benefits associated with improved health.

### Clinical advice and guidance

MicroGuide was chosen as part of the overall support approach in Mexico to distribute highly effective, up-to-date and impactful guidance to Mexican clinicians over the 3-year programme.

The MicroGuide team are helping to create, streamline and focus guidance on a wide range of subjects. The short-term aim is for Mexican health specialists to use MicroGuide's powerful content management system in order to update, maintain and publish guidance directly for themselves.

The project is in its initial stages, during which, pilot studies will be implemented in a number of regions throughout the country. The outcomes of these pilot programmes will determine the ultimate route for the service and allow content creators to get to grips with generating and publishing guidance content through the platform, as well as understanding and interpreting the analytics and feedback from usage.

Guidance will be available within a purpose-built app specifically designed for the Mexican clinical community and will include decision support algorithms as well as automatically updating content. All content services will also be available through any browser on the desktop so as to support the entire community.

### Impact

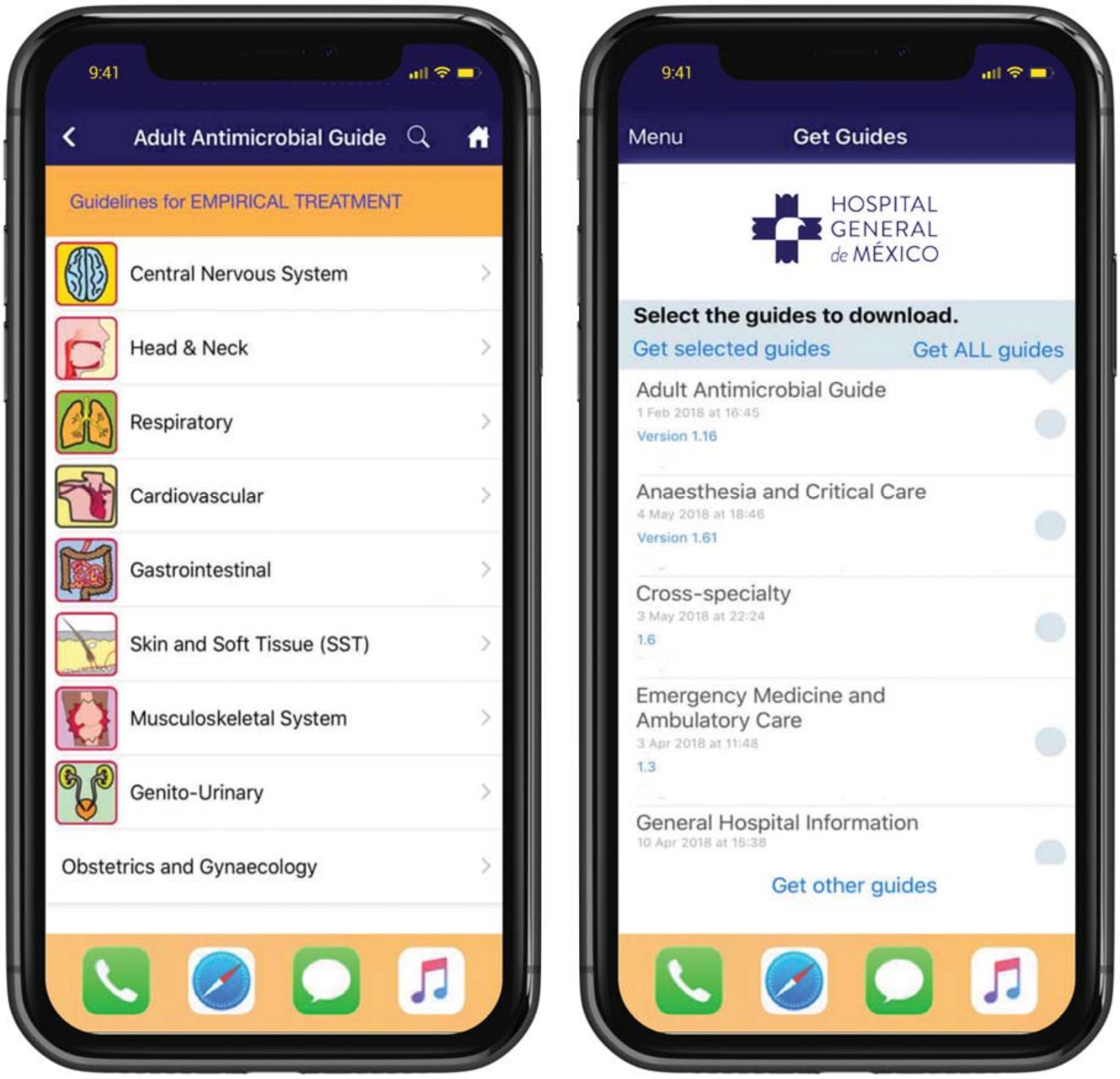
The impact of well-designed, compact guidance, that is, crucially, available to clinicians at the bed-space or point of care, has been demonstrated through research to have a high correlation with adherence. The metrics harvested from the MicroGuide service will aim to demonstrate this adherence over the term of the programme and therefore prove that the implementation of MicroGuide has had a positive impact on the state of Mexican healthcare.

This exciting deployment for MicroGuide in Mexico is further vindication that the service for providing the governance and distribution of clinical guidance has world-wide potential and impact.

**The project is in its initial stages, during which, pilot studies will be implemented in a number of regions throughout the country.**

# Guidance will be available within a purpose-built app specifically designed for the Mexican clinical community






## Beyond the purpose-built app

**All content services will also be available through any browser on the desktop so as to support the entire community**

# Financial review

## Delivering a solid financial performance

**The Group delivered a solid financial performance against our IPO objectives set in May 2019, managing our cash balance by exceeding our forecast and executing on three acquisitions.**

It has been an exciting year executing our buy-and-build strategy with the focus now on revenue growth and cost control to achieve a profitable business in the short to medium term.

### Revenue

In our first year, reported revenue of £148,480 was generated by the MicroGuide app, reflecting five months of revenue recognised since the acquisition of Horizon Strategic Partners Limited. The MicroGuide business continues to build a strong recurring revenue portfolio, grow the customer base and cash generative position. It starts the new financial year with an order book of £50,417. Meanwhile Induction Switch grew its registered users by 73.4% to 138,095. The focus for next year is to monetise the app across the healthcare community. In May 2020 Induction Switch signed its first revenue generating customer to a level 1 TeamSpace which includes newsfeed, directory, messaging, document sharing and an administration portal. Revenue has been generated from the following geographies:

| | 31-Mar-20 £'000 |
|---|---|
| United Kingdom | 131 |
| Europe | 2 |
| United States | 11 |
| Rest of World | 4 |
| | **148** |

## Operating Costs

Reported loss before tax for the year was £3,527,766 (2019; £2,707,000). The Group incurred a number of exceptional items during the year, including IPO and acquisition costs as per the table below showing adjusted normalised operating loss before interest, tax, depreciation and amortisation of £2,736,530 (2019: £2,171,000). Administration costs have increased to £2,330,394 (2019: £1,066,000). This mainly relates to an increase in headcount of three employees from the acquisition of Horizon Strategic Partners Limited and appointment of CEO plus recruitment fee, first year office rent, and professional and legal fees. The Group's accounting policy is to capitalise software development and hosting costs which depreciate over three years, resulting in capitalisation of £761,066 (2019: £196,951).

| | 31/03/2020 £'000 | 31/03/2019 £'000 |
|---|---|---|
| Loss before tax | (3,527) | (2,707) |
| Less: Net finance income | (47) | |
| Add: depreciation and amortisation | 324 | 10 |
| **Operating Loss before depreciation and amortisation** | **(3,250)** | **(2,697)** |
| Adjusted for: | | |
| – IPO costs expensed | 281 | 497 |
| – Acquisition related transaction costs | 150 | 29 |
| – Fair value adjustments on contingent consideration | 83 | – |
| **Adjusted Loss before interest, tax, depreciation and amortisation** | **(2,736)** | **(2,171)** |

**It has been an exciting year executing our buy-and-build strategy.**

## Cash

The Group's cash position as at 31 March 2020 was £10,718,474 (2019: £169,000). The operating cash outflow was focused on investment in our developers, ongoing AIM listing costs and set-up costs related to a startup business, as we build the framework and foundations. Investment outlay of £1,736,812 relates to payments for the acquisitions completed during the year, and payments for capitalised development costs. Financing cash outflows relate to the repayment of the related party loan of £1,000,000. The business currently operates with net shareholder funds achieved at IPO fundraise (£16,584,202). The Directors regularly monitor cash usage and forecast cashflows to ensure that the projected business needs are supported, and future acquisitions can be delivered as part of the overall strategy to grow the business.

| | 31/03/2020 £'000 | 31/03/2019 £'000 |
|---|---|---|
| Cash balance | 10,718 | 169 |
| Operating cash flows | (3,346) | (2,163) |

## Assets and Liabilities

Goodwill £1,553,482 (2019: £nil) and Intangibles £2,348,428 (2019; £222,000) are derived from two acquisitions, Podmedics Limited and Horizon Strategic Partners Limited during the year. Both transactions have been valued for accounting purposes by external consultants resulting in the investment being recognised between goodwill and intangible assets as per note 15, page 79.

| | 31/03/2020 £'000 | 31/03/2019 £'000 |
|---|---|---|
| Goodwill | 1,553 | - |
| Intangible Assets | 2,349 | 222 |

Other Liabilities of £1,408,831 (2019: £nil) comprise the fair value at 31 March 2020 of the deferred consideration of £1,325,000 from the Horizon Strategic Partners Limited earn-out condition, which represents a maximum payout of £1,500,000 discounted at 10.74% as explained on note 23, page 85. At the date of signing the financial statements, the earn-out is highly likely to be achieved earlier than the expected end of the earn-out period of 30 September 2020.

# Corporate responsibility

## Our People and Culture

We are committed to building the best and most diverse team at Induction Group. The Company is working hard to create a culture of inclusion and diversity where all employees are treated and valued equally. Our focus is on:

- recruiting and retaining high calibre employees;
- developing our team to create a culture which offers opportunities to broaden skill levels and capabilities;
- building a diverse culture;
- providing a safe and stable working environment;
- recognising performance; and
- leveraging our capabilities at every opportunity.

We view our employees as our most important asset, and we aim to ensure they have the tools and development to succeed in their role. The Company is committed to providing our staff with career progression and training to the requirements of roles. A key aspect of developing the success of the Group is to support an open culture and encourage the mix of cultures and business practices across the Group.

We create an ethical working environment for our workforce, promoting honesty, transparency and duty of care across the entire workforce. The Company provides a working environment which meets all legislative requirements and provide all the necessary training and support for employees to operate safely within it. Our workforce follows our Anti-bribery and Corruption policy, and Whistleblowing Policy as part of the staff induction and ongoing training.

We provide appropriate remuneration for responsibilities and equal opportunities for development and career advancements. The Company ensures opportunities are available to staff to build their breadth and depth of experience.

In a year where Induction Group listed on the AIM market and completed three acquisitions, the team showed commitment and loyalty to maximise growth and performance. This is where Induction Group people excel - we believe that by working together we will achieve more.

**Our 2020/21 targets are ambitious and will ensure that we continue to provide a safe, inclusive and sustainable environment where everyone can be at their best.**

**Our employees are our most important asset, and we aim to ensure they have the tools and development to succeed in their role.**

## Community and Environment

**Our vision to build a company that provides technology to deliver healthcare more efficiently drives our passion to support the community and environment. Operating with an ethical purpose to develop apps for the healthcare community is integral to everything that we do.**

We need to be resilient and responsive to change and we are committed to working with our employees, clients, supply chain and stakeholders to ensure that we are sustainable for the future.

# Principal risks and uncertainties

The Board is responsible for ensuring that the Group is protected from unnecessary risk and regularly reviews the risks and opportunities of the business to ensure that appropriate mitigation strategies are adopted.

### Risk Management

The Board, assisted by the Audit Committee, is ultimately responsible for oversight of risk management. The Directors play the leading role, monitoring the overall risk profile within the business and taking into account internal controls. Through detailed planning and continuous monitoring, all identified significant risks are evaluated, and appropriate mitigating actions that reduce the likelihood of a risk event and/or reduce their impact to an acceptable level are designed and executed.

The Group's process for the identification, assessment and management of risks in the business, is driven and monitored by the Senior Management Team with the support of the Company Secretary.

The Audit Committee reviews the systems of internal control for the Group alongside the Group's process for risk management and reports its findings to the Board. Each year the Audit Committee consider the need for an internal audit function. Given the current size of the group, the Audit Committee do not judge it appropriate to maintain a dedicated internal audit function.

### Internal systems of control

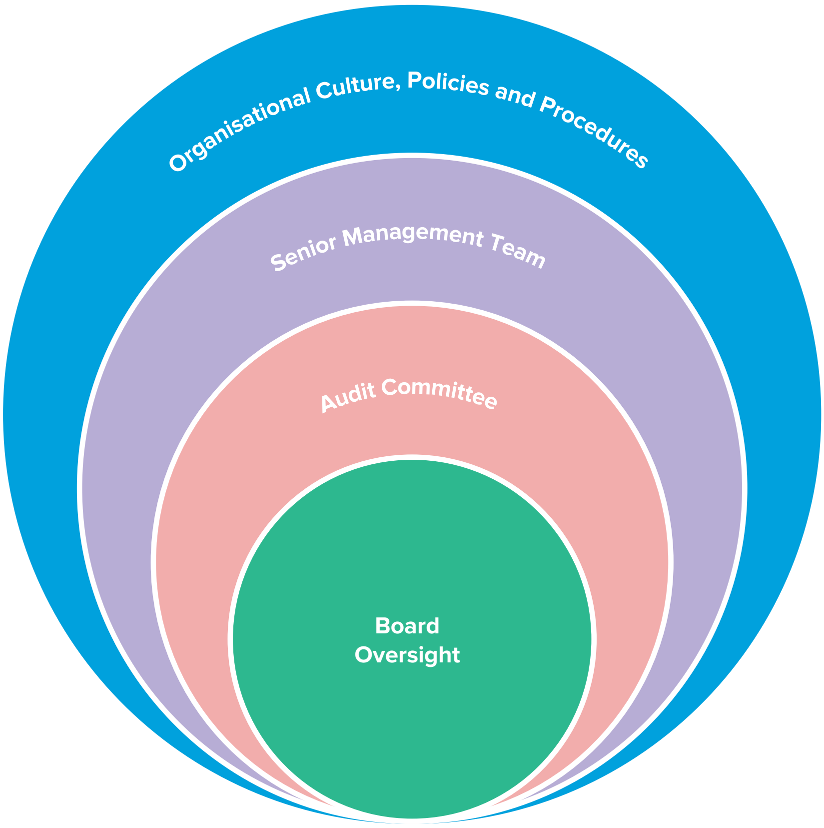
The Group maintains systems of internal control appropriate to a business of this size and complexity and which take into account the applicable regulatory and legal requirements as a UK AIM listed plc. The internal controls are designed with the objective of implementing an action to mitigate the existing risk, and if impossible to fully mitigate the risk, managing the risk to an acceptable level.

### Registering and reviewing risks

The Group identifies and assesses each risk based on the impact and likelihood, and then applies mitigating actions appropriately. Each risk is scaled, based on the likelihood of occurrence and severity of impact, and risks categorised as high, medium or low accordingly, with high risk areas receiving the most attention.

The risk register is reviewed and updated to capture and identify any new risks and opportunities, and to improve the mitigating actions. The Senior Leadership Team review all identified risks and assign actions on a quarterly basis. Such risks are reported to and reviewed by the Board and Audit Committee.

Set out below are the principal risks and uncertainties that the Directors consider could impact the business. The Board recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed and so this list is not intended to be exhaustive.



The risk has increased

The risk has decreased

The risk has not changed materially since last year

## Strategic Risks

| Risk | Description and Impact | Key mitigating activities | Trend |
|---|---|---|---|
| **Competition and technological change** | Induction Group operates in a competitive market, with new competitors regularly entering the market. These new entrants may make it hard for Induction to generate the anticipated revenues due to both increased competition for market share and pricing pressure.<br><br>**Potential impact:**<br>• New technologies emerge that may render existing products and services obsolete, unmarketable or competitively impaired, and may exert downward pressures on the pricing of existing products and services. | • Induction Switch, MicroGuide and Zesty apps are well-established products in the UK and this, coupled with a user focussed strategy, creates a barrier to new competitors.<br>• Continuous investment in the development of the platforms to ensure they remain innovative, competitive and attractive to users as well as customers.<br>• Hiring and developing the right talented people in product development<br>• Continuous commitment to product differentiation through innovation<br>• Analytics used to predict the environment, market and user engagement<br>• Maintaining market knowledge and monitoring competitor developments and technologies. | |
| **Identification, valuation and pursuit of acquisitions and investments** | Induction has as a strategy of growing by acquisitions that bring two specific risks:<br>• Availability of acquisitions,<br>• Ability to acquire a business at an acceptable price which affects the valuation or acquisition rationale.<br><br>**Potential impacts:**<br>• Investment returns not achieved and shareholder value eroded. | • Investment in internal M&A capabilities, experience and relationships in the market<br>• Potential targets identified and prioritised to ensure efficient time is spent on diligence.<br>• Rigorous due diligence process conducted using internal and external experts to ensure Induction Group fully evaluates the costs and benefits expected before any business purchase.<br>• Business case for acquisition articulated clearly and key assumptions (financial, technical and operational) identified for Board approval.<br>• External communication maintained with advisors and owners/management of businesses to ensure Induction Group achieves sufficient visibility of potential transactions across the market. | |

Governance

# Principal risks and uncertainties

## Operational Risks

| Risk | Description and Impact | Key mitigating activities | Trend |
|---|---|---|---|
| **Key system failure or disruption** | Induction is dependent on its IT infrastructure, whereby loss/corruption of the application software, infrastructure failure, damage or denial of service to the infrastructure could cause serious business interruption and a decline in user confidence.<br><br>**Potential impacts:**<br>• Internal impact due to releasing software that doesn't function as intended; and<br>• External as third parties can disrupt the platform or cause failure by a key outsourced provider. | • Use an agile development methodology which allows small incremental changes to be made to the platforms.<br>• Changes are subject to rigorous QA and product acceptance before they are released to users.<br>• Maintenance of backups allowing roll back to previous versions if a new release fails.<br>• Evaluation of all third-party suppliers, ensuring that they have appropriate fall-back systems and disaster recovery processes.<br>• System is penetration tested by a third-party supplier twice a year. | |
| **Business growth is constrained by not having appropriate people, resources and processes** | Induction Group has a "buy and build" strategy, therefore operational and processes needs to be robust, efficient and scalable for the Group to manage growth. There is a risk that, in a highly competitive technology talent landscape, Induction Group cannot attract and retain sufficient highly skilled and dedicated staff.<br><br>**Potential impacts:**<br>• Adverse effect on ability to grow and scale the business within UK and internationally. | • Recruiting employees to attract talent fit for a dynamic and fast-growth medtech company.<br>• Open employee communication including employee performance reviews to monitor and identify gaps in leadership and skills levels<br>• Development program for employees to continually up-skill, which is supplemented with key external hires.<br>• Detailed and continuous review of resource and succession planning for key roles.<br>• Focus on developing a strong and consistent culture across the organisation. | |
| **Inadequate integration or leverage of acquired businesses** | The risk of misjudging key elements of an acquisition and failing to integrate in an efficient, timely and successful manner.<br><br>**Potential impact:**<br>• Disruption of existing operations and reduced return on investment. | • Detailed integration plan and dedicated integration teams in place prior to acquisition<br>• Regular communication on progress highlighting variations and remedial action taken<br>• Senior Management with significant experience to lead the assessment, planning and integration process | |

| Risk | Description and Impact | Key mitigating activities | Trend |
|---|---|---|---|
| **Customer concentration risk** | The primary customer of the group is the NHS which is a complex series of organisations which brings challenges to navigate through these organisations and reach the decision makers. The procurement process can be onerous and very lengthy, increasing the risk that revenues fall short of expectation.<br><br>**Potential impacts:**<br>• Changes to Government policies can have a material impact on companies supplying the NHS, both in terms of changes in direction as well as structural changes which can delay or even negate the Group's ability to derive revenues.<br>• NHS operates against a backdrop of tight funding and this could have a negative impact on pricing. | • The Board and management team have extensive experience working in and supplying to the NHS and relationships with key NHS decision makers, and therefore the Group is well placed to navigate the myriad NHS organisations.<br>• While Induction Group cannot mitigate the political risk entirely, there is cross party support for the use of technology in the NHS which will help reduce both political and pricing risk.<br>• Induction Group's strategy to expand into geographies outside of the UK, will reduce specific exposure to the NHS. | |

## Compliance Risks

| Risk | Description and Impact | Key mitigating activities | Trend |
|---|---|---|---|
| **Regulatory Compliance** | The risk of insufficient evaluation and non-compliance with legislation and regulation in the markets and countries in which Induction Group operates.<br><br>Regulatory compliance is a key risk for the Group, not only in terms of the General Data Protection Regulations (GDPR) but also specific restrictions relating potentially to medical devices, clinical governance including patient safety and information governance including confidentiality and security<br><br>Brexit could make the regulatory backdrop even more complicated as the UK's regulations start to diverge from the European Union's.<br><br>**Potential Impacts:**<br>• Failure to comply with regulations could have a material impact on the Group's reputation, fines or late filings penalties, and financial results. | • Compliance with legislation and code of best practice.<br>• External audits of quality management systems (ISO27001 and ISO9001 certifications)<br>• Ongoing training on key regulation such as anti-bribery and corruption and GDPR<br>• Recruitment of appropriate expertise and experience in clinical and information governance to improve the regulatory compliance in data protection, clinical governance including patient safety, confidentiality and data ethics has taken place and will be further enhanced as necessary<br>• Internal Finance and Medical departments monitor changes to law and regulations and oversee actions to ensure compliance.<br>• External Audit and adviser reviews are conducted regularly during the year to ensure compliance.<br>• In terms of Brexit, the Group does not currently have a presence in any other members of the European Union outside of the UK so there is no immediate impact. | |

# Principal risks and uncertainties

## Financial Risks

| Risk | Description and Impact | Key mitigating activities | Trend |
|---|---|---|---|
| **Foreign currency risk** | The risk of significant unfavourable foreign exchange movements.<br><br>The Group has limited exposure against the US Dollar, Euro and Australian Dollar due to low levels of trading with our overseas entity and the majority of international clients pay the in GBP sterling.<br><br>**Potential impact:**<br>• Currency volatility uncertain in current COVID-19 climate | • Clear communications on Treasury strategy to ensure groups currency exposures and policies are understood.<br>• Continue international customer contracts in GBP<br>• Where possible, natural hedges created to match sales and costs in the same currency. | |
| **Pandemics (COVID-19)** | The main risks of such events relate to:<br>• Bringing staff together in a physical environment<br>• Limited capacity to take on new transformation in the health and social care marketplace due to work load issues<br>• Sickness and absence impacts of personal isolation | • The Group has sound virtual working practices internally and externally with customers<br>• The product suite offered by the Group is particularly well positioned to help more efficient and safe health and social care practices through its digital offerings<br>• Good support for colleagues is both spoken about and practiced within the organisation so home working is well supported technically and by regular contact visually and verbally. | NEW RISK |
| **Liquidity risk** | The risk of the Group not being able to meet its financial obligations as they fall due. | • Clear Treasury policies that are designed to ensure that sufficient cash is available to support current and future business requirements.<br>• Cash management through rolling cash flow forecasts, updated at least on a monthly basis. | |

### Going Concern

The Group's going concern statement is detailed in note 2.2 of the consolidated financial statements on page 58.

### Section 172

Each Director is required by the Companies Act 2006 to act in the way they consider, in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so are required to have regard for the following:

- The likely long-term consequences of any decision;
- The interests of the Company employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the Company.

In 2019, the Company adopted the Corporate Governance Code for AIM listed Companies from The Quoted Companies Alliance (the "QCA Code"). The QCA Code is an appropriate code of conduct for the Company's size and stage of development. In the Corporate Governance Report, on pages 36 to 38 are comments regarding the application of the ten principles of the QCA Code.

Please see the section on Stakeholder engagement for detail of how the Group has met its obligations under Section 172.

**The Company remains unaffected by COVID-19 and maintains operational capability. The Group closely monitors the COVID-19 situation and is following Government guidelines.**

# Directors’ Biographies

**Dr Hugo Stephenson - Chief Executive Officer**
Hugo joined the Board on 1 April 2019. He is a medical doctor and technologist who has founded, grown and generated value for shareholders from businesses focussed on healthcare IT and drug development. Companies include MedSeed PTY Ltd, an early pioneer of computerized decision support for antibiotic prescribing and wound management in hospitals (sold to eHealthcare Asia in 2000) and Health Research Solutions, a contract research organization that used technology to enable multinational electronic data collection for medical product registries and phase IV clinical trials. Between 2002 and 2012, Hugo established and ran Quintiles’ global late phase clinical trial business and, in that role, oversaw the development of MediGuard, a technology enabled community of over 2.4 million patients. Hugo has been an investor in, and advisor to, numerous healthcare and technology companies and in 2012 co-founded DrugDev, a leading provider of enterprise resource planning systems for multinational clinical trials (sold to IQVIA in 2017).

**James Balmain - Chief Executive Officer**
James has a wealth of NHS facing commercial experience, having co-founded Zesty in 2012, a multi-award winning UK digital health company. Prior to Zesty, James was ecommerce Director at EE, leading the digital teams at both Orange and T-Mobile during the merger and subsequent launch of EE. As head of ecommerce at the Shop Direct Group, James led the transition from catalogue to online shopping, creating one of the largest online retail organisations in the UK.

**Shelley Fraser - Chief Financial Officer**
Shelley has nearly 20 years’ experience in the Pharma/Biotech/Life Sciences industry. She is a Chartered Accountant and holds a Bachelor of Management Studies. She has held Finance Director roles for over 15 years, mainly in Pharmaceuticals and Life Sciences, including Merck, Sharp and Dohme.

# Directors' Biographies
(continued)

**Christopher Spencer - Non-Executive Chair**
Chris was appointed to the Board as Independent Chair on 1 April 2019. He has 40 years' experience in software, healthcare, and legal matters having initially worked as a nurse in psycho-geriatrics and terminal care while studying law at Leeds University. After qualifying as a Solicitor and becoming managing partner of the legal practice where he had been an articled clerk, he simultaneously co-founded a software house for the professional services sector. In 1999, after forming his own legal practice and later becoming general manager, legal counsel and head of IT with a patent and trademark practice, Chris joined EMIS Group plc. At EMIS Group senior roles included Chief Administrative Officer overseeing acquisitions, a management buyout, and, in 2010, an Initial Public Offering. He was appointed Chief Executive of EMIS Group in 2013 and after retiring from that position has served on several healthcare-related private company boards. Chris is a Solicitor (non-practising), formerly an Associate of the Chartered Institute of Patent Agents and member of the Law Society of England and Wales and Fellow of the Chartered Management Institute and remains a member of the Society for Computers and Law. He holds an LLB (Hons) and qualified as a solicitor (with distinction).

Chris is Chair of the Nomination Committee and also serves on the Remuneration and Audit Committees.

**Jane Silber - Non-Executive Director**
Jane joined the Board on 1 April 2019. Jane is an experienced IT senior executive. She is Executive Chair of Diffblue Ltd and a non-executive board member of Pusher Ltd and Canonical Ltd. She also serves as an advisor for tech start-ups. Previously she was CEO of Canonical for seven years, which followed a seven year period as its Chief Operating Officer. With experience in the US, Japan and the UK, she has spent her entire career in software engineering and IT management, starting as a software developer and rising through various leadership roles. She holds a BS from Haverford College, an MS from Vanderbilt University and an MBA from Oxford University.

Jane is Chair of the Remuneration Committee and also serves on the Audit and Nomination Committees.

**Leslie-Ann Reed - Non-Executive Director**
Leslie-Ann joined the Board on 19 July 2019. She is a chartered accountant with a diverse background and extensive international experience. Leslie-Ann is currently Non-Executive Director and Audit Committee Chair for Learning Technologies Group plc, a Non-Executive Director at Bloomsbury Publishing PLC and Non-Executive Director and Audit Committee Chair for Centaur Media plc. From 2010 she was Chief Financial Officer of the global, online B2B auctioneer Go Industry plc. Between 2007 and 2010 Leslie-Ann was an adviser to Marwyn Investment Management, a private equity company, overseeing the acquisitions strategy to acquire professional training, research, data and information businesses. Prior to this she served as Chief Financial Officer of global commodities' & economic research media group Metal Bulletin plc helping to lead its transition from printed products to an online data and news service. After a career at Arthur Andersen, she held senior finance leadership roles at Universal Pictures, Polygram Music, EMI Music and Warner Communications Inc.

Leslie-Ann is Chair of the Audit Committee and also serves on the Remuneration and Nomination Committees.

**Andy Williams - Non-Executive Director**
Andy was appointed to the board on 8 June 2020 having formerly served as Chair at Zesty Limited since 26 July 2018. In addition to his role at Induction, Andy is Chair of Docly AB and a non-executive director at Logex Group. His most recent full time role was CEO of NHS Digital, the government body responsible for technology and data for the NHS. Prior to that, his career was in the technology industry, holding a wide variety of senior roles in IBM, Alcatel-Lucent and CSC. He holds an MA in mathematics and engineering from Cambridge University.

# Corporate Governance Report
for Induction Healthcare Group PLC

## Chair's Introduction

I have pleasure in introducing our Corporate Governance Statement. The Board continues to be committed to supporting high standards of corporate governance, as we feel that a solid foundation of good governance and best practice is needed to help the Group profitably and effectively support both clinical teams and patients by removing friction from basic but essential healthcare related tasks and in this section of the Annual Report we set out our governance framework and describe the work we have done to ensure good corporate governance throughout the Company and its subsidiaries ('the Group'). As Chair, my primary responsibility is to lead the Board effectively and ensure that the Group's corporate governance is appropriate and adopted across all our business activities. I am also responsible for ensuring our Board agenda ensures that we examine all the key operational and financial issues affecting our strategy.

We have had a number of Board changes during the year and since our year-end. During the year under review and currently I lead the Board as the independent Non-Executive Chair. Throughout the year we had two independent Non-Executive Directors, Leslie-Ann Reed, who joined the Board on 19 July 2019, and Jane Silber who has been on the Board since IPO. Our Executive Directors during the year were Ibs Mahmood and Hugo Stephenson with Shelley Fraser, our Chief Financial Officer ("CFO"), moving from an interim position to the Board on 2 March 2020, after the departure of Seb Jantet on 16 August 2019. Following our acquisition of Zesty Limited, on 8 June 2020, we were delighted to welcome Andy Williams to the Board as a Non-Executive Director and James Balmain as joint CEO. Ibs Mahmood stepped down from the Board on the same date although he still remains associated with the Group as our Chief Business Officer.

At the time of our IPO we opted to follow the Quoted Companies Alliance ("QCA") Corporate Governance Code (the 'Code') and we continue to feel that this is the most appropriate Code for us as an AIM listed company. The report below is organised under headings which show how the Company has complied with the ten broad principles of the Code which all support the Company's medium to long-term success.

**Christopher Spencer**
Non-Executive Chair

## Statement of Compliance with the QCA Corporate Governance Code

### Strategy and Business Model

Principle 1 of the Code requires that companies establish a strategy and business model which promote long-term value for shareholders. The Group is a healthcare technology business focused on streamlining the delivery of care by healthcare professionals, and our strategy is articulated in the Strategic Report on pages 12 to 25. Our Section 172 statement, which is set out on page 33 shows how the Directors have fulfilled their duties and obligations to ensure the long-term success of the business. The Executive Directors and senior leadership team meet throughout the year to discuss strategy and the Group's long-term growth. The Board, in turn, debates strategy at every Board meeting, monitors progress against the strategic plan, and the active challenges provided by the Non-Executive Directors help shape the strategy with the Executive Directors. The CFO maintains a strategic risk register and regularly reports to the Board on the how the Group mitigates major risk and protects the company from unnecessary risks.

### Shareholder Relations

Under Principle 2 of the Code, the Company must seek to understand and meet shareholder needs and expectations.

The Company is committed to listening to, and openly communicating with, its shareholders to ensure that its business, strategy, and performance are clearly understood and supported. During the year, the Board has maintained an open communication with investors, and the sell-side research community, and believe that this is the best way to ensure we understand what is expected of the Company in its efforts to drive the Group's business forward. The Executive Directors provide the Board with feedback from all meetings and communications with shareholders and the Board is provided with an analysis of investor base changes at each meeting. Further information on investor sentiment is provided to the Board by the Company's Nominated Advisors and financial PR advisors. The Board is also mindful of the importance of its retail shareholders and we aim to provide meaningful information for all our investors, but particularly our retail shareholders, via our website www.inductionhealthcare.com. Our website also offers a facility to sign up for email alert notifications of Company news and regulatory announcements.

Like many companies, we had intended that our AGM would again provide a forum for face to face interaction between the Board and the Company's retail shareholders. This year, as a response to COVID-19, we have been forced to change our AGM logistics in order to keep shareholders and Directors safe. Further details of our arrangements this year are set out in our Notice of Meeting.

### Our Stakeholders

Principle 3 of the Code requires that the Company takes into account wider stakeholder and social responsibilities and their implications for long-term success. The Company's stakeholders include shareholders, employees, its registered users, its customers, and its business suppliers.

The Board values the opinions of the stakeholders in the business and will regularly seek to ensure that the views of its shareholders, suppliers, and partners are known and, where relevant to the success of our business, they are acted upon. The Board considers investors' views and feedback following investor roadshows and individual directors update the Board on any ad hoc meetings with investors throughout the year.

One of our most important stakeholder groups is our employees. The Company engages regularly with its

# Corporate Governance Report
## for Induction Healthcare Group PLC (continued)

employees and monitors closely the views and concerns raised. We communicate thoroughly with all stakeholders and use the experience we gain from those interactions to inform our strategy.

### Risk Management

Principle 4 of the Code requires that the Company embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board, assisted by the Audit Committee, is ultimately responsible for overseeing management's activities in identifying, evaluating, and managing the risks facing the Group. The environment in which we operate is constantly evolving and can be affected by external factors that are outside of our control and which may impact on us operationally. The Group implements a risk management policy which defines the Group's risk appetite. The Board regularly reviews a matrix of the key risks which sets out how these are managed and mitigated through internal and other controls and processes.

The significant risks and related mitigation and control are disclosed in the Strategic Review on pages 28 to 33.

### The Board

Principle 5 of the Code requires the maintenance of the board as a well-functioning, balanced team led by the chair.

Our current board consists of the Chair, three Executive Directors, and three Non-Executive Directors. The Chair, Leslie-Ann Reed and Jane Silber are all considered to be independent. The current Board has a good gender balance with three female and four male Directors.

The Board holds eight scheduled meetings a year and attendance that these meeting is set out below on page 38. There have also been a number of ad hoc meetings where matters of importance have arisen between scheduled meetings. An example of this would be during an acquisition process, where the views of the whole Board may be sought by means of a group conference call facility, telephone, or over email.

There are three Board Committees: the Audit Committee, the Remuneration Committee, and the Nomination Committee, which are chaired by Leslie-Ann Reed, Jane Silber, and Chris Spencer respectively. Attendance at those meetings is set out in their respective reports on pages 39 and 40.

Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chair, so that their contribution can be included as part of the wider Board discussion.

### Directors' Skills and Capabilities

Principle 6 of the Code requires that the Directors ensure that between them, they have the necessary up-to-date experience, skills, and capabilities.

Our current Board of Directors has an effective and appropriate balance of skills and experience, and their backgrounds cover areas such as technology, finance, law, healthcare, sales and marketing. Their full biographies are set out on pages 34 to 35.

The role of the Non-Executive Directors is to bring valuable judgement and insight to Board deliberations and decisions. The Non-Executive Directors are all experienced and influential individuals whose blend of skills and business experience contributes to the proper functioning of the Board and its Committees, ensuring that matters are fully debated and that no individual or group dominates the Board's decision-making processes.

The Board are assisted by a range of external advisors, including the nominated advisor, strategic communication consultants, legal advisers, and tax consultants.

The Board training and development needs are met with the support of our NOMAD and our advisors. A representative from Prism Cosec, the Company's corporate governance adviser and Company Secretary, provides a written report on governance developments at each Board meeting and takes minutes at all Board and Committee meetings.

### Board Performance and Evaluations

Principle 7 of the Code requires that the Board and Committees evaluate their own performance based on clear and relevant objectives and seek continuous improvement.

The Chair ensures that the Board reflects on its own performance at the beginning and end of each Board meeting. This "temperature check" ensures that all board members have an opportunity to consider whether the Board has worked effectively or if there are issues that need more discussion. As there have been a number of Board changes during the year, the Board felt that it would not have been useful to conduct a formal Board evaluation during the year under review. The topic will be debated in 2020/21 and a process will be put in place.

Prior to the proposal for re-election at the AGM, the performance of the Independent Non-Executive Directors is reconsidered to ensure they remain effective in their role and, where appropriate, that they retain their independence.

Succession planning for the Board is an ongoing topic of discussion.

### Corporate Culture

Principle 8 of the Code requires that the Company promote a corporate culture that is based on ethical values and behaviours.

# Corporate Governance Report
for Induction Healthcare Group PLC (continued)

The Company has an entrepreneurial and innovative culture underpinned by sound governance, and policies and processes that ensure we do business in a fair and ethical way and reflect the healthcare markets in which we operate. The Board seeks to lead by example and ensures that all strategic decisions are taken fairly, with due process and are in the best interests of the Company and its stakeholders.

### Governance Structure

Principle 9 of the Code requires that the Company maintain governance structures and processes that are fit for purpose and support good decision making by the board.

The respective responsibilities of the Chair and our joint CEOs are clearly understood. The Chair is responsible for leading the Board, facilitating the effective contribution of all members, and ensuring that it operates effectively in the interests of the shareholders. Our CEOs are responsible for the leadership of the business and implementation of the strategy. In turn our Non-Executive Directors provide effective challenge and help develop proposals on strategy whilst ensuring that they satisfy themselves as to the integrity of the financial reporting systems, internal controls, and the risk management system. The whole Board ensures that corporate performance is monitored and adequately reported to shareholders.

### Shareholder and Stakeholder Communications

Principle 10 of the Code requires that the Company communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board attaches great importance to communication with both institutional and private shareholders in reporting and demonstrating good corporate governance practices to create a sustainable, growing, profitable and successful business.

The Directors regularly communicated with investors and the Group operates an investor relations website at www.inductionhealthcare.com/. The website contains details of the Group and its activities, its regulatory announcements, and sets out the governance of the Group.

| | Board | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| | No. of meetings | | | |
| Directors | 8 | 3 | 3 | 3 |
| Christopher Spencer | 8 | 3 | 3 | 3 |
| Hugo Stephenson | 8 | | | |
| Shelley Fraser* | 5 | | | |
| Leslie-Ann Reed** | 6 | 3 | 3 | 2 |
| Jane Silber | 8 | 3 | 3 | 3 |
| Ibs Mahmood | 8 | | | |
| Seb Jantet*** | 3 | | | |

* Shelley Fraser began attending Board meetings by invitation from September 2019 when she was acting as Interim CFO, following Seb Jantet's departure. She began attending meetings as a Director following her appointment to the Board on 2 March 2020.

** Leslie-Ann Reed was appointed to the Board on 19 July 2019.

*** Seb Jantet resigned from the Board on 16 August 2019

## Board Committees

The Board has delegated and empowered a Remuneration Committee, Nomination Committee and an Audit Committee, each of which is accountable to the Board on all matters within its remit. Each Committee has written terms of reference which are available on the Company's website. A summary of the responsibilities of each Committee and their work during the year follows.

The Company Secretary acts as secretary to all the Board's Committees supported by the Executives to ensure that each Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the relevant items of business

# Audit Committee Report

On behalf of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 31 March 2020. In this report, we provide you with an overview of the Committee's priorities and performance during the year, in addition to details regarding the audit and risk management policies approved by the Committee for implementation throughout the Group.

### Committee Members

Leslie-Ann Reed (Chair)
Jane Silber
Christopher Spencer

### Committee Responsibilities

The Committee is primarily responsible for:

— Oversight of the Group's risk management framework and mitigating actions

— Monitoring the effectiveness of internal controls;

— Ensuring that the Group's financial performance is properly measured and reported, through review of the annual and half-year financial statements, accounting policies and significant reporting judgements; and

— Oversight of the annual audit and its effectiveness, including the objectivity and independence of the external auditor.

### The Work of the Committee

In the year following the Company's public listing, the Audit Committee continued to review and establish the procedures and systems necessary to ensure robust standards of financial control. The CEO and Chief Financial Officer are invited to attend all meetings, while other senior financial managers will attend as appropriate. The external auditors attend the meetings to discuss the planning and conclusions of their work. The Audit Committee is able to call for information from management and external consultants with the external auditors directly if required. The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal planning proposal and monitoring relationships between key audit staff and the Company.

The Audit Committee held three formal meetings during the year as set out on page 38 and considered the following items during the year:

| | |
|---|---|
| Whistleblowing | Review of arrangements in place |
| Bribery | Discussion on the arrangements in place and delivery of training to employees |
| Interim Results | The Committee reviewed and approved the interim results taking into account a limited-scope agreed upon procedures provided by KPMG. |
| Full Year Results | The committee also reviewed and approved the full year results through review of the annual report with a focus in July 2020 on revenue recognition, valuation and impairment of goodwill/intangibles. |
| Going Concern | The Committee undertook reviews of the Company's going concern status at the half and full year period ends. |
| Internal Audit | The Committee reviewed the need for an internal auditor and agreed that the Company was of not yet of sufficient size or complexity to merit a separate internal audit function. |
| External Audit | The Committee reviewed the independence and objectivity of the external auditor, KPMG; their plan for the full year audit, advisory fees and the effectiveness of the audit process. |
| Terms of Reference | The Committee reviewed its own terms of reference and agreed that no changes were needed during the year. |

### External Auditor

The Audit Committee monitors the relationship with the external auditor, KPMG LLP, to ensure that auditor independence and objectivity are maintained. KPMG have been the Group's auditor since IPO in 2019 and the Committee will keep under review the need for external tender. A summary of remuneration paid to the external auditor is provided in note 7 of the financial statements. The value of the non-audit services provided by the Auditor is £94,000. Having reviewed the auditor's independence and performance, the Audit Committee has concluded that these are effective and recommends that KPMG LLP be re-appointed as the Group's auditor at the next AGM.

**Leslie-Ann Reed**
Audit Committee Chair

5 August 2020

# Nomination Committee Report

On behalf of the Board, I am pleased to present the Nomination Committee report of the Company for the year ended 31 March 2020.

## Committee Members

Christopher Spencer (Chair)
Leslie-Ann Reed
Jane Silber

## Committee Responsibilities

The Nomination Committee is responsible for reviewing the structure, size, and composition (including the skills, knowledge, experience, and diversity) of the board and making recommendations to the board with regard to any changes.

## The Work of the Committee

The Nomination Committee met formally three times during the year and held a number of informal meetings and telephone calls between scheduled meetings.

| | |
|---|---|
| Appointment of Directors | Soon after IPO, the Committee considered a long list of candidates for the vacant Non-Executive Director position and recommended a short list for consideration by the Board. Leslie-Ann Reed was appointed to the vacant position on 19 July 2019.<br><br>The Committee met and appointed Shelley Fraser to the position of interim Chief Financial Officer following Seb Jantet's departure from the Board. Later in the year the Committee considered her performance in the interim post and recommended her appointment to the Board. Shelley was appointed to the Board on 2 March 2020.<br><br>Following the year-end, and during the acquisition of Zesty Limited, the Board asked the Committee to consider the suitability of James Balmain and Andrew Williams for, respectively, Executive and Non-Executive positions on the Board. The Committee recommended their appointments and they joined the Board on 8 June 2020. |
| Succession Planning | During the year, the Committee considered the positions of the Executive Directors and short term and long term succession planning. Their discussions took into account the needs of the business and the preferences of the individuals under discussion. The recommendations of the Committee were communicated to the full Board and resulted in the appointment of Hugo Stephenson and James Balmain as joint CEOs and Ibs Mahmood's voluntary departure from the Board to take up a new role as Chief Business Officer. |

## Induction of new directors

New directors are taken through a comprehensive induction programme which is tailored to their individual needs and understanding.

**Christopher Spencer**
Nomination Committee Chair

5 August 2020

# Directors' Remuneration Report

The objective of the Company's remuneration policy remains unchanged. Its purpose is to facilitate the recruitment and retention of executives of an appropriate calibre, to ensure that the senior executives of the Company are provided with appropriate incentive to encourage enhanced performance and are in a fair and responsible manner, rewarded for their individual contributions to the success of the Group

The Remuneration that the Company offers to its Executive Directors continues to be based on four principal components:

1. Basic Salaries and benefits. Basic salaries are determined by the Remuneration Committee with reference to bench-marked salaries paid in AIM-quoted and other Technology businesses of similar size and complexity. It is intended that the guaranteed pay should be at or near the median level. Benefits in kind include life insurance, healthcare and the provision of a cash allowance to cover travel expenses.
2. Pensions. The Group operates a defined contribution pension scheme for all Executive Directors and employees. Only basic salaries are pensionable.
3. Short-term incentives. Bonuses are payable to staff according to the achievement by the Group determined by key measurable objectives and growth targets. The amount of bonus payable on achievement of the objectives and targets, with adjustment in the event of over-under performance.
4. Long-term incentives. The Company operates a share option scheme covering all permanent employees under which share options are normally granted on passing probation or adhoc on individual performance. Options normally vest on the third anniversary of the date of grant and can then be exercised until the tenth anniversary. The number of shares granted is based on a fixed market value of shares on the date of the grant, so the individual only benefits if there has been a share price growth. The share option scheme is overseen by the Remuneration Committee which eligible individuals may be invited to participate, including the level of awards.

No salary increases or bonuses were awarded to the Executive Directors for 2020, a decision supported by the Executive Directors.



### Directors service contracts

All Executive Directors are employed under service contracts. The services of all Executive Directors may be terminated by the Company or individual giving 6 months' notice for each CEO and 3 months' notice for CFO.

### Remuneration received by Directors for the year ended 31 March 2020 (audited)

### Directors' remuneration (audited)

| | Salary and Fees | | Pension | | Bonus | | Other | | Total Remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| **Executive** | | | | | | | | | | |
| Hugo Stephenson | – | 101,848 | – | 2,334 | – | – | – | – | – | 104,182 |
| Ibs Mahmood | – | 235,835 | – | 26,111 | – | – | – | 41,033 | – | 302,979 |
| Shelley Fraser | – | 14,583 | – | 1,458 | – | – | – | 1,142 | – | 17,183 |
| Sebastien Jantet | 99,000 | 124,143 | 11,000 | 13,794 | – | – | – | – | 110,000 | 137,937 |
| **Non-Executive** | | | | | | | | | | |
| Christopher Spencer | – | 45,984 | | 3,578 | – | – | | – | – | 49,562 |
| Leslie-Ann Reed | – | 27,971 | | – | – | – | | – | – | 27,971 |
| Jane Silber | – | 33,443 | – | 2,602 | – | – | – | – | – | 36,045 |
| | 99,000 | 583,807 | 11,000 | 49,877 | – | – | – | 42,175 | 110,000 | 675,857 |

| Director | Date of Grant | Exercise price (£) | Number of shares | Market value of award | Performance conditions | Exercisable from | Exercisable to |
|---|---|---|---|---|---|---|---|
| Shelley Fraser | 1st March 2020 | 0.005 | 450,000 | 409,500 | no | 01/03/2023 | 01/03/2030 |

# Directors' Remuneration Report (continued)

## Directors' shareholding and share interests (audited)

Share ownership plays a key role in the alignment of our executives with the interests of shareholders. The table below sets out the number of shares held of potentially held by executive directors (including their connected persons where relevant) as at 31 March 2020.

| Name | Beneficially owned shares at 31 March 2020 | Award description | Number of unvested options at 31 March 2019 | Number of vested options at 31 March 2019 | Granted | Number of unvested options at 31 March 2020 | Number of vested options at 31 March 2020 |
|---|---|---|---|---|---|---|---|
| Hugo Stephenson | 8,891,730 | – | – | – | – | – | – |
| Shelley Fraser | – | Share Options March 2020 | – | – | 450,000 | 437,500 | 12,500 |
| Christopher Spencer | 8,696 | – | – | – | – | – | – |
| Jane Silber | 8,696 | – | – | – | – | – | – |

Jane Silber
Remuneration Committee Chair
5 August 2020

# Directors' report

The Directors are pleased to present the Directors' report to shareholders and the audited financial statements for the year ended 31 March 2020.

## Principal activity and business model

The principal activity and business model are set out in the Business Model and Strategy section on pages 14 to 15.

## Results and dividends

The results for the year to 31 March 2020 are set out in the financial statements on pages 53 to 89.

The Directors do not propose payment of a dividend for 2020: (2019: £Nil).

## Review of the year

A comprehensive analysis of the Group's progress and development is set out in the Strategic Report on pages 12 to 24. This analysis includes comments on the position of the Group at the end of the financial year.

## Significant events after the year-end

On 8 June 2020, the Company acquired Zesty Limited (Zesty) a digital healthcare patient engagement platform company, for a consideration comprising (1) £500,000 in cash plus (2) the issue of 12,424,527 New Ordinary Shares.

## Directors' insurance

An insurance policy is maintained by the Group which insures the Directors of the Group against certain liabilities arising in the conduct of their duties.

## Capital structure

The Company's share capital is divided into 42,050,728 ordinary shares of £0.005 each with voting rights. Note 27 explains the changes to the capital structure after the balance sheet date.

## Related party transactions

Details of all related party transactions are set out in Note 26 to the Financial Statements.

## Corporate governance

The Directors' statement on Corporate Governance is set out on pages 26 to 42 and forms part of this report.

## Future outlook

The strategy of the business is set out in the Group Strategy on page 18 to 19.

## Annual General Meeting

The 2020 Annual General Meeting of the Company will be held on 21 September 2020, the business of which is set out in the Notice of Meeting which is available in the Investor Section of the Company's website at www.inductionhealthcare.com.

## Research and development

The Group expended £1,691,270 on development, (2019: £1,464,446) of which £761,066 (2019: £196,951) was capitalised within intangible assets.

## Financial instruments

The financial risk management objectives and policies of the Group, including credit risk, interest rate risk and currency risk are provided in Note 23 of the accounts.

## Directors

The Directors who held office during the year were as follows:

- Shelley Fraser, appointed 2 March 2020
- Sebastian Jantet, resigned 16 August 2019
- Ibs Mahmood, resigned 8 June 2020
- Leslie-Ann Reed, appointed 19 July 2019
- Jane Silber
- Christopher Spencer
- Hugo Stephenson

## Political contributions

Neither the Group nor any of its subsidiaries made any disclosable political donations or incurred any disclosable political expenditure during the year.

# Directors' report
(continued)

## Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditors is aware of that information.

## Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**Shelley Fraser**
Director
5 August 2020

# Statement of Directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable, relevant, reliable and prudent;

— state whether they have been prepared in accordance with IFRSs as adopted by the EU;

— assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

— use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of Induction Healthcare Group plc

| Overview | |
|---|---|
| **Materiality:** group financial statements as a whole | £30,400<br>0.83% of total group expenses |
| **Coverage** | 98% total group expenses |
| **Key audit matters** | |
| **New:** Valuation and accounting of the acquired businesses | |
| **New:** Capitalisation of development costs | |
| **New:** Revenue recognition –ISA required risk | |
| **New:** Investment impairment (parent company key audit matter only) | |

## 1. Our opinion is unmodified

We have audited the financial statements of Induction Healthcare Group plc ("the Company") for the year ended 31 March 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and the related notes, including the accounting policies in note 2.

**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 March 2020 and of the Group's loss for the year then ended;

— the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

— the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

# Independent auditor's report to the members of Induction Healthcare Group plc (continued)

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

| | The risk | Our Response |
|---|---|---|
| **Intangible assets and goodwill** (£2,939k)<br><br>*Refer to page 59 (accounting policy) and page 75 (financial disclosures).* | **Accounting treatment and forecast based estimate**<br>Two businesses were acquired in the year; Podmedics and Horizon Strategic Partners.<br><br>We identified the valuation of the identified intangible assets and goodwill and the accounting thereof as a significant risk due to the complexity of the transaction and the judgements and assumptions required to be applied by Company in determining the valuation of the businesses. Both entities are in the start-up phase, increasing the risk in relation to the fair valuation of the businesses in terms of the judgement in relation to the appropriate valuation methodology to apply.<br><br>There is judgement in relation to the appropriate valuation technique to adopt in determining the equity value of each entity, dependent on the nature and the stage of the company being valued.<br><br>Where the income approach is used there is significant estimation risk in relation to the forecasting in the discounted cashflow.<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the fair value has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 15) disclose the sensitivity estimated by the Group. | Our procedures included:<br>**— Our valuation expertise:**<br>We used our own valuation specialists to assist us in critically assessing certain key inputs utilised within the approaches for each of the acquisitions made (Podmedicsand Horizon Strategic Partners) for the purchase price allocation and the identification and valuation of the intangible assets.<br>**— Assessed the valuer's credentials:**<br>We critically assessed the competence and independence of the Company's external valuation experts used to complete the purchase price allocations for the two entities acquired in the current year.<br>**— Valuation approach:**<br>We, with assistance from our valuation specialists, assessed the appropriateness of the valuation methodology used in the purchase price allocation for the Podmedics acquisition and Horizon Strategic Partners acquisition based on the circumstances relevant to each company such as the costs incurred/cost that would have been incurred to develop the applications that were in the companies acquired. We evaluated whether there are relevant comparable companies to the company and whether reliable forecasts are available and the industry in which it operates.<br>**— Benchmarking assumptions:**<br>Management utilised internal data such as the strategic plans, forecast and actual data. We performed procedures to confirm the accuracy of the internal data, these included assessing the assumptions made by the company when preparing forecasts, critically assessing whether or not the contracts that were in progress when the forecast were made have materialised or will materialise.<br><br>We critically analysed the appropriateness of other assumptions used in the forecasts. The assumptions included projected revenue, the growth rate, operating costs, EBIT margins and terminal values (as disclosed in note 15 on page 80)<br><br>For Horizon Strategic Partners, we considered the current contracts in place and the renewal rates in the prior year, as well as the Company's plans for expansion. We also assessed the Company's forecasts. |

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# Independent auditor's report to the members of Induction Healthcare Group plc (continued)

| | The risk | Our Response |
|---|---|---|
| | | Where the valuation was based on the cost approach, we critically assessed the appropriateness of this method in the valuation of the assets, based on the circumstances specific to the Company as well as critically assessing the determined valuation amount with reference to the internal data provided for the valuation thereof.<br>**Assessing transparency:**<br>We critically assessed whether the Company's disclosures were consistent with the valuations performed and whether the Group's disclosures adequately highlighted the uncertainty inherent in the valuations. |
| **Intangible assets – capitalised development costs**<br>(£761k)<br>*Refer to page 63 (accounting policy) and page 79 (financial disclosures).* | **Accounting treatment**<br>There is a risk that the costs could be incorrectly capitalised i.e. not meeting the capitalisation criteria of the relevant accounting standards.<br>We identified the capitalisation of development costs as a risk due to the inherent judgement and assumptions that need to be applied by management in assessing whether the requirements of IAS 38 have been met.<br>There is judgement in determining which of the costs incurred in the development of the applications should be capitalised and at what rate. | Our procedures included:<br>**— Our sector experience:**<br>We evaluated management's assessment relating to the five requirements as per IAS 38 to order to capitalise development costs.<br>**— Assessed management's judgement and assumption:**<br>We critically assessed whether there was commercial feasibility of the assets as well as the ability of the asset to generate future economic benefits.<br>We challenged management's assumptions on the capitalisation rates used to capitalise the expenses. We considered the different employees involved in the development of the applications and the time spent on developing the applications. We critically assessed the different rates used for each of the employee categories.<br>**— Assessed accuracy:**<br>We inspected the invoices and other supporting documentation for the expenses incurred and capitalised to confirm that these were directly linked to the development of the applications.<br>We inspected the employees' contracts and contractor invoices to confirm whether these are directly involved in the development of the applications. We further tested the payroll costs by agreeing to the payroll records and bank statements to assess the existence and accuracy of the payroll costs on which the capitalisation rates were applied. We recalculated the capitalised costs using the applicable rate for the employees identified. For the contractor costs, we traced the amounts to the invoices received and recalculated the capitalised costs using the applicable rate for the contractors identified. |

# Independent auditor's report to the members of Induction Healthcare Group plc (continued)

| | The risk | Our Response |
| --- | --- | --- |
| **Revenue recognition**<br>(£148k)<br>*Refer to page 65 (accounting policy) and page 69 (financial disclosures).* | **Accounting treatment**<br>We have identified a fraud risk related to the Company's revenue recognition at the year-end date (overstating revenue)<br>There is a risk in ascertaining the correct revenue to be recognised for the period with reference to the requirements of IFRS 15. Whilst there is limited judgement in identifying the point in which the obligations have been fulfilled, the external focus on the revenue value increases the risk of fraudulent premature revenue recognition. | Our procedures included:<br>**— Accounting analysis:**<br>We assessed and challenged the key purchase orders to consider the Company's assessment of the revenue contract, the Company's determination of distinct performance obligations, the Company's methodology in recognising revenue in line with IFRS 15 for over time recognition.<br>We assessed that the revenue has been recorded in the correct period, the performance obligation has been satisfied in the correct period and the correct transaction price has been used in the revenue recognition calculation.<br>We assessed the accrued income calculation as at the balance sheet date to confirm the correct recognition has been applied.<br>**— Assessed Transparency:**<br>We critically assessed the adequacy of the Company's disclosures in relation the revenue recognition and assessed that the accounting policies are in line with the requirements of IFRS 15. (see note 2.13 on page 65). |
| **Investment impairment –parent company**<br>(£15,182k)<br>*Refer page 93 (accounting policy) and page 94 (financial disclosures).* | **Moderate risk, high value**<br>The carrying amount of the parent company's investments in the subsidiary companies and intercompany balances represents 100% of the Company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit. | Our procedures included:<br>We compared the carrying amount of the investment plus related party receivables to the market capitalisation of the Company.<br>We considered if the Company has sufficient net assets to support the value of the investment held by the company.<br>We obtained and analysed the valuations prepared on behalf of the Company and consider the impact of these valuations on the carrying value of the investment recorded. |

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# Independent auditor's report to the members of Induction Healthcare Group plc (continued)

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £30.4k, determined with reference to a benchmark of group expenses of £3,675k of which it represents 0.83%. We consider the group expenses to be the appropriate benchmark as the group is still in its start-up phase.

Materiality for the parent company financial statements as a whole was set at £90k, determined with reference to a benchmark of total assets of which it represents 2.5%.

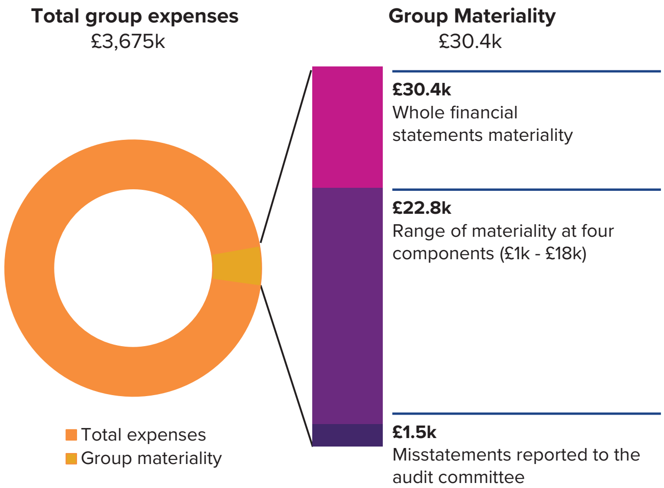
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.5k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

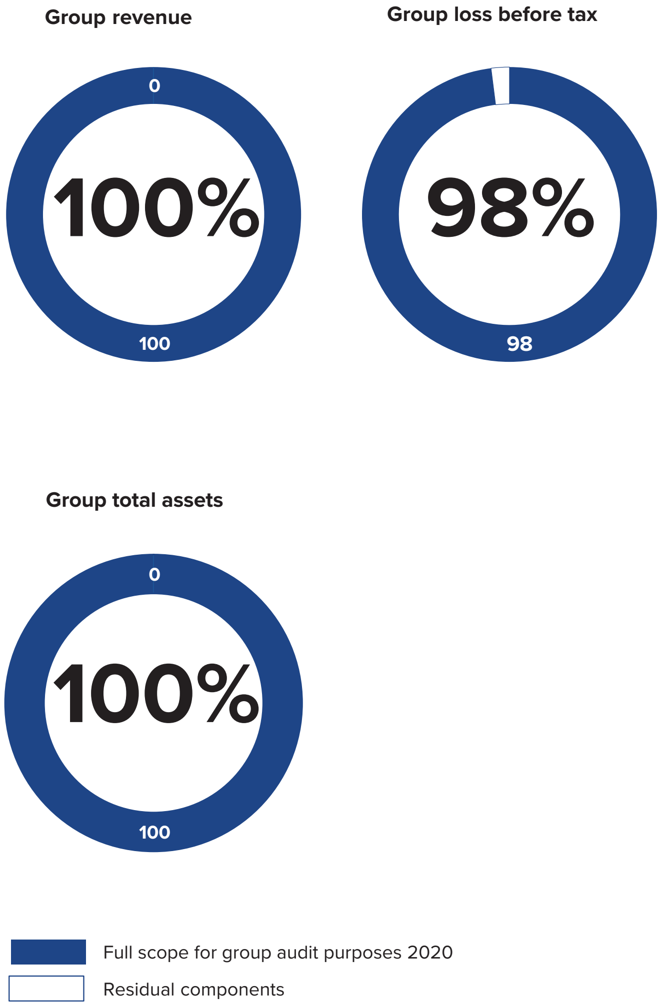
Of the Company's six reporting components, we subjected four to full scope audits for group purposes. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the percentage illustrated opposite.

The group team (same as the component team) approved the component materialities which ranged from £1.3k to £24k, having regard to the mix of size and risk profile of the Group across the components.

Our audit of the parent company was undertaken to materiality specified above.

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# Independent auditor's report to the members of Induction Healthcare Group plc (continued)

## 4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Significant cost overruns; and
- Revenue decline from subscription income.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

## 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

**Strategic report and directors' report**
Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## 6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

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# Independent auditor's report to the members of Induction Healthcare Group plc (continued)

## 7. Respective responsibilities

**Directors' responsibilities**
As explained more fully in their statement set out on page 45, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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**
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## 8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the 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 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

K Tasker

**Karen Tasker**
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Blvd
Milton Keynes
MK9 1FD

5 August 2020

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# Consolidated Income Statement

## For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| Revenue from contracts with customers | 5 | **148** | – |
| Cost of sales | | **(73)** | (66) |
| **Gross profit / (loss)** | | **75** | (66) |
| Sales and marketing expenses | | **(274)** | (264) |
| Development expenses | | **(962)** | (1,300) |
| Administrative expenses | | **(2,330)** | (1,066) |
| Other operating expenses | | **(83)** | (11) |
| **Operating loss** | 6 | **(3,574)** | (2,707) |
| Finance income | 10 | **47** | – |
| **Loss before tax** | | **(3,527)** | (2,707) |
| Taxation | 11 | **–** | – |
| **Loss for the financial year / period** | | **(3,527)** | (2,707) |
| **Loss attributable to:** | | | |
| Equity holders of the parent | | **(3,527)** | (2,707) |
| | | **(3,527)** | (2,707) |

The notes on pages 58 to 89 form an integral part of these Financial Statements

Financial Statements

# Consolidated Statement of Comprehensive Income

## For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Loss for the year / period** | | **(3,527)** | (2,707) |
| **Other comprehensive loss** | | | |
| *Items that will be reclassified to profit or loss* | | | |
| Foreign currency translation differences | | **8** | (1) |
| Reclassified to profit and loss during the year | | **(1)** | – |
| **Other comprehensive loss for the period** | | **7** | (1) |
| **Total comprehensive loss for the period** | | **(3,520)** | (2,708) |
| **Loss attributable to:** | | | |
| Equity holders of the parent | | **(3,520)** | (2,708) |
| | | **(3,520)** | (2,708) |

| | | | Pence |
|---|---|---|---|
| **Loss per share:** | | | |
| Basic loss per share (£) | 12 | **(0.13)** | (0.21) |
| Diluted loss per share (£) | 12 | **(0.13)** | (0.21) |

The notes on pages 58 to 89 form an integral part of these Financial Statements

# Consolidated Statement of Financial Position

## As at 31 March 2020

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 15 | **1,553** | – |
| Intangible assets | 15 | **2,349** | 222 |
| Deferred tax assets | 11 | **97** | – |
| **Total non-current assets** | | **3,999** | 222 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **140** | 128 |
| Contract assets | 5 | **23** | – |
| Other current financial assets | 16 | **–** | 100 |
| Cash and cash equivalents | 18 | **10,718** | 169 |
| **Total current assets** | | **10,881** | 397 |
| **Total assets** | | **14,880** | 619 |
| **Non-current liabilities** | | | |
| Contract liabilities | 21 | **38** | – |
| Deferred tax liabilities | 11 | **321** | – |
| **Total non-current liabilities** | | **359** | – |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **402** | 761 |
| Contract liabilities | 21 | **263** | – |
| Loans and borrowings | 19 | **–** | 2,500 |
| Other financial liabilities | 23 | **1,409** | – |
| **Total current liabilities** | | **2,074** | 3,261 |
| **Total liabilities** | | **2,433** | 3,261 |
| **Net assets / (liabilities)** | | **12,447** | (2,642) |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 22 | **148** | 66 |
| Share premium | 22 | **18,432** | – |
| Translation reserve | 22 | **7** | (1) |
| Other reserves | 22 | **94** | – |
| Merger reserve | 22 | **(10)** | – |
| Accumulated deficit | 22 | **(6,224)** | (2,707) |
| **Total equity** | | **12,447** | (2,642) |

The notes on pages 58 to 89 form an integral part of these Financial Statements

These financial statements were approved by the board of Directors on 5 August 2020 and were signed on its behalf by:

Shelley Fraser
Chief Financial Officer
Company registered number: 11852026

# Consolidated Statement of Changes in Equity

**For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019**

| | Note | Share capital £000 | Share premium £000 | Translation reserve £000 | Other reserves £000 | Merger reserve £000 | Accumulated deficit £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 5 March 2018 | | – | – | – | – | – | – | – |
| Total comprehensive loss for the period | | | | | – | – | | |
| Loss for the period | | – | – | – | – | – | (2,707) | (2,707) |
| Other comprehensive loss for the period | | – | – | (1) | – | – | – | (1) |
| **Total comprehensive loss for the period** | | – | – | (1) | | | (2,707) | (2,708) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Issue of shares | 22 | 66 | – | – | – | – | – | 66 |
| Total contributions by and distributions to owners | | 66 | – | – | – | – | – | 66 |
| **Balance at 31 March 2019 and 1 April 2019** | | **66** | **–** | **(1)** | **–** | **–** | **(2,707)** | **(2,642)** |
| **Total comprehensive loss for the year** | | | | | | | | |
| Loss for the year | | – | – | – | – | – | (3,527) | (3,527) |
| Other comprehensive loss for the year | | – | – | 8 | – | – | – | 8 |
| Total comprehensive loss for the year | | – | – | 7 | – | – | (3,527) | (3,520) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Reserves arising on acquisition of subsidiaries | 13 | – | – | – | – | (10) | 10 | – |
| Issue of shares pre-Initial Public Offering | 22 | 9 | 1,991 | – | – | – | – | 2,000 |
| Issue of shares to settle loans and borrowings | 22 | 9 | 1,991 | – | – | – | – | 2,000 |
| Issue of shares as consideration for a business combination | 22 | 2 | 398 | – | – | – | – | 400 |
| Issue of shares on Initial Public Offering | 22 | 62 | 14,521 | – | – | – | – | 14,583 |
| Share issue costs | | – | (469) | – | – | – | – | (469) |
| Equity settled share-based payments | 9 | – | – | – | 94 | – | – | 94 |
| Total contributions by and distributions to owners | | 82 | 18,432 | – | 94 | (10) | 10 | 18,608 |
| **Balance at 31 March 2020** | | **148** | **18,432** | **7** | **94** | **(10)** | **(6,224)** | **12,447** |

The notes on pages 58 to 89 form an integral part of these Financial Statements

# Consolidated Cash Flow Statement

## For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the financial year / period | | **(3,527)** | (2,707) |
| *Adjustments for:* | | | |
| Amortisation and impairment of intangible assets | | **323** | 11 |
| Finance income | 10 | **(47)** | – |
| Share based payment expense | 9 | **94** | – |
| Net foreign exchange differences | | **(7)** | – |
| Fair value adjustment of contingent consideration | | **83** | – |
| | | **446** | 11 |
| Decrease / (increase) in trade and other receivables and contract assets | | **29** | (228) |
| (Decrease) / increase in trade and other payables and contract liabilities | | **(341)** | 761 |
| Interest received | | **47** | – |
| **Net cash used in operating activities** | | **(3,346)** | (2,163) |
| Cash flows from investing activities | | | |
| Acquisitions of subsidiaries, net of cash acquired | 13 | **(976)** | – |
| Expenditure on internally generated intangibles | 15 | **(761)** | (197) |
| Loans to related parties | 19 | **10** | – |
| **Net cash from investing activities** | | **(1,727)** | (197) |
| **Cash flows from financing activities** | | | |
| Proceeds from related party borrowings | 19 | **500** | 2,500 |
| Repayment of related party borrowings | 19 | **(1,000)** | – |
| Proceeds from the issue of share capital | 22 | **16,584** | 30 |
| Transaction costs on issue of shares | 22 | **(469)** | – |
| **Net cash from financing activities** | | **15,615** | 2,530 |
| **Net increase in cash and cash equivalents** | | **10,542** | 170 |
| Cash and cash equivalents at the beginning of the financial year / period | | **169** | – |
| Effect of exchange rate fluctuations on cash and cash equivalents | | **7** | (1) |
| **Cash and cash equivalents at 31 March 2020** | 18 | **10,718** | 169 |

The notes on pages 58 to 89 form an integral part of these Financial Statements

# Notes (forming part of the financial statements)

## 1 General Information

Induction Healthcare Group plc is a public company incorporated, domiciled and registered in England in the United Kingdom. Its principal activity is the provision of software to healthcare professionals. The registered number is 11852026 and the registered address is 20 St. Dunstan's Hill, London, United Kingdom, EC3R 8HL.

Induction Healthcare Group plc was formed on 28 February 2019 with an initial shareholding of one share at a nominal value of £1. On 1 April 2019, Induction Healthcare Group plc acquired 100% of the share capital of Induction Healthcare Limited, the previous parent company of the Group, in a share for share exchange transaction. This has been accounted for as a common control transaction under IFRS 3 B1 (see Note 13).

These financial statements include the consolidated financial information of Induction Healthcare Group plc (the "Company") and its subsidiaries (together referred to as the "Group"). Details of Induction Healthcare Group plc's subsidiaries are included in Note 14. The Group has only one reportable segment.

## 2 Accounting policies

Both the financial statements of the Group and the financial statements of the Company have been prepared and approved by the Board of Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

Judgements made by the Board of Directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

### 2.1 Basis of preparation

These financial statements have been prepared on the historical cost basis except for other financial assets and liabilities, which are stated at fair value. The consolidated financial statements are presented in pounds and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

### 2.2 Going concern

The Group made a loss of £3,527,766 for the year ended 31 March 2020, and had net current assets of £8,807,220, inclusive of cash of £10,718,474. The Board of Directors have reviewed the projected cash flow forecasts to 31 March 2022 and other relevant information, together with considering the severe yet plausible downside scenarios of COVID-19 and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### 2.3 Basis of consolidation

*Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial information of subsidiaries is included in these financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

*Change in subsidiary ownership and loss of control*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

### 2.4 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is initially measured at the acquisition date at cost, being:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU's") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

### 2.5 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

### 2.5 Current versus non-current classification (continued)
The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.6 Fair value measurement
The Group measures financial instruments at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities measured at fair value are classified into a fair value hierarchy based on the valuation technique used to determine fair value as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair value related disclosures for financial instruments that are measured at fair value are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions – Notes 3, 13 and 23.
- Financial instruments (including those carried at amortised cost) – Note 23
- Contingent consideration – Note 23

### 2.7 Foreign currency
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

### 2.7 Foreign currency (continued)

The functional currency of the Company is Sterling. The assets and liabilities of foreign operations with functional currencies other than Sterling, including fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the consolidated statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

### 2.8 Financial instruments

*Classification of financial instruments*

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in Induction Healthcare Plc's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of Induction Healthcare Plc's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of Induction Healthcare Plc's own shares, the amounts presented in the financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

*Recognition and initial measurement*

Non-derivative financial instruments comprise other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. All financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value plus, for items measured at amortised cost, transaction costs directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*Financial assets – classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss ("FVTPL"). The Group has no financial assets measured at fair value through other comprehensive income ("FVOCI"). A financial asset is measured at amortised cost if it is both: held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise to cash flows that are solely payments of principal and interest on the amount outstanding.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition, and "interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument, including any terms which may affect the timing or amount of contractual cash flows. All financial assets not measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value with net gains and losses, including any interest or dividend income, recognised in profit or loss.

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

### 2.8 Financial instruments (continued)

Interest income, foreign exchange gains and losses, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Financial liabilities – classification and subsequent measurement*
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the consolidated cash flow statement.

Derivative financial instruments and other financial assets

Other financial assets comprise call options. Options are initially classified as FVTPL and recognised at fair value based on the consideration paid for the option. Subsequently, the options are measured at fair value and the gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

*Business model assessment*
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed and information provided to management. The assessment includes consideration of the stated objectives of the portfolio, the performance of the portfolio, the risks that affect the performance of the business model, and the frequency, volume and timing of sales of financial assets.

*Impairment*
The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, except for cash and cash equivalents which is measured using 12-month ECLs. ECLs are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls expected on financial assets, using the effective interest rate of the financial asset. Lifetime ECLs are the ECLs which result from all possible default events over the expected life of a financial instrument. When determining ECLs, the Group considers reasonable and supportable qualitative and quantitative information that is relevant and available without undue cost or effort. The Group considers a financial asset to be in default when the borrower is unlikely to pay its obligations to the Group in full without recourse by the Group to actions such as realising security (if any held) or when the financial asset is more than 90 days overdue.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

*Derecognition*
The Group derecognises a financial asset when the contractual rights to receive cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

### 2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

*Research and development*
Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes direct labour and directly attributable expenses such as hosting fees. Other development expenditure is recognised in the consolidated income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

*Other intangible assets*
Expenditure on internally generated goodwill and brands is recognised in the consolidated income statement as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

*Intangible assets acquired in a business combination*
During the year, the Group acquired trade and brand names, users and technology as part of business combinations.

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each statement of financial position date. Other intangible assets are amortised from the date they are available for use.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

### 2.9 Intangible assets (continued)

A summary of the policies applied to the Group's intangible assets are as follows:

| | Technology | Users | Trade Name | Capitalised development costs |
|---|---|---|---|---|
| Useful life | 3 - 10 years | 3 - 10 years | 3 - 10 years | 3 years |
| Amortisation method | Straight line over the expected life of the asset | Straight line over the expected life of the asset | Straight line over the expected life of the asset | Straight line over the expected life of the asset |
| Internally generated or acquired | Acquired | Acquired | Acquired | Internally developed |

### 2.10 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

### 2.11 Employee benefits

*Short term employee benefits*

Short term employee benefits are expensed as the related service is provided. A liability is recognised if the Group has a present legal or constructive obligation to pay an amount as a result of past employee service and the obligation can be estimated reliably.

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement in the periods during which services are rendered by employees.

*Share-based payment transactions*

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market and non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each statement of financial position date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

### 2.12 Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### 2.13 Revenue

The Group is in the business of providing access to the Group's proprietary applications. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The transaction price is determined based on the standard list price in line with the Group's pricing policy. Revenue is therefore shown net of value added tax and trade discounts and is reported for healthcare institutions, whereby healthcare institutions are charged a subscription fee for making the applications available to users.

Control is transferred, and performance obligations are satisfied over time over the subscription period and therefore this revenue is recognised rateably over the period of the subscription. Payment is due within 30 days of date of invoice.

The Group did not enter into any transactions with variable consideration, rights of return, volume rebates or significant financing components during the year. The Group does not have any warranty obligations.

A contract asset is initially recognised for renewals of subscriptions, where the customer continues to have access to the applications, but has not been invoiced for the subscription renewal. Upon receipt of a purchase order from the customer and invoicing by the Group, the balance is reclassified to trade receivables.

# Notes (forming part of the financial statements) (continued)

## 2 Accounting policies (continued)

**2.13 Revenue (continued)**
A contract liability is recognised if a payment is received from a customer in advance of the subscription period to which that payment relates.

The Group has not incurred any costs to obtain or fulfil contracts with customers during the year.

The Group has elected to use the practical expedient to disregard the significant financing component for contracts with a subscription period of 12 months or less.

**2.14 Expenses**
*Cost of sales*
Cost of sales consists of the direct costs associated with the Group's proprietary applications, including costs incurred for server hosting and data population.

*Lease payments*
Payments made under leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

*Financial income*
Financial income comprises interest received on cash balances held by the Group and is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

**2.15 Taxation**
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

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 or liabilities that affect neither accounting nor taxable profit other than in a business combination, and 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 manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position 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 difference can be utilised. Deferred tax assets are reviewed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Research and Development Expenditure Credits ("RDEC") to be received in cash are recorded in other income in the period in which the qualifying expenditure was incurred, once the underlying claim methodology has been agreed with HM Revenue & Customs. No RDEC were recognised during the year ended 31 March 2020 due to the fact that this year is the first year of submission of a claim, and there is therefore uncertainty over the amount and timing of the amount to be received in cash.

Research and development tax credits claimed from HM Revenue & Customs are taken as a credit in the period in which the qualifying research and development costs are incurred. No credits have been recognised due to the uncertainty over the amount and timing of the credits.

# Notes (forming part of the financial statements) (continued)

## 3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and disclosures of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amounts of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 23
- Financial instruments risk management and policies Note 23
- Sensitivity analyses disclosures Note 13

In the process of applying the Group's accounting policies, management has applied the following judgements, estimates and assumptions:

**Significant judgements**
*Development costs*
The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. Technological feasibility is achieved when a product development project has reached a defined milestone according to an established project management model. Economic feasibility is achieved when a market for the product has been identified

*Acquired intangibles*
Management has made judgements in determining the methodology used to value intangible assets acquired in its business combinations. Please refer to Note 13 for more information.

**Significant estimates**
*Development costs*
In determining the amounts to be capitalised, management makes assumptions regarding the percentage of employee time spent on development activities. At 31 March 2020, the carrying amount of capitalised development costs was £761,065 (2019: £196,953).

*Impairment of goodwill and intangible assets*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next two years and projections for another 3 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 13.

*Valuation of acquired intangibles*
Management has made estimates in determining the value of intangible assets acquired in its business combinations. Please refer to Note 13 for more information.

**Other non-significant estimates**
*Share-based payments*
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes-Merton model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

# Notes (forming part of the financial statements) (continued)

## 3 Significant accounting judgements, estimates and assumptions (continued)

*Taxes*
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has £6,143,590 (2019: £2,580,000) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

*Taxes (continued)*
On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £1,057,585. Further details on taxes are disclosed in Note 11.

*Fair value measurement of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 23 for further details.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (see Note 13 for details.)

As part of the accounting for the acquisition of Horizon Strategic Partners Limited, contingent consideration with an estimated fair value of £1,325,397 was recognised at acquisition date and remeasured to £1,408,831 as at 31 March 2020. Future developments may require further revisions to the estimate. The maximum contingent consideration to be paid is £1,500,000. The contingent consideration is classified as other financial liability (see Note 23).

*Other assets*
During the year ended 31 March 2019, Induction Healthcare Limited paid £100,000 for an option to acquire either the shares or the assets of Podmedics Limited in exchange for consideration of £400,000 satisfied in either shares or cash. The option was held at cost as this was deemed to be equal to the fair value. The option was recognised initially at cost. At 31 March 2019 no formal decision had been made with regard to whether to exercise the option, there had been no material change in Podmedics between the time of the acquisition of the option and the period end, and therefore management had concluded that there had been no material change in the fair value of the option. During the year ended 31 March 2020, the option was exercised as part of the acquisition of the share capital of Podmedics Limited. The value of the option was included as part of the consideration transferred for the acquisition of Podmedics Limited (see Note 13 for more details).

## 4 Application of new and revised accounting standards

The following new and amended IFRSs have been issued and been applied by the Group in these financial statements.

— IFRS 16 Leases (effective date 1 January 2019). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

  The Group adopted IFRS 16 using the modified retrospective method of adoptions, with the date of initial application 1 April 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. The Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 as the date of initial application. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying

# Notes (forming part of the financial statements) (continued)

## 4 Application of new and revised accounting standards (continued)

asset is of low value (low-value assets). During the year the Group only entered into short-term leases and therefore there is no impact to the financial statements arising from the initial application of IFRS 16.

— IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019) – the Group does not have any uncertain tax treatments that fall within the scope of IFRC 23, therefore the impact is considered immaterial.

— Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date 1 January 2019) – no impact noted.

The Group has not yet early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

## 5 Revenue from contracts with customers

### 5.1 Disaggregated revenue information

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| **Geographical markets** | | |
| United Kingdom | **131** | – |
| Europe | **2** | – |
| United States | **11** | – |
| Rest of World | **4** | – |
| **Total Revenue from contracts with customers** | **148** | – |

### 5.2 Contract balances

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Trade receivables | **80** | – |
| Contract assets | **23** | – |
| Contract liabilities | **301** | – |

The acquisition of a subsidiary resulted in all the above increases in contract balances.

Contract assets relate to revenue earned from the continuing access to and usage of the Group's products and services for renewals of subscriptions, which have not yet been invoiced. During 2020, £Nil was recognised as provision for expected credit losses on contract assets, as the Group has concluded that expected credit losses are not material to the Group.

Contract liabilities include long-term advances received for long-term subscription contracts, and short-term advances for subscription contracts with a term of 12 months or shorter. During 2020, £Nil was recognised as interest on long-term advances, increasing the contract liabilities' balance, as the Group has concluded that none of the Group's contracts contain a significant financing element.

### 5.3 Performance obligations

The performance obligations of the Group relate to the provision of access to the software platforms and applications developed by the Group. The performance obligation is satisfied over time during the subscription period. The contracts of the Group have two alternative payment options. Customers can subscribe annually for a transaction price equal to the cash selling price or pay a discounted transaction price if they subscribe for a term longer than 12 months.

The Group does not supply any products with rights of return or refund rights.

The remaining performance obligations expected to be recognised relate to the provision of access to the Group's products and services for contracts with existing customers. The transaction price allocated to the remaining performance obligations are as follows:

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Within one year | **241** | – |
| More than one year | **122** | – |

# Notes (forming part of the financial statements) (continued)

## 6 Expenses by nature

Included in net loss for the period are the following:

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Employee benefit expense | **2,106** | 706 |
| Contractors | **538** | 1,155 |
| Acquisition related transaction costs | **150** | – |
| Depreciation, amortisation and impairment | **324** | 11 |
| Professional and legal fees | **583** | 724 |
| Capitalised research and development costs | **(761)** | (197) |
| Remeasurement of contingent consideration | **83** | – |

## 7 Auditors remuneration

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Audit of these financial statements | **80** | 50 |
| – Audit of Group financial statements | **53** | 50 |
| – Audit of the parent company financial statements | **27** | – |
| **Total audit fees** | **80** | 50 |
| Interim financial statement review | **15** | – |
| Non-audit fees in relation to initial public offering | **79** | 77 |
| **Total non-audit fees** | **94** | 77 |
| **Total audit and non-audit fees** | **174** | 127 |

## 8 Employee benefits

The average number of full time equivalent (FTE) persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

| | Year to 31 March 2020 | Period to 31 March 2019 |
|---|---|---|
| | No. of employees | No. of employees |
| Development | **11** | 5 |
| Sales and marketing | **2** | 1 |
| General and administrative | **3** | 1 |
| **Total average FTE** | **16** | 7 |

The aggregate payroll costs of these persons were as follows:

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Wages and salaries | **1,720** | 610 |
| Social security costs | **198** | 70 |
| Contributions to defined contribution plans | **94** | 26 |
| Share based payment expense | **94** | – |
| **Total employee benefit expense** | **2,106** | 706 |

The remuneration of the highest paid Director was £302,979.

The Group operates a defined contribution pension plan which was put in place in October 2018. The total expense relating to this plan in the current year was £93,696.

# Notes (forming part of the financial statements) (continued)

## 9 Share based payments

On the admission to the AIM market 22 May 2019, the Group established the Non-Tax Advantaged Share Option Plan which awards executive directors, management and other employees share options. The award is granted in the form of share options over ordinary share of £0.005 each with the intent of normal vesting after a minimum period of three years from the date of grant. Vesting is subject to continued services of the participant. No options issued during the year had any vesting conditions other than service conditions attached. The Group accounts for the plan as an equity settled plan. There were no cancellations or modifications to the awards in 2020.

The fair value of share options is estimated at the grant date using a Black-Scholes-Merton model, taking into account the terms and conditions on which the options were granted.

The expense recognised for employee services received during the year is:

| | Year to 31 March 2020 £000 |
|---|---|
| Expense arising from equity settled share base payment transactions | **94** |
| **Total expense arising from share based payment transactions** | **94** |

**Movements during the year**

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year

| | Year to 31 March 2020 Number | Period to 31 March 2020 WAEP (£) |
|---|---|---|
| **Outstanding at 1 April 2019** | **–** | – |
| Granted during the year | **431,351** | 0.005 |
| Forfeited during the year | **(143,198)** | 0.005 |
| Exercised during the year | **–** | – |
| Expired during the year | **–** | – |
| **Outstanding at 31 March 2020** | **288,153** | |
| Exercisable at 31 March 2020 | **–** | – |
| **Total expense arising from share based payment transactions (£000)** | **94** | – |

The weighted average remaining contractual life for the share options outstanding as at 31 March 2020 was 3.43 years. Options expire after 10 years.

The weighted average fair value of options granted during the year was £345,029.

All options issued during the year have an exercise price of £0.005.

The inputs used in the Black-Scholes-Merton valuation model for the year ended 31 March 2020 are:

| | Year to 31 March 2020 |
|---|---|
| Weighted average fair values at the measurement date | **242,492** |
| Dividend yield (%) | **0%** |
| Expected volatility (%) | **50%** |
| Risk-free interest rate (%) | **0.62%** |
| Expected life of share options (years) | **3.94** |
| Weighted average share price (£) | **0.68** |

The expected life of share options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. Due to the fact that the Induction Healthcare Group plc does not have listed share data for the same period as the expected life of the share options, the expected volatility is based on an average of the volatilities of comparable companies in comparative industries and of the same market capitalisation as the Group. This volatility reflects an assumption that the volatility is indicative of future trends, which may not necessarily be the actual outcome.

# Notes (forming part of the financial statements) (continued)

## 10 Net finance costs

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Interest arising from revenue contracts | **–** | – |
| Interest income on unimpaired financial assets | **47** | – |
| **Total finance income** | **47** | – |

## 11 Taxation

Recognised in the income statement and equity

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| **Current income tax:** | | |
| UK corporation tax on losses of year | **–** | – |
| Adjustments in respect of current income tax of previous year | **–** | – |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | **–** | – |
| Income tax expense reported in the income statement | **–** | – |
| Current tax recognised directly in equity | **–** | – |
| Deferred tax recognised directly in equity | **–** | – |
| Total tax recognised directly in equity | **–** | – |
| **Tax expense in income statement, total tax expense and tax recognised in equity** | **–** | – |

**Reconciliation of effective tax rate**

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Profit / (loss) on ordinary activities before tax | **(3,527)** | (2,707) |
| Tax at the Group's effective tax rate of 19.11% | **(674)** | 514 |
| Effects of: | | |
| Non-deductible expenses: | | |
| Contingent consideration remeasurement | **26** | – |
| Other non-deductible expenses | **82** | (127) |
| Amortisation on intangible assets | **(2)** | – |
| Research and development relief | **–** | – |
| Share based payments | **18** | – |
| Current period losses for which no deferred tax asset was recognised | **550** | (387) |
| **Total tax expense** | **–** | – |

# Notes (forming part of the financial statements) (continued)

## 11 Taxation (continued)

**Deferred tax recognised**

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| General provisions | **—** | – |
| Tax losses | **97** | – |
| Intangible assets | **(321)** | |
| **Total deferred tax asset / liability** | **(224)** | – |
| Reflected in the statement of financial position as follows: | | |
| Deferred tax assets | **97** | |
| Deferred tax liabilities | **(321)** | |

**Reconciliation of deferred tax liabilities, net**

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Opening deferred tax balance at tax rate of 17% | **–** | – |
| Deferred tax acquired in business combinations | **(224)** | – |
| Tax expense during the period recognised in profit or loss | **–** | |
| **Closing deferred tax at tax rate of 19%** | **(224)** | – |

A deferred tax liability of £321,168 has been recognised in relation to fair value adjustments of intangible assets acquired in business combinations. A deferred tax asset of £97,100 has been recognised in relation to unused tax losses acquired in the business combination with Horizon Strategic Partners Limited.

A deferred tax asset of £1,057,585 has not been recognised due to uncertainty that the asset will be utilised in the foreseeable future as the Group has yet to obtain significant sources of income. The unrecognised deferred tax asset includes those in relation to tax losses of £6,143,590. These amounts exclude amounts related to Horizon Strategic Partners Limited, which is expected to generate profits and for which a deferred tax asset has been recognised.

Deferred tax balances have been recognised at the rate expected to apply when the deferred tax attribute is forecast to be utilised based on tax rates substantively enacted at 31 March 2020. A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was enacted on 15 September 2016. This reduction was then reversed and a rate of 19% maintained from 1 April 2020, this was substantively enacted on 17 March 2020.

This does not result in any significant change to these figures. The deferred taxes at 31 March 2020 have been calculated based on these rates.

## 12 Loss per share

Basic loss per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

# Notes (forming part of the financial statements) (continued)

## 12 Loss per share (continued)

The following table reflects the income and share data used in the basic and diluted loss per share calculations:

**Loss attributable to ordinary shares (basic and diluted)**

| | Year to 31 March 2020 £000 | Period to 31 March 2019 £000 |
|---|---|---|
| Loss attributable to ordinary shares (basic and diluted) | **(3,527)** | (2,707) |
| | **(3,527)** | (2,707) |

**Weighted average number of ordinary shares (basic and diluted)**

| | Year to 31 March 2020 Number | Period to 31 March 2019 Number |
|---|---|---|
| Shares in issue at the beginning of the period | **65,591** | |
| Issued ordinary shares as at 5 March 2018 | **–** | 20,000 |
| Shares issued on 4 September 2018 | **–** | 9,828 |
| Shares issued on 5 September 2018 | **–** | 35,763 |
| Share split on 7 May 2019 | **13,052,609** | 13,052,609 |
| Shares issued on 7 May 2019 | **3,826,086** | – |
| Shares issued on 22 May 2019 on IPO | **12,681,915** | – |
| **Issued ordinary shares as at the end of the period** | **29,626,201** | 13,118,200 |
| **Weighted-average number of ordinary shares (basic and diluted)** | **26,189,458** | 13,162,362 |
| Basic loss per share (£) | (0.13) | (0.21) |
| Diluted loss per share (£) | (0.13) | (0.21) |

Share options granted to employees as discussed in Note 9 have not been included in the calculation of diluted loss per share, as they are anti-dilutive during the year. At 31 March 2020, 288,153 share options are outstanding.

Loss per share for the period to 31 March 2019 has been restated to take into account the share split on 7 May 2020.

On 8 June 2020, Induction Healthcare Group plc acquired 100% of the share capital of Zesty Limited for a consideration comprising £500,000 in cash, plus the issue of 12,424,527 New Ordinary Shares (refer Note 27). If this transaction had occurred before 31 March 2020, this would have changed the number of ordinary shares used in the loss per share calculation significantly.

# Notes (forming part of the financial statements) (continued)

## 13 Business combinations

**Group restructuring**
On 28 February 2019, a new parent holding company, Induction Healthcare Group plc, was formed with an initial shareholding of one share issued at £1.

On 1 April 2019, Induction Healthcare Group plc and Induction Healthcare Limited executed a share for share exchange, whereby Induction Healthcare Group plc acquired 100% of the share capital in Induction Healthcare Limited, in consideration for the issuance of shares in Induction Healthcare Group plc to the shareholders of Induction Healthcare Limited. This was done on the basis of one ordinary share in Induction Healthcare Group plc for each ordinary share in Induction Healthcare Limited.

Induction Healthcare Group plc issued 65,590 shares with a nominal value of £1 to the holders of equivalent shares in Induction Healthcare Limited. This has been treated as a common control transaction and the comparative historical financial statements have been presented as if the transaction had already taken place. At the point of acquisition, Induction Healthcare Limited had retained losses of £10,388 and therefore a merger reserve has been recognised for this amount. The transaction has been recognised at book value.

**Acquisition of Podmedics Limited**
On 7 May 2019, Induction Healthcare Limited exercised the option to acquire the share capital of Podmedics Limited which was acquired in September 2018 for £100,000 (refer Note 16). Subsequently, Dr Edward Wallitt, Induction Healthcare Limited and Podmedics Limited entered into a share purchase agreement pursuant to which Induction Healthcare Limited acquired the entire issued share capital of Podmedics Limited (06840040) from Dr Edward Wallitt. The consideration payable under the share purchase agreement was £400,000 which was satisfied following Admission by the issue by the Company to Dr Edward Wallitt of 347,826 Ordinary Shares in the capital of the Induction Healthcare Group PLC. Pursuant to the share purchase agreement, Dr Edward Wallitt granted customary warranties and a tax deed to Induction Healthcare Limited. The primary reason for the acquisition was to bring under the Group's control all of the assets and intellectual property relating to Induction Switch.

*Assets acquired and liabilities assumed*
The fair values of the identifiable assets and liabilities of Podmedics Limited as at the date of acquisition were:

| | Note | Fair Value recognised on acquisition £000 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 15 | **91** |
| Cash | 18 | **1** |
| Other current assets | | **12** |
| **Total assets** | | **104** |
| **Liabilities** | | |
| Other current liabilities | | **(4)** |
| Deferred tax arising on acquisition | 11 | **(17)** |
| **Total liabilities** | | **(21)** |
| **Total identifiable net assets at fair value** | | **83** |
| Goodwill arising on acquisition | | **417** |
| **Purchase Consideration transferred** | | **500** |

The valuation technique used for measuring the fair value of material assets acquired was based on the replacement cost approach.

The goodwill of £417,316 reflects the value of the anticipated long term revenue generating capabilities of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The operations of Podmedics Limited became dormant shortly after acquisition by the Group, and it has contributed £Nil to the loss before tax of the Group. The operations and intellectual property of Podmedics have been included within the Induction CGU, and continued to be developed by the Group as part of the operations of this CGU. If the combination had taken place at the beginning of the year, contribution to loss before tax from continuing operations for the Group would have been £Nil.

# Notes (forming part of the financial statements) (continued)

## 13 Business combinations (continued)

**Acquisition of Podmedics Limited (continued)**
*Purchase consideration transferred*
The following table summarises the acquisition date fair value of each major class of consideration transferred:

| | Note | £'000 |
|---|---|---|
| Exercise of option classified as other financial assets | 16 | 100 |
| Equity instruments (347,826 ordinary shares) | 22 | 400 |
| **Total consideration transferred** | | **500** |

*Analysis of cash flows on acquisition*

| | £'000 |
|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | (2) |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 1 |
| Transaction costs attributable to the issuance of shares (included in cash flows from financing activities, net of tax) | – |
| **Net cash flow on acquisition** | (1) |

Induction Healthcare Group plc issued 347,826 ordinary shares as consideration for the 100% interest in Podmedics Limited. The fair value of £1.15 per share is calculated with reference to recent transactions with shareholders. This is also the price at which the shares of the Company were placed at the Initial Public Offering on 22 May 2020.

The attributable costs of the issuance of the shares of £2,000 have been charged directly to equity as a reduction in the share premium.

**Acquisition of Horizon Strategic Partners Limited**
On 5 November 2019, the Group acquired 100% of the share capital of Horizon Strategic Partners Limited, a non-listed company based in the United Kingdom, in exchange for £506,610 initial cash consideration, contingent consideration of £1,325,397 and assumed liabilities of £522,979. Horizon owns MicroGuide - a revenue-generating app providing medical organisations with functionality to create, edit, and publish their own local medical guidelines in a secure and locally administrated environment. These guidelines can be accessed by clinicians, at the point of care, either on a mobile device or an intranet. The Group acquired Horizon due to the fact that MicroGuide brings to the Group a further substantial NHS user base.

*Assets acquired and liabilities assumed*
The fair values of the identifiable assets and liabilities of Horizon Strategic Partners Limited as at the date of acquisition were:

| | Note | Fair value recognised on acquisition £000 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 15 | 1,598 |
| Cash | | 53 |
| Other current assets | | 61 |
| Deferred tax assets | 11 | 97 |
| **Total assets** | | **1,809** |
| **Liabilities** | | |
| Deferred tax liability | | 304 |
| Contract liabilities | | 221 |
| Current liabilities | | 64 |
| **Total liabilities** | | **589** |
| **Total identifiable net assets at fair value** | | **1,220** |
| Goodwill arising on acquisition | | 1,136 |
| **Purchase consideration transferred** | | **2,356** |

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of intangible assets acquired in the business combination.

# Notes (forming part of the financial statements) (continued)

## 13 Business combinations (continued)

**Acquisition of Horizon Strategic Partners Limited (continued)**
Contract liabilities were remeasured to fair value at the acquisition date to take into account the costs that market participants would incur to acquire such contract liabilities.

The goodwill of £1,135,581 comprises the value of the established, long term revenue generating capabilities of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

| Assets acquired | Valuation technique |
|---|---|
| Trade name | Relief–from–royalty method |
| Users | Multi–period excess earnings method |
| Technology | Replacement cost approach, corroborated with the relief–from–royalty method |

From the date of acquisition, Horizon Strategic Partners Limited contributed £148,480 of revenue and net profit of £72,970 to loss before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the year, contribution to revenue from continuing operations would have been £382,983 and contribution to loss before tax from continuing operations for the Group would have been £43,020.

*Purchase consideration transferred*

| | £'000 |
|---|---|
| Cash | 507 |
| Contingent consideration | 1,326 |
| Liabilities assumed | 523 |
| **Total consideration** | **2,356** |

*Analysis of cash flows on acquisition*

| | £'000 |
|---|---|
| Transaction costs of the acquisition (included in cash flows from operating activities) | (60) |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 53 |
| Transaction costs attributable to the issuance of shares (included in cash flows from financing activities, net of tax) | – |
| **Net cash flow on acquisition** | (7) |

Transaction costs of £60,000 have been expensed under administrative expenses in the Income Statement.

*Contingent consideration*
As part of the purchase agreement with the previous owners of Horizon Strategic Partners Limited, a contingent consideration has been agreed, in the form of an earn-out agreement. The contingent consideration is based on a multiple of 4.29 times the cash collected from customers for subscription fees which are invoiced and paid from 1 October 2019 to 30 September 2020 (the earn-out period). The cash collected from customers excludes a baseline cash amount of £225,000 and VAT. Contract liabilities as at the date of acquisition are deducted in arriving at the contingent consideration. The maximum amount to be paid out as contingent consideration is £1,500,000, based on a maximum cash target of £622,390. The previous owners of Horizon Strategic Partners Limited have the right to choose whether payment of the contingent consideration is settled in cash, or in shares of the Induction Healthcare Group plc. The number of shares issued to settled the contingent consideration are variable and dependent on the market value of shares immediately preceding the date the target is reached.

# Notes (forming part of the financial statements) (continued)

## 13 Business combinations (continued)

**Acquisition of Horizon Strategic Partners. Limited (continued)**

*Contingent consideration (continued)*

As at 31 March 2020, the key performance indicators of Horizon Strategic Partners Limited show that it is highly probable that the target will be achieved, based on actual cash collected to that date of £257,938, receivables of £79,950 and visibility of highly probable subscription renewals and new customers pipeline. The fair value of the contingent consideration determined at 31 March 2020 reflects this development, and a remeasurement charge of £83,434 has been recognised through profit or loss. The fair value is determined using a probability-weighted expected value approach. The significant unobservable inputs used in the fair value measurements, together with a quantitative sensitivity analysis as at 31 March 2020 are provided in Note 23. Subsequent to year-end, the Group have assessed that it is highly probable that the earn-out target will be met, refer Note 27. A reconciliation of the fair value of the contingent consideration liability is provided below:

| | £'000 |
|---|---|
| As at 1 April 2019 | – |
| Liability arising on business combination | 1,326 |
| Unrealised fair value changes recognised in profit or loss | 83 |
| **As at 31 March 2020** | **1,409** |

The contingent consideration liability is due for final measurement and payment to the former shareholders of Horizon Strategic Partners Limited on 30 September 2020.

## 14 Investments in subsidiaries

The consolidated financial statements of the Group include:

| Company | Registered number | Registered address | Principal activities | Country of incorporation | Ownership 2020 | 2019 |
|---|---|---|---|---|---|---|
| Induction Healthcare Limited | 11232772 | 20 St. Dunstan's Hill, London EC3R 8HL, United Kingdom | Investment Holding Company | United Kingdom | 100% | – |
| Induction Healthcare (UK) Limited | 11237890 | 20 St. Dunstan's Hill, London EC3R 8HL, United Kingdom | Provision of software | United Kingdom | 100% | 100% |
| Induction Healthcare Pty Ltd | 625119397 | 23 Regent St, Prahran, Victoria, Australia, 3181 | Provision of software | Australia | 100% | 100% |
| Podmedics Limited (non-trading) | 06840040 | 20 St. Dunstan's Hill, London EC3R 8HL, United Kingdom | Non–trading | United Kingdom | 100% | – |
| Horizon Strategic Partners Limited | 06285278 | 20 St. Dunstan's Hill, London EC3R 8HL, United Kingdom | Provision of software | United Kingdom | 100% | – |

Induction Healthcare Group plc is the ultimate parent company of the Group and directly owns Induction Healthcare Limited and Horizon Strategic Partners Limited, and indirectly owns the other entities specified above through its ownership of Induction Healthcare Limited.

Horizon Strategic Partners Limited (registered number 06285278) and Podmedics Limited (registered number 06840040) have taken advantage of the exemption from audit under section 479A of the Companies Act 2006 , and Induction Healthcare Group plc has provided a parental guarantee in accordance with section S479C of the Companies Act 2006.

All subsidiaries have reporting periods that end on 31 March 2020.

# Notes (forming part of the financial statements) (continued)

## 15 Goodwill and intangible assets

| | Goodwill £000 | Acquired intangible assets Technology £000 | Users £000 | Trade name £000 | Capitalised development costs £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 5 March 2018 | – | – | – | – | – | – |
| Acquired through business combinations | – | 36 | – | – | – | 36 |
| Internally developed | – | – | – | – | 197 | 197 |
| **Balance at 31 March 2019** | **–** | **36** | **–** | **–** | **197** | **233** |
| Acquired through business combinations | 1,553 | 277 | 919 | 264 | 229 | 3,242 |
| Internally developed | – | – | – | – | 761 | 761 |
| **Balance at 31 March 2020** | **1,553** | **313** | **919** | **264** | **1,187** | **4,236** |
| **Amortisation and impairment** | | | | | | |
| Balance at 5 March 2018 | – | – | – | – | – | – |
| Amortisation for the period | – | 11 | – | – | – | 11 |
| **Balance at 31 March 2019** | **–** | **11** | **–** | **–** | **–** | **11** |
| Amortisation for the period | – | 31 | 53 | 15 | 224 | 323 |
| **Balance at 31 March 2020** | **–** | **42** | **53** | **15** | **224** | **334** |
| **Net book value** | | | | | | |
| At 5 March 2018 | – | – | – | – | – | – |
| At 31 March 2019 | – | 25 | – | – | 197 | 222 |
| **At 31 March 2020** | **1,553** | **271** | **866** | **249** | **963** | **3,902** |

**Acquisitions during the year**
Intangible assets relating to technology, users and trade names were acquired during the year through business combinations.

**Capitalised development costs**
The capitalised development costs consist of the cost incurred on developing the Induction app from 1 January 2019 onwards, the date at which the project passed the technological feasibility milestone, development costs acquired in the business combination with Horizon Strategic Partners and the costs incurred on the MicroGuide applications post-acquisition of Horizon Strategic Partners.

**Amortisation and impairment charge**
Amortisation of the acquired intangible assets are is recognised over 3 to 10 years in other development expenses in the consolidated income statement.

Amortisation was recognised on capitalised development costs from 1 April 2019, the date at which the assets were brought into use. Amortisation is recognised over 3 years in development expenses in the consolidated income statement.

**Goodwill**
For impairment testing, goodwill acquired through business combinations is allocated to the Induction and MicroGuide Cash Generating Units ("CGU's") respectively. These represent the lowest aggregation of assets which generate independent cash inflows, and at which management evaluate the business.

*Carrying amount of goodwill allocated to each of the CGU's*

| | 31 March 2020 £'000 |
|---|---|
| Induction CGU | **417** |
| MicroGuide CGU | **1,136** |
| **Total** | **1,553** |

The Group performed its annual impairment test in March 2020. The Group did not note any specific indicators of impairment of either of the CGU's.

# Notes (forming part of the financial statements) (continued)

## 15 Goodwill and intangible assets (continued)

**Goodwill (continued)**

*Induction CGU*

The recoverable amount of the Induction CGU of £11,440,692 as at 31 March 2020 has been determined based on a value in use calculation using cash flow projections for a five year period. The pre-tax discount rate applied to cash flow projections is 16.1% and cash flows beyond the five-year period are extrapolated using a 2% growth rate, which is an inflationary rate. It was concluded that the fair value less costs to sell did no exceed the value in use. No impairment charge resulted from this analysis.

*MicroGuide CGU*

The recoverable amount of the MicroGuide CGU of £3,829,643 as at 31 March 2020 has been determined based on a value in use calculation using cash flow projections for a ten year period. The pre-tax discount rate applied to cash flow projections is 10.6% and cash flows beyond the five-year period are extrapolated using a 2% growth rate. It was concluded that the fair value less costs to sell did no exceed the value in use. No impairment charge resulted from this analysis.

*Key assumptions used in value in use calculations and sensitivity to changes in assumptions*

The calculation of value in use for both the Induction CGU and MicroGuide CGU's is most sensitive to the following assumptions:

— Annual recurring subscription fees received from customers
— Earnings before interest, tax, depreciation and amortisation ("EBITDA") margins
— Discount rates
— Growth rates used to extrapolate cash flows beyond the forecast period.

Subscription payments received from customers – Subscription payments represent advanced payments received from customers in advance of the subscription period to which the amount relates, and includes amounts received in advance for subscription period which may exceed one year. Decreased demand can lead to a decline in subscription payments. A decrease of 1% in subscription payments received would not result in an impairment of either CGU. A decrease of 1.3% would result in an impairment of the Induction CGU. A decrease of 11% would result in the impairment of the MicroGuide CGU.

EBITDA – EBITDA is determined by deducting the budgeted costs to be incurred (cash outflows) from subscription payments received from customers. Cash outflows are based on values achieved in the Year to 31 March 2020, adjusted for an appropriate growth rate depending on the nature of the cash outflow. Decreased demand can lead to a decline in EBITDA. A decrease of 1% in EBITDA would not result in an impairment of either CGU. A decrease of 103.9% in the EBITDA would result in an impairment of the Induction CGU. A decrease of 34.9% would result in the impairment of the MicroGuide CGU.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into account the time value of money and individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from the weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGU specific risk is incorporated by applying individual beta factors. The beta factors were evaluated for the first time in the year ended 31 March 2020, based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate to 19.3% in the Induction CGU would result in an impairment of the CGU. A rise in the pre-tax discount rate to 14.8% in the MicroGuide CGU would result in an impairment of the CGU.

## 16 Derivative instruments

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Other financial assets designated as fair value through profit or loss | – | 100 |
| **Total other financial assets** | – | 100 |

Other financial assets at 31 March 2019 comprised an option to acquire either the shares or the assets of Podmedics Limited, a company providing a healthcare application used by a substantial number of healthcare professionals in the UK, in exchange for and additional consideration of £400,000 satisfied in either shares or cash. The option was exercised on 7 May 2019, refer Note 13.

# Notes (forming part of the financial statements) (continued)

## 17 Trade and other receivables and contract assets

### Trade and other receivables

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Receivables from third-party customers | **80** | – |
| Loans to director and employees | **–** | 10 |
| Other receivables | **53** | 102 |
| Prepayments | **7** | 16 |
| **Total trade and other receivables** | **140** | 128 |

Trade receivables are non-interest bearing and are generally on terms of 30 days. Included within trade and other receivables is £nil expected to be recovered in more than 12 months. For terms and receivables relating to related party receivables, please refer to Note 25.

**Contract assets**
As at 31 March 2020, the Group has contract assets of £22,631 (2019: £Nil). Contract assets arise as a result of the acquisition of Horizon Strategic Partners Limited during the year, refer to Note 13.

**Allowance for expected credit losses**
No allowance for expected credit losses has been recognised during the year, due to the nature of the customers of the Group (primarily NHS), for which the risk of default has been assessed to be immaterial.

The significant changes in the balances of trade receivables and contract assets are discloses in Note 5. Information on credit risk exposures are disclosed in Note 23.

## 18 Cash and cash equivalents

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Cash at banks and on hand | **671** | 169 |
| Short-term deposits | **10,047** | – |
| **Cash and cash equivalents per the statement of financial position and cash flow statement** | **10,718** | 169 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made on a weekly basis, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

# Notes (forming part of the financial statements) (continued)

## 19 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. The loan has not been discounted as the effective interest over the period of the loan would not be material and the loan was subsequently settled on 4 June 2019. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 23.

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Current liabilities** | | |
| Loan from director | – | 2,500 |
| | – | 2,500 |

### Terms and debt repayment schedule

| | Currency | Nominal interest rate | Year of maturity | Face value 2020 £000 | Carrying amount 2020 £000 | Face value 2019 £000 | Carrying amount 2019 £000 |
|---|---|---|---|---|---|---|---|
| Loan from director | £ | 0% | 2019 | – | – | 2,500 | 2,500 |
| | | | | – | – | 2,500 | 2,500 |

The director loan was repaid as part of the Initial Public Offering.

### Changes in loans and borrowings from financing activities

| | Total £000 |
|---|---|
| **Balance at 5 March 2018** | – |
| ***Changes from financing cash flows*** | |
| Proceeds from loans and borrowings | 2,500 |
| **Total changes from financing cash flows** | **2,500** |
| ***Other changes*** | |
| Interest expense | – |
| Interest paid | – |
| **Total other changes** | – |
| **Balance at 31 March 2019 and 1 April 2019** | **2,500** |
| Proceeds from loans and borrowings | 500 |
| Repaid during the year | (3,000) |
| **Balance at 31 March 2020** | – |

# Notes (forming part of the financial statements) (continued)

## 20 Trade and other payables

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Trade payables | **39** | 149 |
| Accruals | **299** | 561 |
| Social security and other taxes | **49** | – |
| Related parties | **–** | – |
| Other payables | **15** | 50 |
| **Total trade and other payables** | **402** | 760 |

Included within trade and other payables is £nil expected to be settled in more than 12 months.

All trade and other payables are non-interest bearing and are normally settled on 30 day terms.

## 21 Contract liabilities

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Long-term advances | **301** | – |
| **Total contract liabilities** | **301** | – |
| Current | **263** | – |
| Non-current | **38** | – |

Contract liabilities arise as a result of the acquisition of Horizon Strategic Partners Limited, refer Note 13.

## 22 Capital and reserves

For the purposes of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group does not have any interest bearing loans and borrowings.

**Share capital**

*Ordinary shares issued and fully paid*

| | No. of shares ('000) |
|---|---|
| In issue at 5 March 2018 (date of incorporation) | – |
| Issued for cash | 30 |
| Issued in exchange for intangible asset (see Note 8) | 36 |
| **In issue at 31 March 2019 – fully paid** | **66** |
| Share split | 13,053 |
| Issue of shares pre-IPO | 1,739 |
| Issue of shares to settle loans and borrowings | 1,739 |
| Issue of shares as consideration for a business combination | 348 |
| Issue of shares on IPO | 12,682 |
| **In issue at 31 March 2020** | **29,627** |

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| Ordinary shares of £0.05 (2019: £1) each | **148** | 66 |
| | **148** | 66 |
| Shares classified as liabilities | | – |
| Shares classified in equity | **148** | 66 |
| **Total share capital** | **148** | 66 |



Financial Statements

# Notes (forming part of the financial statements) (continued)

## 22 Capital and reserves (continued)

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 Induction Healthcare Group plc.

During the Period Induction Healthcare Group plc issued 29,626,200 (2019: 65,591) of £0.005 (2019: £1) ordinary shares for a consideration of £19,049,792 (2019: £65,591).

### Share premium

| | £000 |
|---|---|
| At 5 March 2018 | – |
| At 31 March 2019 | – |
| Share split | – |
| Issue of shares pre-IPO | **1,991** |
| Issue of shares to settle loans and borrowings | **1,991** |
| Issue of shares as consideration for a business combination | **398** |
| Issue of shares pre-IPO | **14,521** |
| IPO costs capitalised | **(469)** |
| **Total share premium** | **18,432** |

**Other reserves**
Other reserves arise from the Group's equity settled share option scheme. Refer to Note 9 for further details.

**Translation reserve**
The translation reserve comprises all foreign exchange differences arising since 5 March 2018 (date of incorporation) from the translation of the financial information of foreign operations.

**Dividends**
No dividends were recognised during the year (2019: £Nil).

**Merger reserve**
On 1 April 2019, Induction Healthcare Group plc and Induction Healthcare Limited executed a share for share exchange, whereby Induction Healthcare Group plc acquired 100% of the share capital in Induction Healthcare Limited, in consideration for the issuance of shares in Induction Healthcare Group plc to the shareholders of Induction Healthcare Limited. This was done on the basis of one ordinary share in Induction Healthcare Group plc for each ordinary share in Induction Healthcare Limited.

Induction Healthcare Group plc issued 65,590 shares with a nominal value of £1 to the holders of equivalent shares in Induction Healthcare Limited. This has been treated as a common control transaction and the comparative historical financial statements have been presented as if the transaction had already taken place. At the point of acquisition, Induction Healthcare Limited had retained losses of £10,388, and therefore a merger reserve has been recognised for this amount. The transaction has been accounted for at book value.

# Notes (forming part of the financial statements) (continued)

## 23 Financial instruments

The following table shows the carrying amounts and fair values of financial instruments as at 31 March 2019. For financial assets and liabilities not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value.

### Financial assets

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| Other financial assets | **–** | 100 |
| | **–** | 100 |
| **Financial assets measured at amortised cost** | | |
| Trade receivables | **80** | – |
| Loans to director and employees | **–** | 10 |
| Other receivables | **53** | 102 |
| Prepayments | **7** | – |
| Cash and cash equivalents | **10,718** | 169 |
| | **10,858** | 281 |

Debt instruments at amortised cost include trade receivables and receivables from related parties.

The business does not hold any other form of financial assets. No assets require impairment.

Management have assessed that the fair values of cash and short term deposits and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

All financial instruments measured at fair value are considered to be Level 3 financial instruments in the fair value hierarchy. Other financial assets comprise the cost of an option to acquire either the shares or the assets of Podmedics Limited in exchange for consideration of £400,000 satisfied in either shares or cash. Whilst no formal valuation process was undertaken, the option was recognised initially at cost, which represented the market value at the time that the option was acquired. The option was exercised on 7 May 2020, at which point the fair value was still considered to be equal to its cost. There are no significant unobservable inputs used in the valuation of the option.

### Financial liabilities

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Financial liabilities measured at amortised cost** | | |
| Trade and other payables | **402** | 107 |
| Interest bearing loans and borrowings | **–** | 2,500 |
| **Financial liabilities at fair value through profit or loss** | | |
| Contingent consideration | **1,409** | – |
| | **1,811** | 2,607 |

As part of the purchase agreement with the previous owners of Horizon Strategic Partners Limited, a contingent consideration has been agreed, in the form of an earn-out agreement. The contingent consideration is based on a multiple of 4.29 times the cash collected from customers for customer subscriptions (over and above the baseline cash amount of £225,000), which are invoiced and paid from 1 October 2019 to 30 September 2020 (the earn-out period). Contract liabilities as at the date of acquisition are deducted in arriving at the contingent consideration. The maximum amount to be paid out as contingent consideration is £1,500,000. The previous owners of Horizon Strategic Partners Limited have the right to choose whether payment of the contingent consideration is effected in cash, or in shares of the Induction Healthcare Group plc.

Management have assessed that the fair values of trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

# Notes (forming part of the financial statements) (continued)

## 23 Financial instruments (continued)

**Fair values**
The following table reconciles the balance of the contingent consideration at 31 March 2020:

| | £000 |
|---|---|
| Balance on 1 April 2019 | – |
| Incurred on acquisition through a business combination | **1,326** |
| Loss on remeasurement to fair value recognised in other operating expenses | **83** |
| **Balance on 31 March 2020** | **1,409** |

The measurement of the fair value of the contingent consideration liability falls within Level 3 of the fair value hierarchy and determined with reference to significant unobservable inputs. The fair value has been determined using a probability-weighted expected value approach. The significant unobservable inputs to this calculation consist of:

— estimates of the cash expected to be received from customer subscriptions during the earn-out period, based on historical experience and known status of contract negotiations. These range between £272,740 and £622,390 (at which point the maximum earn-out value of £1,500,000 is reached). The most likely outcome was assessed to be £619,975, at which point the earn-out payment would be £1,489,639. A 10% decrease in the cash target would result in a decrease of the contingent liability of £201,969.

— Assessments of the probabilities of each scenario – probabilities range between 2% and 80%. The probability of the earn-out payment of £1,489,639 as above being reached was assessed at 80%. The probability that the maximum earn-out payment of £1,500,000 being reached was assessed at 15%. A decrease in the probability of the single most likely outcome of 10% would result in a decrease of the contingent consideration of £25,246.

— Discount rate – The discount rate used was 10.74%. A 1% increase in the discount rate would result in a decrease of the contingent consideration of £8,836.

**Risk management**
The Group's principal financial liabilities, other than contingent consideration, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group has exposure to the following principal financial risks in the operation and management of its business:

(i) Liquidity risk;

(ii) Credit risk; and

(iii) Market risk

*Liquidity risk*
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's treasury policies are designed to ensure that sufficient cash is available to support current and future business requirements. Cash management is a core feature of the Group's business model and rolling cash flow forecasts, updated on at least a monthly basis, are reviewed to manage these requirements. At 31 March 2020, the contractual maturity of all financial liabilities was less than 12 months.

*Credit risk*
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities. The Group's principal financial assets are cash and cash equivalents, trade receivables, other financial assets, and other receivables, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in this note. The Group's credit risk is primarily attributable to its cash and cash equivalents. The credit risk arising from cash and cash equivalents is limited because the counterparties are banks with triple-A credit ratings assigned by international credit-rating agencies.

# Notes (forming part of the financial statements) (continued)

## 23 Financial instruments (continued)

**Risk management (continued)**
The credit risk arising from trade receivables and contract assets is assessed as limited, due to the nature of the counterparties, which consist of primarily NHS customers. Therefore, no provision for expected credit losses has been recognised on trade receivables or contract assets, as this is considered immaterial.

| | Current £000 | <30 days £000 | 30 - 60 days £000 | 61 - 90 days £000 | >91 days £000 |
|---|---|---|---|---|---|
| Trade receivables | 44 | 29 | 6 | – | – |
| Contract assets | 23 | – | – | – | – |

*Market risk*
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Interest rate risk is not considered to be material to the Group. The Group is not exposed to any other market risks aside from foreign currency risk.

*Foreign currency risk*
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Groups main exposure is to the United States dollar and the Australian dollar. However, the Group's exposure is limited as the sums involved are relatively small. The Group has a bank account denominated in Australian dollars and the Group's exposure to foreign exchange risk is limited by ensuring the Group has enough cash in this account to cover approximately six months of expenditure. The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments other financial assets and liabilities based on notional amounts. Sensitivity analysis has not been presented as the effects of reasonably possible strengthening or weakening of the foreign currencies below would not have a material impact on the Group's financial information.

**31 March 2020**

| | Sterling £000 | Australian dollar £000 | Euro £000 | Total £000 |
|---|---|---|---|---|
| Cash and cash equivalents | 10,717 | 1 | – | **10,718** |
| Other receivables | 139 | 1 | – | **140** |
| Loans and borrowings | – | – | – | **–** |
| Trade and other payables | (367) | (13) | – | **(380)** |
| Statement of financial position exposure | **10,489** | **(11)** | **–** | **10,478** |

**31 March 2019**

| | Sterling £000 | Australian dollar £000 | Total £000 |
|---|---|---|---|
| Cash and cash equivalents | 167 | 2 | **169** |
| Other receivables | 128 | – | **128** |
| Loans and borrowings | (2,500) | – | **(2,500)** |
| Trade and other payables | (760) | (1) | **(761)** |
| Statement of financial position exposure | **(2,965)** | **1** | **(2,964)** |

**Capital management**
The Group's policy is to maintain capital sufficient to sustain the future development of the business.

## 24 Commitments

As at 31 March 2020 the Group had no capital commitments (2019: £Nil). At 31 March 2020 the commitments of the Group under short-term leases for the next 12 months was £63,920.

# Notes (forming part of the financial statements) (continued)

## 25 Contingencies

As at 31 March 2020 the Group had a contingent consideration liability of 1,408,831 (2019: £Nil). Refer to Note 13 and Note 23 for further discussion.

## 26 Related parties

**Identity of related parties with which the Group has transacted**
Note 14 provides information about the Group's structure, including subsidiaries and the holding company.

The related parties with which the Group has transacted are Hugo Stephenson, a Director of the Group.

During the Period ended 31 March 2019, Induction Healthcare Limited entered into a loan agreement with Hugo Stephenson, a Director of Induction Healthcare Limited, under which he agreed to lend the company up to £4,000,000. The loan could be drawn down at any time up to 31 December 2019. The loan was repayable in the event of an Initial Public Offering or a financing which raises not less than £20m in equity or a sale of a controlling interest or substantially the whole of the assets to a third party purchaser. The loan was unsecured and was interest free. As at 31 March 2019, the amount drawn down was £2,499,975. During the Year to 31 March 2020, the Group drew down additional proceeds of £500,000 from a loan from this related party, and repaid the full balance of £2,999,975. At 31 March 2020, there are no balances outstanding with related parties.

The Group has not made any sales to or purchases from related parties during the year.

**Transactions with key management personnel**
Directors of Induction Healthcare Group plc and their immediate relatives control 22.85 per cent of the voting shares of Induction Healthcare Group plc.

The compensation of key management personnel (including the Directors) is as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Short-term employee benefits | **584** | 376 |
| Post-employment pension and other benefits | **92** | 14 |
| Termination benefits | **–** | – |
| Share based payment transactions | **13** | – |
| Key management remuneration including social security costs | **689** | 390 |
| **Total compensation paid to key management personnel** | **689** | 390 |

Key management remuneration comprises short-term employee benefits only.

Directors' remuneration has been disclosed in the Director's Report. Refer to page 41 and 42, tables "Directors remuneration (audited)" and "Directors' shareholding and share interests (audited)".

**Other related party transactions**
During the period ended 31 March 2019, the Group entered into an option to acquire the shares or assets of Podmedics Limited, a company owned by Edward Wallitt, a member of the key management personnel for the years ended 31 March 2019 and 31 March 2020. The consideration for the option was £100,000. During the year ended 31 March 2020, the Group exercised the option and acquired Podmedics Limited for an additional consideration of £400,000, settled in 347,826 shares of £1.15 each.

During the period ended 31 March 2019, Induction Healthcare Limited entered into a loan agreement with Sebastien Jantet, a Director of the Group, under which it agreed to lend him £6,552 to fund the purchase of 6,552 £1 ordinary shares in Induction Healthcare Limited. The loan was repayable by 31 December 2019. The loan was unsecured, and interest was due on the outstanding amount at an interest rate equal to the base rate of the Bank of England. As at 31 March 2019, the amount outstanding was £6,581. The loan was subsequently settled on 30 May 2019.

During the period ended 31 March 2019, Induction Healthcare Limited entered into a loan agreement with Dale Jessop, a member of key management personnel, under which it agreed to lend him £3,276 to fund the purchase of 3,276 £1 ordinary shares in Induction Healthcare Limited. The loan was repayable by 31 December 2019. The loan was unsecured, and interest was due on the outstanding amount at an interest rate equal to the base rate of the Bank of England. As at 31 March 2019, the amount outstanding was £3,290. The loan was subsequently settled on 23 May 2019.

# Notes (forming part of the financial statements) (continued)

## 27 Subsequent events

**Acquisition of Zesty Limited**

On 8 June 2020, Induction Healthcare Group plc acquired 100% of the share capital of Zesty Limited for a consideration comprising £500,000 in cash, plus the issue of 12,424,527 New Ordinary Shares. The New Ordinary Shares represent approximately 41.9 per cent of the existing issued share capital of the Company and represent approximately 29.5 per cent of the Enlarged Share Capital. The New Ordinary Shares rank pari passu with the Existing Ordinary Shares in the Company.

Zesty Limited is a digital healthcare patient engagement platform company. Zesty's platform provides an integration layer with a hospital's EHR systems and a portal that allows patients to manage their hospital outpatient appointments, read their administrative and clinical correspondence, attend a video based consultation and store a personal copy of their clinical record, through this integration layer.

For the year ended 31 December 2018, Zesty reported revenue of £1,035,540 and a net loss before tax of £509,725, with a net current asset position of £333,738 as at 31 December 2018.

Zesty was acquired due to the fact that integrating Zesty and Induction's technologies, the enlarged group will, in the Directors' view, be one of the first technology platforms to interconnect patients, clinicians and healthcare information across both multiple hospital sites and EPR platforms. The Directors expect the acquisition to provide many synergistic benefits, including sales to the same sales channel, pooling software engineering resources, and bringing extensive experience to management and the Board of Directors.

**Payment of contingent consideration to former owners of Horizon Strategic Partners Limited**

In June 2020, management's forecasts of the cash collected from customers of Horizon Strategic Partners Limited indicated that it is highly probable that the maximum earn-out payment of £1,500,000 will be paid to the former shareholders of the entity. These forecasts are based on cash collected (excluding VAT) during the earn-out period, plus amounts invoiced and not yet collected, for which payment is expected prior to 30 September 2020 based on the Group's credit terms.

# Company Statement of Financial Position
## at 31 March 2020

| | Note | 2020 £000 |
|---|---|---|
| **Non-current assets** | | |
| Investment in subsidiaries | 4 | **2,514** |
| Amounts receivable from group companies | 5 | **12,668** |
| Total non-current assets | | **15,182** |
| **Total assets** | | **15,182** |
| **Current liabilities** | | |
| Other payables | 6 | **52** |
| Other financial liabilities | 7 | **1,409** |
| | | **1,461** |
| **Total liabilities** | | **1,461** |
| **Net assets** | | **13,721** |
| **Equity attributable to equity holders of the parent** | | |
| Share capital | 8 | **148** |
| Share premium | 8 | **18,432** |
| Other reserves | 8 | **94** |
| Merger reserve | 8 | **(10)** |
| Accumulated deficit | 8 | **(4,943)** |
| **Total equity** | | **13,721** |

The notes on pages 93 to 96 form an integral part of these Financial Statements

These financial statements were approved by the board of Directors on 5 August 2020 and were signed on its behalf by:

Shelley Fraser
Director
Company registered number: 11852026

# Company Statement of Changes in Equity

**for period from 28 February 2019 (date of incorporation) to 31 March 2020**

| | Note | Share capital £000 | Share premium £000 | Other reserves £000 | Merger reserve £000 | Accumulated deficit £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 28 February 2019 (date of incorporation)** | | – | – | – | – | – | – |
| **Total comprehensive loss for the period** | | | | | | | |
| Loss for the period | | – | – | – | – | (4,943) | (4,943) |
| Other comprehensive loss for the period | | – | – | – | – | – | – |
| Total comprehensive loss for the period | | – | – | – | – | (4,943) | (4,943) |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Issue of shares in share-for-share exchange | | 66 | – | – | (10) | – | 56 |
| Issue of shares pre-Initial Public Offering | | 9 | 1,991 | – | – | – | 2,000 |
| Issue of shares to settle loans and borrowings | | 9 | 1,991 | – | – | – | 2,000 |
| Issue of shares as consideration for a business combination | | 2 | 398 | – | – | – | 400 |
| Issue of shares on Initial Public Offering | | 62 | 14,521 | – | – | – | 14,583 |
| Share issue costs | | – | (469) | – | – | – | (469) |
| Equity settled share-based payments | | – | – | 94 | – | – | 94 |
| Total contributions by and distributions to owners | | 148 | 18,432 | 94 | (10) | – | 18,664 |
| **Balance at 31 March 2020** | | **148** | **18,432** | **94** | **(10)** | **(4,943)** | **13,721** |

The notes on pages 93 to 96 form an integral part of these Financial Statements

# Company Cash Flow Statement

## for period from 28 February 2019 (date of incorporation) to 31 March 2020

| | Note | 2020 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | | **(4,943)** |
| *Adjustments for:* | | |
| Fair value adjustment of contingent consideration | | **83** |
| Other non-cash movements | | **92** |
| | | **175** |
| Increase in amounts due from group companies | | **(13,399)** |
| Increase in trade and other payables | | **52** |
| **Net cash used in operating activities** | | **(18,114)** |
| **Cash flows from financing activities** | | |
| Share issue proceeds | 30 | **18,583** |
| Share issue costs | 28 | **(469)** |
| **Net cash from financing activities** | | **18,114** |
| **Net increase in cash and cash equivalents** | | **–** |
| Cash and cash equivalents at 5 March 2018 (date of incorporation) | | **–** |
| **Cash and cash equivalents at 31 March 2019** | 27 | **–** |

The notes on pages 93 to 96 form an integral part of these Financial Statements

# Notes to the Company Financial Statements

## 1. General

Induction Healthcare Group plc is a public company incorporated, domiciled and registered in England in the UK. Its principal activity is the provision of software to healthcare professionals. The registered number is 11852026 and the registered address is 20 St. Dunstan's Hill, London, United Kingdom, EC3R 8HL.

Induction Healthcare Group plc was formed on 28 February 2019 with an initial shareholding of 1 share at a nominal value of £1. On 1 April 2019 acquired 100% of the share capital of Induction Healthcare Limited, the previous parent company of the group, in a share for share exchange transaction. This has been accounted for as a common control transaction under IFRS 3 B1 (see Note 13 of the Consolidated financial statements). At the point of acquisition, Induction Healthcare Limited had retained losses of £10,388, and therefore a merger reserve has been recognised for this amount.

## 2. Accounting policies

### 2.1. Basis of preparation

These financial statements of the company have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. This is the first period for which financial statements have been prepared.

These financial statements have been prepared on the historical cost basis except for other financial assets and liabilities, which are stated at fair value. The consolidated financial statements are presented in pounds and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

### 2.2. Going concern

The Group has considerable financial resources. The Directors have reviewed the projected cash flows for the Group and have a reasonable expectation that the Company is well placed to manage its business risk successfully and has adequate resources to continue in operational existence for the foreseeable future, and a period of at least 12 months from the signing of the accounts. On this reason, the Directors have adopted the going concern assumption in preparing the financial statements.

### 2.3. Investment in subsidiary

The investment in subsidiary is stated in the Company's separate financial statements at cost less impairment losses. The carrying value of the investment in subsidiary is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

### 2.4. Financial instruments

Financial assets and liabilities are recognised on the Company statement of financial position when the Company becomes a contractual party to the instrument. When financial instruments are recognised initially, they are measured at fair value, which is the transaction price plus, in the case of financial assets and financial liabilities not measured at fair value through profit and loss, directly attributable transaction costs.

The Company recognises an allowance for expected credit losses ("ECL's") for amounts due from group companies, which are held at amortised cost. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive. Amounts due from group companies are repayable on demand and the company has recognised a loss allowance for credit losses expected over the remaining life of the exposure.

### 2.5. Share-based payments

Where the Company grants share-based awards over its own shares in exchange for employee services rendered to its subsidiaries, it recognises an increase to the cost of investment equivalent to the share-based payment expense and a corresponding credit in other reserves in equity.

The Company recognises in its individual financial statements an increase to amounts due from related parties and a corresponding decrease in the cost of investment. Therefore, the cost of investment increases by the share-based payment expense recognised in the financial statements of the subsidiary net of any recharges and amounts relating to services supplied to the company. Refer to Note 2 of the consolidated financial statements for the accounting policy in respect of share-based payments.

# Notes to the Company Financial Statements (continued)

## 3. Auditors remuneration

The figures for auditor's remuneration for the Company, required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, are not presented as the Consolidated financial statements comply with this regulation on a consolidated basis.

## 4. Investments in subsidiaries

The investments in subsidiaries represent the investments of Induction Healthcare plc in Induction Healthcare Limited and Horizon Strategic Partners Limited, both acquired during the year. Both entities are wholly owned subsidiaries of the company. A full list of subsidiaries is included in Note 14 of the Consolidated financial statements for the Group.

On 1 April 2019, Induction Healthcare Group plc and Induction Healthcare Limited executed a share for share exchange, whereby Induction Healthcare Group plc acquired 100% of the share capital in Induction Healthcare Limited, in consideration for the issuance of shares in Induction Healthcare Group plc to the shareholders of Induction Healthcare Limited. This was done on the basis of one ordinary share in Induction Healthcare Group plc for each ordinary share in Induction Healthcare Limited.

Induction Healthcare Group plc issued 65,590 shares with a nominal value of £1 to the holders of equivalent shares in Induction Healthcare Limited. This has been treated as a common control transaction and accounted for at book value.

On 5 November 2019, the Group acquired 100% of the share capital of Horizon Strategic Partners Limited, in exchange for £506,610 initial cash consideration, contingent consideration of £1,325,397 and assumed liabilities of £522k.

| | 2020<br>£000 |
|---|---|
| Balance at 28 February 2019 | – |
| Acquisitions | **2,421** |
| Share-based payments | **94** |
| **Balance at 31 March 2020** | **2,514** |

## 5. Amounts due from group companies

Amounts due from group companies of £12,667,550 relate to loans to Group companies. The loans are interest free and repayable on demand. Lifetime expected credit losses of £4,768,032 have been recognised on amounts due from group companies.

## 6. Other payables

The following table summarises the balance of other payables

| | 2020<br>£000 |
|---|---|
| Accruals | **27** |
| Amounts due to Group companies | **25** |
| **Total other payables** | **52** |

## 7. Other financial liabilities

Other financial liabilities comprise the fair value of contingent consideration of £1,408,831 expected to be paid in relation to the acquisition of Horizon Strategic Partners Limited. Refer Note 23 in the consolidated financial statements of the group for disclosures in relation to the fair value of the liability.

# Notes to the Company Financial Statements (continued)

## 8. Capital and reserves

### Share capital

Ordinary shares issued and fully paid

| | No. of shares ('000) |
|---|---|
| In issue at 28 February 2019 (date of incorporation) | |
| Issued in share for share exchange | **66** |
| Share split | **13,053** |
| Issue of shares pre-IPO | **1,739** |
| Issue of shares to settle loans and borrowings | **1,739** |
| Issue of shares as consideration for a business combination | **348** |
| Issue of shares on IPO | **12,682** |
| **In issue at 31 March 2020** | **29,627** |

| | 2020 £000 |
|---|---|
| Allotted, called up and fully paid | |
| Ordinary shares of £0.05 (2019: £1) each | **148** |
| | **148** |
| Shares classified as liabilities | |
| Shares classified in equity | **148** |
| | **148** |

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 Induction Healthcare Group plc.

During the period Induction Healthcare Group plc issued 29,626,200 (2019: 65,591) of £0.005 (2019: £1) ordinary shares for a consideration of £19,049,792 (2019: £65,591).

### Share premium

| | £000 |
|---|---|
| At 28 February 2019 (date of incorporation) | **–** |
| Share split | |
| Issue of shares pre-IPO | **1,991** |
| Issue of shares to settle loans and borrowings | **1,991** |
| Issue of shares as consideration for a business combination | **398** |
| Issue of shares on IPO | **14,521** |
| IPO costs capitalised | **(469)** |
| | **18,432** |

### Other reserves

Other reserves arise from the Group's equity settled share option scheme. Refer to Note 9 of the Consolidated Financial Statements for further details.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising since 5 March 2018 (date of incorporation) from the translation of the financial information of foreign operations.

### Dividends

No dividends were recognised during the Period.

# Notes to the Company Financial Statements (continued)

## 8. Capital and reserves (continued)

**Merger reserve**
On 1 April 2019, Induction Healthcare Group plc and Induction Healthcare Limited executed a share for share exchange, whereby Induction Healthcare Group plc acquired 100% of the share capital in Induction Healthcare Limited, in consideration for the issuance of shares in Induction Healthcare Group plc to the shareholders of Induction Healthcare Limited. This was done on the basis of one ordinary share in Induction Healthcare Group plc for each ordinary share in Induction Healthcare Limited.

Induction Healthcare Group plc issued 65,590 shares with a nominal value of £1 to the holders of equivalent shares in Induction Healthcare Limited. This has been treated as a common control transaction and the comparative historical financial statements have been presented as if the transaction had already taken place. At the point of acquisition, Induction Healthcare Limited had retained losses of £10,388, and therefore a merger reserve has been recognised for this amount. The transaction has been accounted for at book value.

## 9. Related Parties

**Identity of related parties with which the Company has transacted**
The related parties with which the Company has transacted during the year are Induction Healthcare Limited and Induction Healthcare (UK) Limited. A list of the subsidiaries, both direct and indirect, of the Company can be found in Note 14 to the consolidated financial statements.

There have been no transactions with key management personnel of the Group, as these occur on a Group level.

**Transactions with subsidiaries**
Included in Amounts due from group companies is an amount of £12,667,550 due from Induction Healthcare Limited. This arose as a result of loans made to Induction Healthcare Limited as intermediate holding company to fund the operations of the group. The loan carries interest at 0% and is repayable on demand.

Included in Other Payables is an amount of £25,090 payable to Induction Healthcare (UK) Limited. This arose as a result of payments made by Induction Healthcare (UK) Limited on behalf of Induction Healthcare Group plc.

Induction Healthcare Group plc has provided a guarantee under S479C of the Companies Act 2006 to Horizon Strategic Partners Limited and Podmedics Limited, as a result of these group companies applying the exemption from audit under S479A of the Companies Act 2006.

## 10. Subsequent events

**Acquisition of Zesty Limited**
On 8 June 2020, Induction Healthcare Group plc acquired 100% of the share capital of Zesty Limited for a consideration comprising £500,000 in cash, plus the issue of 12,424,527 New Ordinary Shares. The New Ordinary Shares represent approximately 41.9 per cent of the existing issued share capital of the Company and represent approximately 29.5 per cent of the Enlarged Share Capital. The New Ordinary Shares rank pari passu with the Existing Ordinary Shares in the Company.

Zesty Limited is a digital healthcare patient engagement platform company. Zesty's platform provides an integration layer with a hospital's EHR systems and a portal that allows patients to manage their hospital outpatient appointments, read their administrative and clinical correspondence, attend a video based consultation and store a personal copy of their clinical record, through this integration layer.

For the year ended 31 December 2018, Zesty reported revenue of £1,035,540 and a net loss before tax of £509,725, with a net current asset position of £333,738 as at 31 December 2018.

Zesty was acquired due to the fact that integrating Zesty and Induction's technologies, the enlarged group will, in the Directors' view, be one of the first technology platforms to interconnect patients, clinicians and healthcare information across both multiple hospital sites and EPR platforms. The Directors expect the acquisition to provide many synergistic benefits, including sales to the same sales channel, pooling software engineering resources, and bringing extensive experience to management and the Board of Directors.

**Payment of contingent consideration to former owners of Horizon Strategic Partners Limited**
In June 2020, management's forecasts of the cash collected from customers of Horizon Strategic Partners Limited indicated that it is highly probable that the maximum earn-out payment of £1,500,000 will be paid to the former shareholders of the entity. These forecasts are based on cash collected (excluding VAT) during the earn-out period, plus amounts invoiced and not yet collected, for which payment is expected prior to 30 September 2020 based on the Group's credit terms.

# Company Information

## Directors

| | |
|---|---|
| Chris Spencer | Non-Executive Chair |
| Jane Silber | Non-Executive Director |
| Leslie-Ann Reed | Non-Executive Director |
| Andrew Williams | Non-Executive Director |
| Hugo Stephenson | Chief Executive Officer |
| James Balmain | Chief Executive Officer |
| Shelley Fraser | Chief Financial Officer |

## Secretary

Prism Cosec
Ashley Park House 42-50 Hersham Road Walton-on-Thames Surrey
KT12 1RZ

## Auditors

KPMG LLP
The Pinnacle
170 Midsummer Blvd
Milton Keynes
MK9 1FD

## Primary Bankers

HSBC Bank Ltd
172 Upper Richmond Road London
SW15 2SH

## Solicitors

Pinsent Masons LLP
Third Floor
Quay 2
139 Fountainbridge Edinburgh
EH3 9QG

## Nominated advisers and brokers

Numis Securities Ltd
The London Stock Exchange Building 10 Paternoster Square
London
EC4M 7LT

## Registered Office

20 St Dunstan's Hill
London
EC3R 8HL

## Registered Number

11232772

# Glossary

**Alternative Investment Market (AIM)**

**Annual General Meeting (AGM)**

**Electronic Health Record (EHR)**

**Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)**

**General Data Protection Regulation (GDPR)**

**Horizon Strategic Partners Limited (Horizon)**

**Induction Healthcare Group PLC (Group, Induction, Induction Healthcare and Company)**

**Initial Public Offering (IPO)**

**Milton Keynes University Hospital NHA Foundation Trust (MKUH)**

**Monthly recurring revenue (MRR)**

**National Health System (NHS)**

**Patient administration system (PAS)**

**Podmedics Limited (Podmedics)**

**Return on Investment (ROI)**

**Software as a service (Saas)**

**The Quoted Companies Alliance (the QCA Code)**

**Zesty Limited (Zesty)**

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