



Induction
Healthcare

Making Healthcare Better, Anywhere

**Annual Report
& Accounts 2021**

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What we do

‘Digital transformation’ – it’s a priority of nearly all healthcare systems worldwide, and Induction makes popular software tools that are powering these changes at scale.

We replace outdated modes of interaction between healthcare providers and their patients with a next generation digital healthcare toolkit – and we enable a new flexible future for healthcare.

Our mission is to ‘make healthcare better, anywhere’. We alleviate operational burdens on hospital teams while saving them time, frustration and money. We allow clinical teams to share information, collaborate and navigate channels across disciplines. And we put patients in better control of their own healthcare management. With Induction tools, providers and patients can choose how and when they receive care, be it virtually, in-person or even via asynchronous text. We unchain staff and patients from the limitations of paper-based and desktop systems.

Our ability to relieve these operational burdens is driven by integrating our technologies into existing systems. This interoperability is at the heart of what we do, and it means that we can enhance legacy systems and existing investments that hospitals have in place while laying the foundation for their digitally transformed future. While each of our products addresses specific ‘pain points’ for hospitals and patients, these stakeholders benefit exponentially when our products are used comprehensively and collectively.

Zesty Limited acquisition

8th June 2020

Apple Health Records

27th October 2020

Cerner partnership agreement signed

12th October 2020

March 2020

Delivering the flexibility in healthcare that a post-pandemic world demands

An ambitious growth strategy – and transformational acquisitions

Induction has a focused ‘buy and build’ strategy, and the core of the business lies with engaging clinical users and the people they see and serve. We enhance our clinical user platforms by selective acquisitions in the patient and provider engagement space, creating a business that encourages user buy-in across all aspects of the healthcare market.

In June 2020, Induction acquired Zesty Limited (Induction Zesty*). Induction Zesty has brought two important dimensions to Induction: patients and data.

It has built a 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.

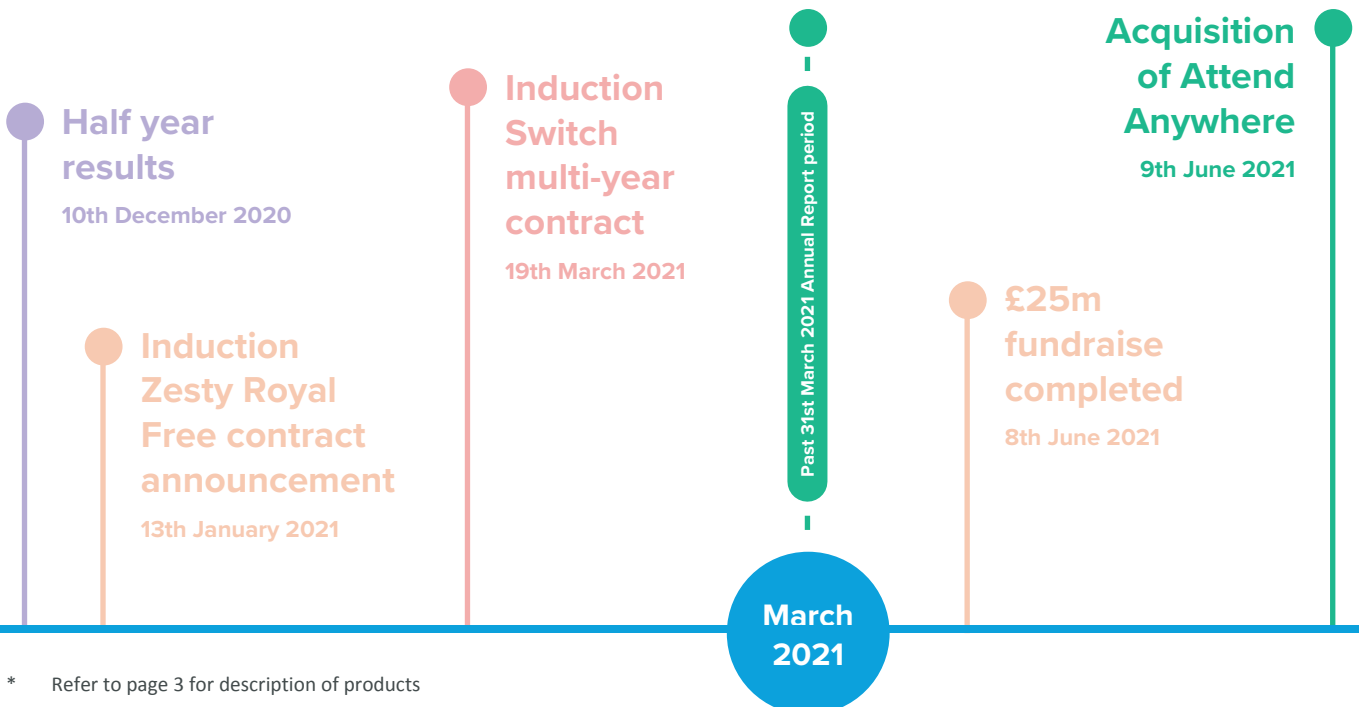
The use of Induction Switch’s* directory proved incredibly useful for many healthcare professionals, allowing them to easily access records and locate extensions, however the pandemic made it challenging for NHS providers to spare bandwidth for monetisation discussions on moving to paid licences. Despite this, Induction Guidance* and Induction Switch have provided hospital staff with workable solutions, allowing them to access information with ease during a time where human interaction and free movement

throughout hospitals and healthcare centres was advised against.

In June 2021 after the year end, Induction acquired Attend Anywhere Pty Ltd (Attend Anywhere), the UK market leader in secondary care video consultations that helps hospitals, health systems and other customers offer video consultations to patients and service providers as a normal part of day-to-day operations. With this recent acquisition, our promise of flexible care achieves scale across the UK. We envision a future in which healthcare providers determine when best to see patients and work with each other on a case-by-case basis, whether that be in-person, via video or on the telephone.

Our products cover not only pre-treatment patient support, from digital correspondence, appointment booking and remote data capture, but also the full range of in-person, telephone or live-video consultations. This helps hospitals provide

maximum flexibility as they shape the future of healthcare – responding to new professional and patient demands in the wake of a pandemic that fundamentally changed attitudes and behaviours about accessing care in new ways.



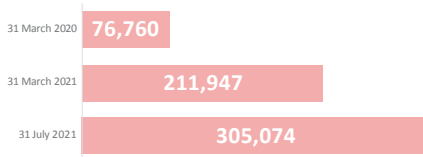
* Refer to page 3 for description of products

Our Products

Simple solutions that patients and clinical teams want to use

Induction Zesty

176% growth in registered patients in FY21



116,000

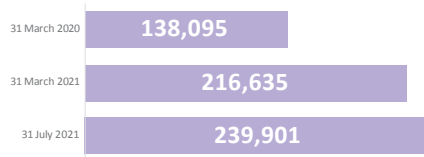
Users on the Royal Free (My RFL Care) portal since go-live in August 2020

623,000

Digital letters delivered in the 6 months to July 2021

Induction Switch

57% growth in registered users in FY21



15,459,000

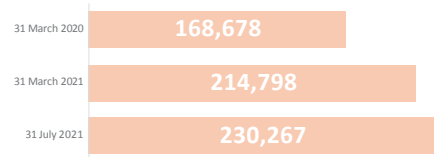
Directory views in FY21 (124% YOY growth)

3,349,000

Directory calls FY21 (72% YOY growth)

Induction Guidance

27% growth in registered users in FY21



10,809,000

Guidelines page views in FY21 (22% YOY growth)

4,000

Guidelines publications in FY21 (114% YOY growth)



Induction Zesty

Induction Zesty is a software-as-a-service (SaaS) platform that acts as a digital front door for patients visiting hospitals.

Our EPR integrated platform allows patients to book and access their appointments, read their clinical letters, store a copy of their clinical record, and provide data to their care teams remotely. More than 260,000 patients use the patient portal to manage their hospital care. It is not just a compelling patient experience, but also delivers significant cost benefits to hospitals.

Induction Zesty is contracted with several NHS Trusts across the UK, including The Royal Free London NHS Foundation Trust and Milton Keynes University Hospital NHS Trust, and its usage is on an upward trajectory. In March 2020, registered users of Induction Zesty had more than doubled from 32,000 to 76,000 in one year. In the subsequent 18 months, Induction Zesty saw further rapid growth to reach more than 305,000 users at the end of July 2021. With more than 700 new patient registrations daily, this number will continue its climb, especially as hospital activity returns to pre-pandemic levels.



Induction Switch

Induction Switch is the number one healthcare collaboration app in the UK, used by the majority of hospital doctors within the NHS.

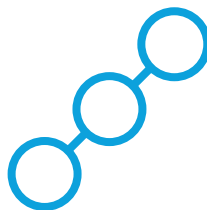
Induction Switch saves healthcare professionals time by allowing them to bypass the hospital's switchboard, helping them locate extensions, return bleeps quickly or send instant and role-based messages in a secure environment. More than 239,000 clinical staff across multiple territories, including the UK, Ireland, Australia and South Africa use Induction Switch. It had 15.5 million directory views in FY21.



Induction Guidance

Induction Guidance provides medical organisations, including most hospital trusts within the NHS, with the ability to collaboratively create, edit and publish their own local medical guidelines in a secure and locally administrated environment.

This increases knowledge of, and adherence to, guidance. Induction Guidance has been implemented in more than 145 healthcare environments in 14 countries ranging from the United States to Iceland and New Zealand. In the UK, Induction Guidance is live in 51% of NHS Trusts in England and has over 230,000 users. It had 10.8 million page views in FY21.



Induction HealthStream

Induction HealthStream is a proprietary data integration platform that reads and writes patient demographic, appointment and clinical record data between a growing number of hospital EHR systems and the Induction platforms.

This connectivity between stakeholders and legacy IT systems adds substantial value to pre-existing health IT investment and allows large-scale adoption of Induction app-based services, making it a key USP for the Company. Induction HealthStream currently covers 62% of Electronic Health Record systems used in England.



Induction Attend Anywhere

Acquired post year end in June 2021, Induction Attend Anywhere helps hospitals, health systems and other customers offer video consultations to patients and service users as a normal part of day-to-day operations, making it simple, safe and secure to get the right care, in the right format and at the right frequency as determined by the provider and patient.

This is the promise of flexible care, one that not only improves lives, but also helps address social, access, equity and sustainability challenges in healthcare and beyond. This promise was made evident during the pandemic, where Attend Anywhere delivered more than one million remote consultations in Scotland.

With Attend Anywhere, Induction offers an end-to-end platform; all the points on the patient pathway are covered by our platforms, with our SaaS model allowing us to implement and integrate our platforms seamlessly.

Operations at a glance

Meeting the needs of the marketplace

Our customers

Whilst our principal customers are the healthcare providers, we have two key sets of stakeholders (users); clinicians and patients, supported by access to data, often held in legacy hospital systems.

COVID-19 was a significant catalyst to the digital transformation of healthcare, a process that had begun long before the pandemic. As in other industries before it, change comes in waves. Wave 1 was Electronic Patient Records (EPR), now used by most hospitals. Wave 2, which is well under way, involves the virtualisation of care, extending the capabilities of legacy systems and enhancing existing investments to allocate resources more efficiently. The system-wide pressure on cost, waiting lists and overall efficiency, which has been heightened as a result of the pandemic, is creating market urgency. Patients and providers enjoy digitally enabled flexibility in every aspect of their lives, especially in the management of their health, and our platforms enable secondary care systems (hospitals) to make healthcare better and more flexible for patients and healthcare professionals.

More than 230,000 hospital clinicians across multiple territories, including the UK, Ireland, Australia and South Africa, have chosen Induction solutions.

At present, we work with secondary care systems, but there is significant scope to extend our platform into primary (GPs, dentists and opticians) and community care. The acquisition of Attend Anywhere will also introduce private health providers into our network and we look forward to continuing to build on these relationships.

In October 2020, we signed a Value-Added-Reseller agreement with the Cerner Corporation (NASDAQ: CERN) for Induction Zesty and Cerner to develop a joint patient engagement solution to help NHS trusts deliver an easier, quicker and more efficient service for patients. As part of the value-added reseller agreement, NHS Trusts that are already Cerner clients can access Induction Zesty's market-leading patient portal without an extensive procurement process.

Our partnership efforts extend beyond Cerner, as we're working with another large hospital EHR supplier, System C. With two shared clients already secured, we are partnering with System C to integrate Induction Zesty's registration and appointment management functionality into their Careflow system.

We have seen major new contract wins in the financial year to 31 March 2021, including a multi-year contract with The Royal Free London NHS Foundation Trust (RFL), a Global Digital Exemplar and one of the largest and most respected hospitals in the UK. RFL used Induction Zesty to deliver their My RFL Care patient portal as the first phase of an ambitious roadmap to digitise patient services in the next two years. My RFL Care launched in August 2020 and has had significant traction with more than 100,000 patients registering and using the service in the first few months and 200,000 patients expected to adopt the service in the first year.

Our user base

Our platforms are used regularly by over 230,000 clinical users and more than 180 Acute Trusts, as well as a rapidly growing number of more than 305,000 UK patients.

We are seeing adoption of our products across multiple territories, including the UK, Ireland, Australia and South Africa. As we grow our global footprint, we also seek to grow our scope beyond UK secondary care and into new local markets. We intend to make healthcare better, anywhere and for everyone.

User engagement is critical in healthcare, and it forms a core part of our strategy. Platforms for patients have historically been poorly designed and tend to ignore the needs of older users, considering the average age of a hospital patient in the UK is 65. Comparatively, lack of engagement and active non-use is the common downfall of many platforms with clinical users.

Our platforms are simple to use and their ability to integrate into pre-existing systems means they are flexible and favoured by clinical teams, who hold significant power within health provider organisations.

The overall trend towards super-specialisation in healthcare is creating exponential degrees of difficulty in treating patients, and digital tools are the only viable solution to operate in this evolving environment. The NHS spends around £1bn on technology systems each year and the existing evidence of significant usage proves that our solutions are not only efficient, but they are also the preferred platforms of healthcare professionals.



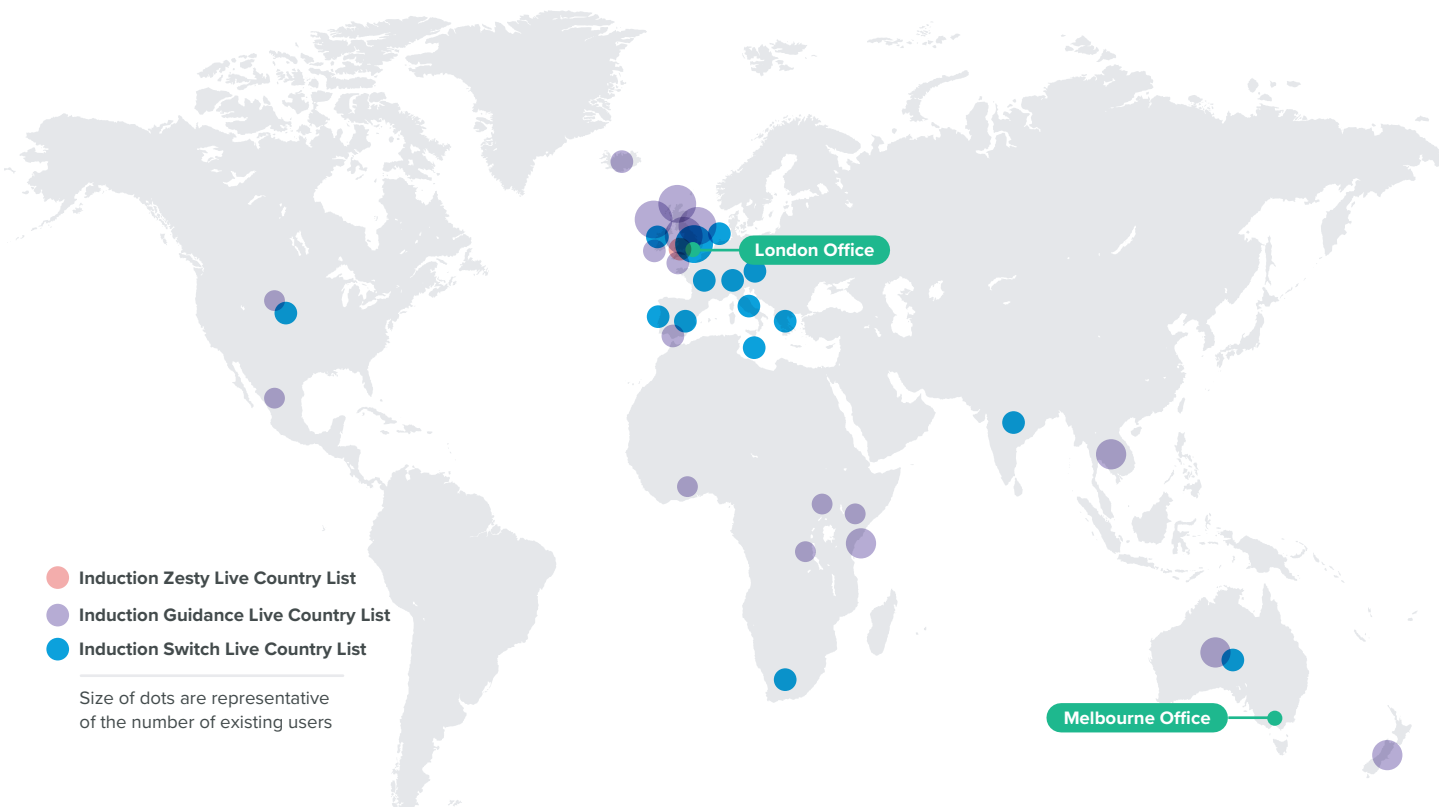
Our markets

Our platforms are contracted with more than 180 NHS secondary care Trusts in England, representing 80% of the Trusts in England.

Post-acquisition of Attend Anywhere, we now have contracts in Scotland, Wales and the Republic of Ireland as well as in North America and Mexico for Induction Guidance. We plan to grow further internationally, building on the momentum for digital platforms that has resulted from the pandemic, as customers and healthcare professionals welcome flexibility in their healthcare options.

Induction is also expanding its business at a regional level within the NHS and overseas, as the new Integrated Care Systems (ICS) gain momentum across England, with regionalised procurement that makes central budget available within all care settings. It's a space in which Induction solutions are well positioned and can be utilised beyond secondary care with the intention of creating a complete 'whole system' platform.

Current geographical footprint



Chair's statement

A year of beginnings and solid progress



Chris
Spencer

Despite the pandemic, Induction has had a strong year as the Company has continued to deliver on the objectives set out when it joined AIM in May 2019. In the financial year to 31 March 2021, Induction has seen its first full year of revenues of £1.5m and an average increase of 68% in users of Induction platforms.

The fiscal year ended with a strong pipeline and solid order book as the Group saw an increase in patients and clinical users.

Induction's suite of SaaS tools have been established to combine to deliver a comprehensive virtual care platform and, while the Group has a continued focus on UK secondary care markets, it has the scope to further grow into new local markets and internationally.

Key Achievements

Following the acquisition of Zesty Limited in June 2020, in October 2020 a strategic collaboration agreement was signed with Cerner Corporation in the UK and Ireland to jointly develop patient engagement solutions for NHS hospitals with Induction Zesty. Cerner is a leader in health care technology interoperability and a patient facing platform that represents the best of Induction Zesty and the best of Cerner presents a great solution for both existing and new Cerner customers. As part of the Cerner agreement, NHS Trusts that are already Cerner clients will also have access to the Company's Induction Zesty patient portal under their existing contractual arrangements.

Following this, Induction Zesty collaborated with Apple and Cerner to support the roll out of "Health Records on iPhone" to patients at Milton Keynes University Hospital NHS Trust (MKUH), one of the first two NHS hospital trusts to launch this feature in the UK. As at the end of July 2021 over 94,000 patients are registered at Milton Keynes to be able to access this functionality on their iPhones and the Group is looking forward to continuing the partnership with Apple, Cerner and many more hospitals in the UK so they can offer Health Records on iPhone to their patients.

£1.5m

in revenue delivered in FY21

The Company has seen excellent commercial momentum with the NHS over the last twelve months including new contracts with Royal Free London, Sussex Community NHS Foundation Trust, and East & North Hertfordshire NHS Trust. Broader public sector contracts include the University of the West of England and South Gloucestershire Council, for the Induction Booking app to enable the booking of COVID-19 lateral flow tests.

Sales momentum has accelerated in recent months for Induction Switch and in May 2021 we concluded a three-year contract with a London-based NHS Foundation Trust to support its 10,000 clinicians and staff.

Post-year end the sales pipeline has continued to mature with three prominent hospitals across South East England, contracting to deploy Induction Zesty to deliver their digital patient portals. These contracts are worth a total of £440k with time periods that range between 12 to 20 months.

The acquisition of Attend Anywhere in June 2021 is pivotal for Induction going forward as it reinforces the Group's already strong NHS footprint and brings £7.7m in annual contract value across 183 NHS England Trusts, £2.1m in Scotland and £1.6m in Wales.

68%

increase in user base across FY21

People

Following our acquisition of Zesty Limited, on 8 June 2020, our Board was strengthened with the arrival of Andy Williams to the Board as a Non-Executive Director and James Balmain as joint CEO alongside Hugo Stephenson.

After the year end, Chris Ryan, Attend Anywhere's former CEO, joined the Company's executive management team in June. We are delighted to welcome him as his expertise and industry knowledge will be instrumental to the Group's business going forward.

I would especially like to thank the entire Induction team for their incredible work over the last twelve months. The pandemic has been challenging for all and the Group could not have reached these significant milestones without the dedication and resilience of its employees.

Strategy

The Board has set an ambitious growth trajectory including international expansion, and a move beyond secondary care, to offer a more complete, 'whole system' platform. Induction's M&A strategy will act as a rapid enabler for this.

Induction has continued to execute its "buy and build" strategy successfully, acquiring four businesses since its AIM IPO in May 2019 (Attend Anywhere post year-end), and considers itself well placed to hold a strong market position in a significant area of growth and investment.

£25m

fundraise completed by the Group in June 2021 (post year-end)

Outlook

Whilst the impact of COVID-19 has caused difficulties for the business in engaging with clients, it has also been a significant driver for uptake of Induction's virtual care platforms and has brought to the foreground the momentum to digitally transform healthcare.

The next financial year is an opportunity for Induction to help the NHS to deliver the benefits of this momentum.

The flexibility and adaptability of Induction's SaaS platforms and focus on evidence-based sales is driving growth in all areas of the business. Alongside this, the post year end acquisition of Attend Anywhere further enhances our combined product offering, increasing our attraction to investors and customers alike.

Chris Spencer

Chair

22 September 2021

Joint CEO statement

A strong strategic performance in 2021



James
Balmain

Hugo Stephenson

The group has made solid progress in the last 12 months, completing the acquisition of Zesty amidst the lockdown and laying the foundation during the latter months of FY21 for acquiring Attend Anywhere post-close. In the meantime, Induction's core products going into the year – Induction Switch and Induction Guidance – have been greatly relied upon by clinical users during the COVID-19 pandemic.

FY21 has been a challenging year for many businesses, particularly technology start-ups like Induction Healthcare. Throughout the year we have faced significant and unforeseeable business challenges as a result of the COVID-19 pandemic, including the heavy reliance of front-line clinical users on our core Induction Switch and Induction Guidance applications, while at the same time facing healthcare administrations naturally focused on emergent priorities and unable to spare bandwidth for monetisation discussions around Switch, or deep system integrations with Zesty – despite their ability to unlock future operational efficiencies. For many of our clients, hospitals and healthcare systems, FY21 was crisis unfolding in both slow motion and at warp speed. Despite these challenges, we ended the year having closed the acquisition of Zesty during a lockdown, as well as a value-added reseller agreement with Cerner Corporation, the first of its type for Cerner in the UK digital healthcare market. We also supported Apple in the launch of their Health Records on iPhone service at Milton Keynes hospital. This is the first time that secondary care health records have been available through patient Apple devices in the UK.

For an organisation that began FY21 with an almost universally used but unmonetised app (Induction Switch), and the recent acquisition of MicroGuide (Induction Guidance) still early in its soon to be successful earn-out journey, Induction Healthcare enters FY22 as one of

the leading providers of health IT across the UK, with a comprehensive toolkit – used at national scale across the secondary healthcare systems – enabling digital collaboration between healthcare providers, administrators and patients.

Over the last quarter of the year, we made significant progress towards the acquisition of Attend Anywhere – a complex international transaction that was completed after year end. At the same time, we managed to roll out major new features to all our products with software teams working entirely remotely, and dealt with the challenges of completing major due diligence and team integration projects without ever being able to meet in person.

Even prior to the post-year acquisition of Attend Anywhere, Induction ended FY21 with revenue growing to £1.5 million (FY20: £0.1 million), clinical users growing to 217,000 (57% yoy) and registered patients growing to 212,000 (176% yoy).

Induction Guidance remains prevalent in the clinical guidance market in the UK, with average monthly revenues increasing by 79% year on year. Our Induction Switch platform currently has more than 230,000 clinical users. While we made the decision to keep much of Induction Switch available free of charge during the pandemic, we have now commenced the monetisation journey for this platform with a three-year deal signed at the Royal Free London.

Landmark deployments of Induction Zesty at the Royal Free London and The Royal Wolverhampton in FY21 act as exemplar reference cases for the platform to the wider English NHS secondary care market. In a first-of-type regional outpatient transformation platform, Induction Zesty achieved preferred supplier status with the South West London integrated care system (ICS) in conjunction with our partner Cerner – allowing patients who visit any of the four acute or three community providers within the ICS to manage their care directly and access records, appointments and care pathway information through a single platform. Our integrated platform, currently in development, will also

directly onboard patients to telephone or video consultations via Attend Anywhere.

The post year end acquisition of the video consultation platform Attend Anywhere is our most significant to date and establishes our promise of flexible care at a national scale across the UK. Our toolkit now enables providers to engage with other providers (Induction Switch), healthcare institutions to engage with their providers (Induction Guidance), patients to engage with their healthcare institutions (Induction Zesty), and – most importantly – patients to engage with healthcare providers (Attend Anywhere). We enter FY22 managing some of the most used tools in each of these domains. We now cover the complete secondary care patient pathway by offering pre-treatment patient support via digital correspondence, appointment booking and remote data capture, the full range of in-person, telephone or live-video consultations and post treatment follow up support.

Attend Anywhere is a strongly accretive acquisition, delivering £10.4 million in revenues and £4.5 million in EBITDA in the year to 30 June 2021 (unaudited).

Induction’s platforms are most effective and exciting when they are synergised as an end-to-end platform. Going forward, our ‘Induction Anywhere’ solution will retain their flexibility as standalone tools, and create a new level of efficiency and value for our clients when they are used together.

Strategic priorities for growth

- Upsell in existing channels - Leveraging our significant UK contractual position post Attend Anywhere to sell more into existing customers
- Geographic expansion - Winning new customers in new territories
- Complementary adjacent sectors - Selling into other public and private sector organisations
- Accretive M&A - Further earnings enhancing acquisitions

Upsell in existing channels

Following the acquisition of Attend Anywhere, Induction is now contracted with over 80% of NHS Secondary trusts in England and holds national contracts in Scotland, Wales and the Republic of Ireland (ROI), enabling significant scope to support our customers with further group products. Whilst Induction Zesty has a key role to play in enhancing the provider benefit and patient experience of Attend Anywhere

our Induction Switch and Induction Guidance products offer further benefits as we move forward with regional deals in line with the roll out of ICSs.

Complementary adjacent sectors

As health and social care become more tightly connected and regional funding is made available for healthcare providers, local authorities and national services need to support a more flexible approach to citizen engagement, our tried and tested national capability is a credible proposition for central payers. We are actively pursuing complementary sectors, whilst ensuring our relentless focus on excellent user experience.

Equally important is the shift towards regional patient engagement, regardless of care setting. We remain actively interested in opportunities to expand more directly into primary and community care, whilst retaining our market lead and expertise in secondary care.

We see expansion into new territories as a vital part of our medium-term strategy. Following the acquisition of Attend Anywhere, we now have a team in Melbourne, Australia and intend to launch Attend Anywhere in the Australian market in the coming months, generating revenues during FY23.

Key partnerships, including our landmark Value-Added Reseller agreement with the Cerner Corporation, provide an exciting route to market.

Accretive M&A

We continue to evaluate our global market for potential acquisitions. We’re most focused on targets that will accelerate our entry into new territories, whilst delivering EBITDA to the Group.

People

Despite the challenges of remote working, we’ve made great in-year and post year end progress in attracting top talent to Induction. Building a focused and highly skilled team is critical to our growth. Notable hires include a Group Chief Revenue Officer, Chief Legal and Admin Officer (with a core M&A skillset) and more recently a highly experienced Chief Technical Officer.

We’re equally focused on developing talent and supporting our people to grow and excel in their roles, ensuring that incentives are aligned with shareholder value and our people are rewarded via stock options.

Operational execution

We’ve made good progress in building out our product, development, account management, customer success and sales teams. Induction will always be a Group with product at its core and we’ve taken huge steps forward in engaging with our customers and closing the loop on user feedback.

We’ve established our target operating model, successfully integrating our acquisitions into a group wide functional

organisational structure, avoiding siloed teams by product line.

Critically, we’re working at pace to instil P&L accountability throughout the organisation – with a clear focus to reach EBITDA neutrality by the end of FY22, moving towards cash generation by the end of FY23.

Diversity and inclusion

The global events of the last 12 months have reinforced our belief that a diverse and inclusive workforce are not just a social good, but a commercial advantage. Fair practices in hiring and talent development, as well as maintaining safe and supportive company cultures, are key to the Group’s success and the encouragement of diverse voices within it.

Climate and the Environment

Digital tools and transformation are the basis of our products and we are in a privileged position to support our clients and champion positive change on sustainability and our environment. We will do this in four ways:

- ensure we continue to be the best corporate citizen we can possibly be;
- ensure sustainability is at the heart of the workforce and how we operate;
- influence customers to make sustainable choices whenever we do work for them; and
- create new products that help our customers rethink their services for the challenges and opportunities ahead.

Outlook

The Global Virtual Healthcare Market is predicted to grow by 23.31% by 2025* and Induction is well placed to be a major competitor in this international space. The Company has strong sales momentum, recurring revenue, and a pipeline of orders with multi-year contracts, as well as proven ability to create value for healthcare systems at a regional and national level.

In our view our current leading market position is due to Induction’s ability to work alongside existing systems. We can operate our platforms at scale without loss of functionality, efficiency or margin. The establishment of a scalable SaaS platform that provides value to all stakeholders - administrators, providers and patients - means that we help existing healthcare systems evolve to become what they want to be, rather than compete with these systems and disrupt what they do.

As the COVID-19 pandemic recedes around the world, we are excited at the Group’s enviable position in the UK market and scope for significant global growth in the next 3-5 years.

* Global Virtual Healthcare Market, Cumulative Impact of COVID-19*, p31

Financial review

A solid financial performance, primed for growth

Revenue

For the year ended 31 March 2021, reported revenue increased to £1,513k (2020: £148k).

Reported revenue from Induction Guidance (Horizon Strategic Partners Limited) grew to £636k (2020: £148k representing 5 months of revenue recognised post acquisition). The principal drivers for this growth have been upselling new product lines and the sale to the Mexico Better Health Programme in June 2020.

Reported revenue from Induction Zesty of £872k reflects just under 10 months of revenue recognised since the acquisition of Zesty Limited. Induction Zesty's revenues were certainly impacted by COVID-19 as many of our existing and potential customers were understandably focused on initially treating acute patients and subsequently implementing the national vaccine. On the other hand, COVID-19 has strongly demonstrated the need for our leading technology and, aligned with our Cerner partnership, we are confident of a stronger year to 31 March 2022.

Whilst Induction Switch has seen a continued increase in its user numbers and some sales traction post year end, reported revenues of £5k from Induction Switch in the year have not been as expected. Whilst the Board sees great value in the user base and further monetisation, the Group's short-term strategy is to focus attention and investment on higher value revenue streams which in turn are complemented and supported by the Induction Switch user base. The impairment review noted that the carrying value of Induction Switch significantly exceeded the value in use calculation, which used cash flow projections over a five-year period. The Board therefore determined that the value of goodwill and intangible assets should be impaired by £1,366k (2020: £nil) (see note 17).

	31/03/2021 £'000	31/03/2020 £'000
United Kingdom	1,342	131
Europe	13	2
United States	23	11
Rest of World	135	4
	1,513	148

Operating Costs

Administration costs have increased to £5,052k (2020: £2,330k). This mainly relates to an increase in headcount from the acquisition of Zesty Limited and a full year of trading post acquisition of Horizon Strategic Partners Limited in the prior year. The Group capitalises software development and hosting costs which depreciate over three to five years, resulting in capitalisation of £1,660k (2020: £761k).

Reported loss before tax for the year was £8,117k (2020: £3,527k).

Core performance measures

Core performance measures are alternative performance measures (APM) which are adjusted and non-IFRS measures. These measures cannot be derived directly from our consolidated financial statements. We believe that the following non-IFRS performance measures, when provided in combination with reported performance, will provide investors, analysts and other stakeholders with helpful complementary information to better understand our financial performance and our financial position from period to period. The measures are not substitutable for IFRS results and should not be considered superior to results presented in accordance with IFRS.

We considered the adjusting items, including explanations of why they were either not related to the performance of the business or impacted the comparability of the Group's results year-on-year. We also reviewed the FRC's guidance, and considered adjusting items used by the Group's peers and have concluded that the appropriate disclosure of those items has been included.

The Group incurred several exceptional items during the year as per the table below which shows adjusted operating loss before depreciation, amortisation, impairment and exceptional costs of £4,775k (2020: £2,736k).

	31/03/2021 £'000	31/03/2020 £'000
Loss before tax	(8,117)	(3,527)
Add / (Less): Net finance expense / (income)	2	(47)
Add: Impairment losses	1,366	–
Add: Depreciation and amortisation	1,356	324
Operating loss before depreciation, amortisation and impairment	(5,393)	(3,250)
Adjusted for exceptional costs:		
– IPO costs expensed ¹	–	281
– Acquisition related transaction costs ²	375	150
– Fair value adjustments on contingent consideration and contract liabilities ³	243	83
Adjusted Operating loss before, depreciation, amortisation, impairment and exceptional costs	(4,775)	(2,736)

1. The prior year saw £281k of IPO costs expensed through the Income Statement. These costs have been excluded as they are non-recurring and do not relate to the underlying trading of the Group.
2. These costs are directly attributable to business combinations and are excluded from underlying performance as they would not have been incurred had the business combination not occurred. They do not relate to the underlying trading of the Group and are added back to aid comparability of the Group's profitability year-on-year.
3. The unwinding of the discount on these liabilities and contingent consideration is also excluded from underlying performance on the basis that it is non-cash and the balance is driven by the Group's assessment of the time value of money and this exclusion ensures comparability.

Cash

The Group's cash position at 31 March 2021 was £2,472k (2020: £10,718). The operating cash outflow was focused on investment in our developers and products and ongoing AIM regulation costs, as we build the framework and foundations. Investment outlay of £3,652k (2020: £1,727k) includes a £1,500k earnout payment for Horizon Strategic Partners Limited and £1,660k for capitalised development costs. Financing cash outflows include the repayment of a third-party loan of £501k, which was repaid following the acquisition of Zesty Limited.

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.

	31/03/2021 £'000	31/03/2020 £'000
Operating cash flows	(4,012)	(3,346)
Cash balance	2,472	10,718

Assets and Liabilities

Goodwill at 31 March 2021 of £9,373k (2020: £1,553k) and Intangibles of £5,884k (2020: £2,349k) are derived from two acquisitions, Zesty Limited during the year and Horizon Strategic Partners Limited in the prior year.

As previously noted, the carrying value of Induction Switch goodwill and intangible assets has been impaired by £1,366k.

All transactions have been valued for accounting purposes by external consultants resulting in the investment being recognised between goodwill and intangible assets as per notes 17 and 18.

	31/03/2021 £'000	31/03/2020 £'000
Goodwill	9,373	1,553
Intangible assets	5,884	2,349

Post Balance Sheet Events

On 8 June 2021, the Company announced that it had raised £25 million through a placing of 35,714,285 new Ordinary Shares at a price of 70p per share (refer note 30). On the 9 June 2021, the Company announced the Completion of the acquisition of Attend Anywhere Pty Ltd for a cash consideration of £16.34 million, which included £0.79 million as payment for Attend Anywhere's net assets at completion and the issue of 14,285,714 consideration shares (having a value equivalent to £10 million at the placing price).

The acquisition of Attend Anywhere Pty Ltd adds critical mass, transformational revenues but another profitable and cash generative business to the Group. Indeed, this acquisition combined with the share placing, has resulted in the Group's cash reserves increase by £10 million.

Structural Growth Drivers

Structural growth drivers that drive healthier societies

There are several solutions for digital patient engagement in primary care, including telehealth platforms that employ providers to deliver care remotely.

There is greater white space in secondary care, however, where cost savings are much larger. Our platforms present a huge opportunity to address inequalities across care systems, by making healthcare better and more accessible for all, as there are very few platforms across the healthcare system (working in primary, secondary and community care) that can be implemented at scale.

87.9%

of clinicians said Attend Anywhere (Near Me*) will be a valuable service

We can operate our platforms at scale without compromising on functionality, efficiency or pricing



* Attend Anywhere brands its service offering in Scotland as Near Me

As healthcare advances in terms of treatment protocols, complexity rises. Just 20 years ago, cancer treatment was relatively uniform – and now, with personalised care, treatment is increasingly bespoke to the patient. This change is underway in most clinical specialties, and it demands multidisciplinary teams, from imaging to diagnostics, and joined up care all along the patient journey. Systems need to be equipped to give an overview of the care trajectory to clinical teams, patients and their carers.

Evolution vs revolution

We promise to be a partner in transformation, but also recognise that healthcare requires incremental and evidence-based adjustments vs an overall revolution that carries risk. We therefore seek to evolve and build on the pre-existing systems into which state and private health providers have already invested millions. Our solutions are therefore inherently empathetic, which is critical for adoption and user uptake.

It is also a strategic choice for Induction. The provision of a high-margin SaaS platform (vs a platform that requires a clinical workforce) has commercial benefits that mean we complement and do not compete with existing healthcare providers. We can operate our platforms at a scale without compromising on functionality, efficiency or pricing – and that puts us in a leading position in the market.

Primed for a post-pandemic world

Induction solutions became increasingly relevant during the pandemic, with Induction Switch helping to get the London Nightingale up and running and Induction Guidance providing antimicrobial guidance on COVID-19.

Attend Anywhere helped Scottish patients see their healthcare providers when attending appointments was advised against and presented a risk of COVID-19 infection. What was originally a solution for a problem caused by the pandemic, has now become a fully integrated platform that has logistically benefitted patients and clinicians and will continue to be used going forward.

But most importantly, as an insights-driven organisation, we listened, learned and looked at the data.

We refined offerings and strengthened relationships. Induction is ready for a post pandemic future, helping hospitals, and ultimately primary care, community care and mental health services move into a new future.

We are rapidly becoming the solution of choice and the pandemic has been a perfect example of how our platforms are adaptable and able to make digital healthcare solutions better for patients and clinicians now and going forward in a post pandemic world.



Flexible Healthcare

Flexible healthcare delivered anywhere: The global market for virtual care

The Global Virtual Healthcare Market is predicted to grow by 23.31%*, from US \$2,785m in 2021 to US \$7,944m in 2025, as the need for better and more flexible healthcare options have become a necessity due to behaviour and lifestyle changes for patient and provider, technological innovation and, of course, the impact of the pandemic.

Video is the fastest growing media in the virtual healthcare market and our acquisition of Attend Anywhere has brought us into this market, allowing us to offer a full and rounded platform offering that can be tailored to our customers' needs. We're also acutely aware that telephone-based consultations will remain and are investing in a next generation Voice over IP platform to complement the multi-national Attend Anywhere service.

Our acquisition of Attend Anywhere allows us to offer a full and rounded platform, tailored to our customers' needs



*Source: Global Virtual Healthcare Market, Cumulative Impact of COVID-19, p31

The NHS in England

As the NHS in England moves towards regional commissioning via new Integrated Care Systems, ICSs will procure regional digital solutions, using a newly created centralised budget. However, the needs of each hospital will be different, and the NHS requires flexible solutions that can operate in the majority of care settings.

This is where a partnership with Induction comes into its own. The interoperability of our platforms can be used at a national scale without the need to implement a national programme, and we can work cohesively with each NHS trust individually, based on the needs of those hospitals.

Induction's first ICS client is South West London Health and Care Partnership (SWL) and, while signed before the acquisition, the strong presence of Attend Anywhere in this region has heightened the appetite for onboarding through Induction Zesty solutions across our client-base, using both platforms' complementary capabilities to strengthen patient engagement.



Common health markets

Induction Group's opportunity to expand draws the focus to markets that see the NHS as an exemplar health system, broadly including commonwealth markets e.g. Australia and New Zealand. The healthcare support that is provided

nationally in the UK is unique and the ability to scale Induction Group's products is something that the Group is looking to replicate.

Our business model

Going for growth

We have an accretive M&A strategy, with four acquisitions completed since Induction's IPO in 2019.

We're actively pursuing valuable partnerships, enabling a stronger go-to-market strategy, and working alongside large incumbent healthcare IT suppliers.

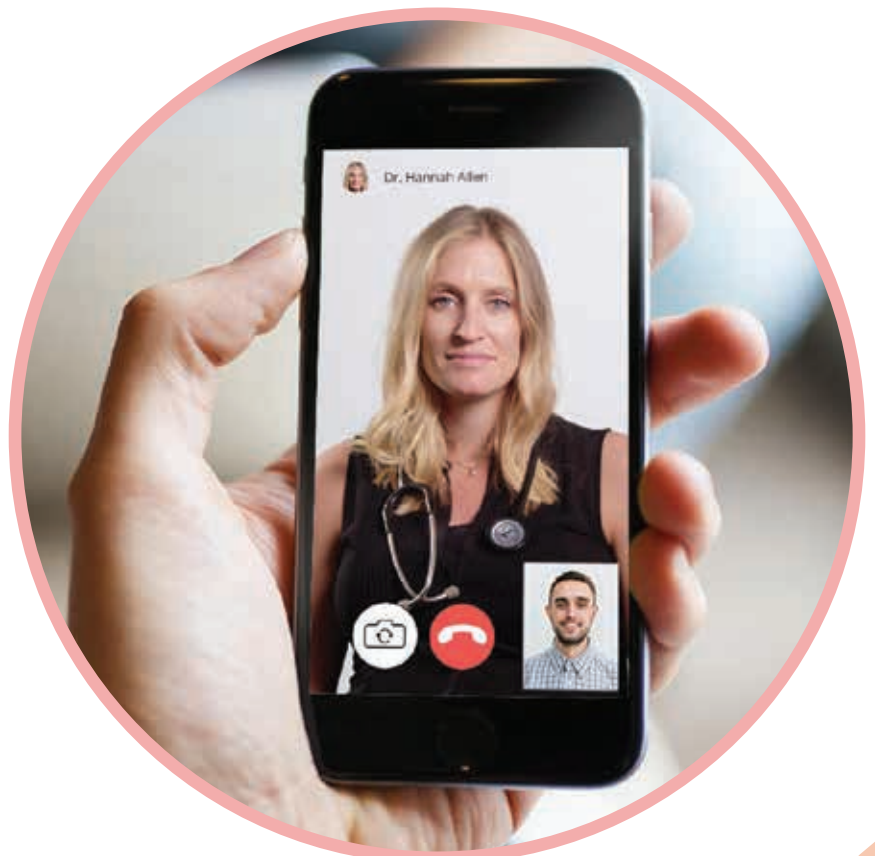
We are strongly pursuing our buy and build strategy and expect further M&A in the near future.

Within the UK market, we are executing a defined upsell strategy which sets out to leverage existing contracts with health providers rather than sell to new sites which can be consuming of time and resources. Healthcare providers are often reluctant to switch software systems as there is anxiety about unknown systems and they are perceived to be expensive and notoriously difficult to manage alongside pre-existing systems.

The ability to integrate our platforms with pre-existing systems is the reason we have been able to work with so many NHS trusts, and the upsell focus of our sales team powers these additional contracts.

There is significant value in electronic patient record integrations, both financially and for efficiency. We are able to upsell our platforms individually from £50k average ARR to £300k+ for all Induction platforms.

We also have the ability to consolidate platforms into one integrated 'anywhere' platform, providing full flexibility for our customers on any side of a consultation.



Key partnerships

Creating value in collaboration

In October 2020, we signed a Value-Added Reseller agreement with the Cerner Corporation, a global healthcare technology company.

Cerner is working with Induction Zesty to develop a joint patient engagement solution to help NHS trusts deliver an easier, quicker and more efficient service for patients.

In our view, this collaboration represents the best of Induction Zesty and the best of Cerner – Induction Zesty's market leading front-end and high patient usage, with Cerner's back-end integration into their EHR Cerner Millennium and their population health platform, Healthlife. As part of the value-added reseller agreement, NHS Trusts that are already Cerner clients can access Induction Zesty's patient portal without a protracted procurement process.

Also in late 2020, the Induction Zesty team embarked on a project alongside Apple and Cerner to provide patient access to health records on iOS devices. This helped to create a direct, encrypted connection between medical institutions and patient's iPhones, empowering patients and powering efficiency and decision-making at a clinical level.

It is a landmark moment for Induction Zesty to be selected by Cerner and together, our organisations will provide staff and patients with world class digital tools to manage their care and operate more efficiently in the current environment of rapidly changing and unfamiliar conditions. The prospect of a patient facing platform that represents the best of Zesty and the best of Cerner is game-changing for both existing and new Cerner customers.



Case studies:

Strategy in action

Becoming the ubiquitous digital transformation partner at The Royal Free London

The Royal Free London NHS Foundation Trust (RFL) is a large acute teaching trust consisting of three main hospitals: Royal Free, Barnet and Chase Farm. Seeing 1,600,000 patients per year and with a staff base of around 10,000, it is one of the largest trusts in the UK.

Named as a Global Digital Exemplar (GDE) by NHS England in 2016, RFL's long term vision is to be Europe's best healthcare group by bringing the best of the NHS to every patient. This is underpinned by a digital strategy where the ambition is to become virtual by default.

Helping to deliver this digital strategy, Induction products are in ever increasing usage across the organisation with Induction Zesty, Induction Switch, Induction Guidance and Attend Anywhere all deployed and underpinned by Induction HealthStream.

- Launching in August 2020, the My RFL Care patient portal, powered by Induction Zesty, has seen its userbase grow to over 116,000 registered patients in the 12 months to 31 July 2021, empowering the patient cohort with greater control over their health care management than ever before
- Induction Switch now has over 5,200 monthly active users (of a total of 6,100 clinical staff) where the directory has been accessed over 355,000 times in the financial year ended 31 March 2021. This represents a growth of 35% in the user base and a 78% increase on usage against the previous 12 months
- Induction Guidance currently averages over 15,000 page views a month

- Attend Anywhere is ubiquitous for virtual clinics and telemedicine

These adoption figures have been impressive, but only represent the tip of the iceberg for the collaboration between Induction and Royal Free. There are product roadmaps formed around each solution, and they include:

- Leveraging the Induction Zesty adoption rate into a broader communications platform
- The introduction of Apple Health records for iPhone users, to give patients deeper engagement than ever before
- Using Induction Switch to allow clinical staff to freely engage and collaborate with each other without RFL footing the bill for infrastructure and device hardware
- Making Induction Guidance critical within an organisation that is continuing to grow and has a requirement to rationalise standard procedures both clinical and operational
- And now, with Attend Anywhere enhanced by HealthStream, providing seamless integration with the EPR and simplifying workflows for clinicians and access for patients

At Induction we proudly celebrate our early successes alongside the Royal Free while relishing the roadmap with a client whose aspirations are only matched by our own.

78%

increase on usage of Induction Switch

35%

increase in the user base of Induction Switch



Making life easier for teams under pressure with Induction Switch

The University Hospital Wishaw is part of NHS Lanarkshire and serves a local population of 250,000. As a small district general hospital, many specialty facilities and requests are not available on site, so staff must outsource them to neighbouring hospitals. Additionally, clinical guidelines are difficult to access as they are not easily located locally.

Such complications become increasingly challenging at the beginning of each year, when the annual, national changeover of doctors in August combines with the rotation of junior doctors through specialties, which happens every four to six months.

Junior doctors starting in new hospitals can face particular difficulty as there is an extensive volume of hospital-specific information to be learned and retained quickly. With no set procedures for the orientation of new doctors, knowledge acquired in previous rotations is often lost at changeover.

To tackle these issues, hospital staff adopted Induction Switch, allowing them to post newly created tutorial guidelines for junior doctors and have better visibility on the general day-to-day operations of the hospital. They sought to measure its impact with a pre- and post-adoption survey, in which 50% of junior doctors at University Wishaw Hospital participated.

- Before the introduction of Induction Switch, all respondents had experienced difficulties with referring to a Clinical specialty and 96% felt they were wasting time doing so.
- Most (87.5%) doctors had difficulties with accessing laboratory results and all respondents expressed difficulty accessing clinical guidelines.
- Following proper use of Induction Switch's mobile-enabled guidelines, the survey demonstrated clear benefits for clinicians:
- Issues accessing information were eliminated (0% reported) following mobile intervention.
- After one month of use, problems finding guidelines dropped to 15.4% and difficulty locating investigation request forms fell to 14.3%.
- Significantly, all (100%) respondents reported that the availability of resources on their mobile saved time.

The results emphasise the successful utilisation of mobile technology for clinical guidelines accessibility, providing doctors with easy-to-access resources, support and guidance during periods of transition.

“Working on the frontline at hospitals, we are able to see how and where precious time and energy is being lost. We identified Induction Switch as a tool that could help solve these issues and were pleased to see its positive impact for the doctors in our hospital.”

Co-author, Dr Jennie Cathcart of University Wishaw Hospital:

“Creating more than a directory: improving handover of information by renovating the Induction app for University Hospital Wishaw” via <https://bmjopenquality.bmj.com/content/9/4/e000970>.

Case studies:

Strategy in action

Providing Guidance and more to Salisbury

Salisbury NHS Foundation Trust provides a wide range of clinical care, including general acute and emergency services, to approximately 225,000 people across Wiltshire, Dorset and Hampshire.

The Trust also provides specialist care, such as plastic surgery and rehabilitation to a wider population of three million people and the Duke of Cornwall Spinal Treatment Centre in Salisbury provides services to most of Southern England, covering a population of around 11 million.

Induction was approached by Salisbury as they had heard that several local NHS Trust Hospitals were using Induction Guidance to distribute clinical guidelines to their doctors and nurses via a mobile app. The Trust also wanted to use Induction Guidance to manage the Trust’s Policies and Procedures as it would allow them to make a wide range of content available digitally within a single system in a consistent manner. After further discussions, it became clear Salisbury could use the Induction Guidance platform to manage and distribute patient information.

In 2020, we completed the project plan to migrate existing content from disparate systems on to the Induction Guidance Content Management System.

The Trust has now migrated over 1,000 Patient Information Leaflets covering over 40 different medical conditions, such as Diabetes, Surgery, Ear, Nose & Throat, Plastic Surgery and Mental Health. All this information is available to outpatients in real-time via the Salisbury myInformation Mobile App.

In addition, the Trust has migrated hundreds of clinical guidelines and non-clinical policies on to the MicroGuide platform, all of which can be accessed by Salisbury staff via the MicroGuide Mobile App or on the Trust’s Intranet. These are accessed over 27,500 times each month.

27,500

Documents migrated on to the MicroGuide platform are accessed over 27,500 times each month

“Induction Guidance has quickly become the one-stop shop for everything clinical and non-clinical in my organisation. Its ease of use and the online training available means that staff are engaged and actively keeping their pages current.”

Katrina Glaister, Head of Patient Experience at Salisbury NHS Foundation Trust



Case studies: Strategy in action

Enabling consultations throughout the pandemic in Scotland

Developed and tested in 2018 and 2019, the Attend Anywhere video consulting service (known as Near Me in Scotland) was initially used mainly in rural and island communities in the north of Scotland, where distances can be an issue.

The Scottish Government has been working to ensure there is sufficient capacity to meet the growing demand for Near Me and is assuring patients and carers that it is an appropriate, effective and secure means of conducting remote consultations.

With the rise of COVID-19 in Scotland in 2020, a severe lockdown resulted in restricted travel and difficulties booking in-person doctors' appointments. Furthermore, travelling to a doctor or hospital could result in a COVID-19 infection risk, and was therefore not advisable.

Near Me mirrors in-person appointments, whereby patients make an appointment with the relevant health service before visiting the service's website to commence an appointment. This takes them to a virtual reception, then an online waiting area before they are seen by their clinician. Near Me is powered by Attend Anywhere which was procured for national use across Scotland by the Scottish Government.

From running 7,000 consultations

in 2019, it grew rapidly during the pandemic to its millionth consultation by May 2021 as it enables patients to interact with their clinician without leaving the house, reducing infection rates. However, in a recent survey of 5,000 patients and clinicians, 75.1% of patients and 87.9% of clinicians said Near Me will be a valuable service even once social distancing is no longer required*. Patients said the main benefits are that Near Me improves access to services, it is more convenient, saves time and is better for the environment.

During the pandemic, Near Me has also become the most viable option for Scotland's deaf population, who are experiencing a communications crisis because people wearing face masks prevents lip-reading and social distancing creates barriers beyond the effective one-metre range of hearing aids.

1million

Near Me video consultations grew rapidly to 1 million during the pandemic

James Balmain
CEO
22 September 2021

87.9%

of clinicians said Near Me will be a valuable service*

75.1%

of patients said Near Me will be a valuable service*

* <https://www.gov.scot/publications/public-clinician-views-video-consultation-executive-summary/pages/4/>

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 joined the Board on 8 June 2020. He 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.



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 the Non-executive Chair of Diffblue Ltd and VONQ B.V., as well as a non-executive board member of Weaveworks Ltd and Canonical Ltd. She also serves as an advisor for numerous 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, Bloomsbury Publishing PLC and 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 was Chair of Docly AB and is 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 responsibility

Our People and Culture

We are committed to building the best and most diverse team at Induction Group. The Group 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.

Induction is all about our people, 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 Covid-19 had a significant impact on people's lives, the Group completed the acquisition and integration of Zesty Limited, the team showed commitment and loyalty to maximise growth, performance and value to our clients.

Our 2021/22 targets continue to be ambitious and will ensure that we continue to provide a safe, inclusive and sustainable environment where everyone can be at their best.

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.

The following examples demonstrate how the Directors had regard to the respective elements of section 172 of the Companies Act 2006 in discharging their duties:

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.

Our employees are key to the Group's success and we rely on a committed workforce to help us achieve our short-term and long-term objectives. It is right that our employees share in the success of Induction. Accordingly, incentive arrangements operate across the Group to reward colleagues for the contribution they are making to grow the business.

The Board recognises that the interaction between the Board, senior management, and staff, is crucial to maintaining the welfare of our people and ultimately our future success. The pandemic presented unique challenges so the executive initiated weekly and monthly meetings to provide guidance and support.

The CEOs continue to hold regular meetings with the senior management,

and each senior executive is encouraged to engage fully with their staff. Regular CEO town halls are run where James Balmain updates the staff on group initiatives and allows for questions from the workforce. This forum also provides an opportunity to share knowledge across the group and drive collaboration. During the year we have worked on updating the employee handbook which will be re-launched to all staff across the HR system.

We value all staff including contractors and ensure our communications are to everyone to ensure there is 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.

The global events of the last 12 months have reinforced our belief that a diverse and inclusive workforce are not just a social good, but a commercial advantage. Fair practices in hiring and talent development, as well as maintaining safe and supportive company cultures, are key to the Group's success and the encouragement of diverse voices within it.

Shareholders

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

The Board recognises the critical importance of open dialogue and fair consideration of the Company's members. We communicate with our shareholders through our annual report and accounts, full-year and half-year results announcements, trading updates, AGMs, face-to-face meetings and investor roadshows.

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.

Community and the Environment

Our vision is to build a Group that provides technology to deliver healthcare more efficiently, and 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 continue to increase the focus on our impact on the environment. We aim 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.

Like many other businesses, as Covid-19 took hold our entire workforce started working remotely and we ended our office leases. Post pandemic, with people expected to work from home more often, and conscious of the carbon emissions (including electricity, water usage and travel) that arise

Stakeholder engagement

(continued)

from office space, we will be taking a much smaller space to support the further reduction of our environmental footprint.

Our Customers, Suppliers and Partners

Our business relies on good relationships with clients, suppliers and other stakeholders.

The Board is regularly briefed on key developments across the Group, including on new and existing client relationships. Client due diligence is a key part of our acquisition process when evaluating potential acquisition targets and results are made available to the Board. By their nature our businesses work in collaboration with their clients: we work collaboratively with client organisations, use agile processes, and build software and businesses to better serve client needs based on what they tell us.

The Group'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 24 months. Our effort is to be always professional 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 Group 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.

The Group has a zero-tolerance approach to practices which are at odds with our values and culture, for example corruption, bribery and modern slavery. We are committed to acting ethically and with integrity in all business dealings and relationships and to implementing and enforcing effective systems and controls to ensure such practices are not taking place anywhere in our businesses or supply chain.



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

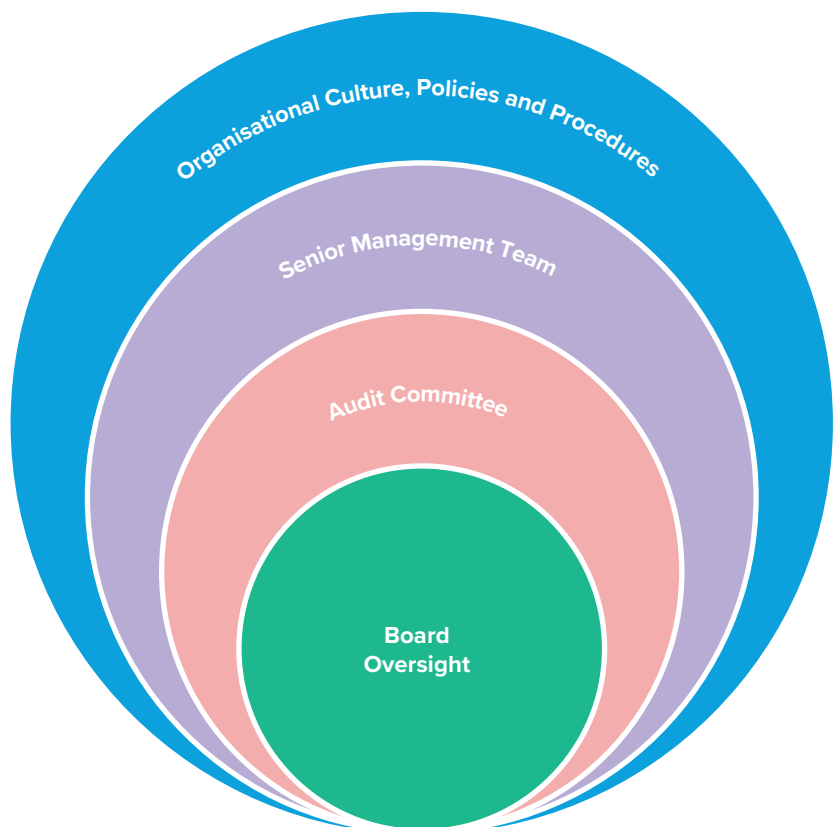
The Group maintains systems of internal control appropriate to a business of this size and complexity and which take into account the applicable regulatory and legal requirements as a UK AIM listed plc. The internal controls are designed with the objective of implementing an action to mitigate the existing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



Principal risks and uncertainties



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
<p>Competition and technological change</p>	<p>Induction 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.</p> <p>Potential impact:</p> <ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Induction Switch, Guidance and Zesty apps are well-established products in the UK and this, coupled with a user focussed strategy, creates a barrier to new competitors. • Continuous investment in the development of the platforms to ensure they remain relevant, competitive and attractive to users as well as customers. • Hiring and developing the right talented people in product development • Continuous commitment to product differentiation through innovation • Analytics used to predict the environment, market and user engagement • Maintaining market knowledge and monitoring competitor developments and technologies. 	
<p>Identification, valuation and pursuit of acquisitions and investments</p>	<p>The Group's growth strategy has centred around investing in talent and the acquisition of businesses which broaden and enhance existing operations. One of the inherent risks of acquisitions is that the Group enters unfamiliar markets/ regions and works with new personnel, who may not be sufficiently aligned with Group strategy.</p> <p>The target acquisitions may either not be readily available or may not generate the financial or commercial benefit it was intended to.</p> <p>Potential impacts:</p> <ul style="list-style-type: none"> • Investment returns not achieved and shareholder value eroded. 	<ul style="list-style-type: none"> • The Board is very careful when selecting potential acquisition partners and we spend a significant amount of time upfront to make sure the individuals are a good fit for the Group. • Investment is made in M&A capabilities, experience and relationships in the market • Potential targets identified and prioritised to ensure efficient time is spent on diligence. • Rigorous due diligence process conducted using internal and external experts to ensure Induction fully evaluates the costs and benefits expected before any business purchase. • Business case for acquisition is articulated clearly and key assumptions (financial, technical and operational) identified for Board approval. • External communication maintained with advisors and owners/management of to ensure Induction has visibility of potential transactions across the market. 	

Operational Risks

Risk	Description and impact	Key mitigating activities	Trend
<p>Key system failure or disruption</p>	<p>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.</p> <p>Potential impacts:</p> <ul style="list-style-type: none"> • Internal impact due to releasing software that doesn't function as intended; and • External as third parties can disrupt the platform or cause failure by a key outsourced provider. 	<ul style="list-style-type: none"> • Use an agile development methodology which allows small incremental changes to be made to the platforms. • Changes are subject to rigorous QA and product acceptance before they are released to users. • Maintenance of backups allowing roll back to previous versions if a new release fails. • Evaluation of all third-party suppliers, ensuring that they have appropriate fall-back systems and disaster recovery processes. • System penetration tests a performed annually by a third party. 	
<p>Business growth is constrained by not having appropriate people, resources and processes</p>	<p>Induction has a “buy and build” strategy, therefore operations and processes need 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 cannot attract and retain sufficient highly skilled and dedicated staff.</p> <p>Potential impacts:</p> <ul style="list-style-type: none"> • Adverse effect on ability to grow and scale the business within UK and internationally. 	<ul style="list-style-type: none"> • Our approach to recruitment is to hire best-in-class talent and remunerate them accordingly. • Recruiting employees to attract talent fit for a dynamic and fast-growth MedTech company. • Open employee communication including employee performance reviews to monitor and identify gaps in leadership and skills levels • Development program for employees to continually up-skill, which is supplemented with key external hires. • Detailed and continuous review of resource and succession planning for key roles. • Focus on developing a strong and consistent culture across the organisation. 	
<p>Inadequate integration or leverage of acquired businesses</p>	<p>The risk of misjudging key elements of an acquisition and failing to integrate in an efficient, timely and successful manner.</p> <p>Potential impact:</p> <ul style="list-style-type: none"> • Integration of new acquisitions can be challenging and time consuming. There is a risk that the integration distracts the acquiring business, or capacity issues limits the enhancement of synergies resulting in the growth identified during due diligence remaining unrealised. 	<ul style="list-style-type: none"> • Detailed integration plan and dedicated integration teams put in place • Regular communication on progress highlighting variations and remedial action taken • Senior Management with significant experience to lead the assessment, planning and integration process 	

Principal risks and uncertainties


Risk	Description and impact	Key mitigating activities	Trend
Customer concentration risk	<p>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.</p> <p>Potential impacts:</p> <ul style="list-style-type: none"> • 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. • NHS operates against a backdrop of tight funding and this could have a negative impact on pricing. 	<ul style="list-style-type: none"> • 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. • While Induction 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. • Induction’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
Data protection and privacy	<p>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</p> <p>Brexit has made the regulatory backdrop even more complicated as the UK’s regulations diverge from the European Union’s.</p> <p>Potential Impacts:</p> <ul style="list-style-type: none"> • Failure to comply with regulations could have a material impact on the Group’s reputation, fines or late filings penalties, and financial results. 	<ul style="list-style-type: none"> • Compliance with legislation and code of best practice. • Ongoing training on key regulation such as anti-bribery and corruption and data protection • 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 • Internal Finance, Legal and Medical departments monitor changes to law and regulations and oversee actions to ensure compliance. • Independent third-party and internal adviser audits and reviews are conducted regularly during the year to ensure compliance. • In terms of Brexit, the Group has very little presence in any other members of the European Union outside of the UK and there has been no initial impact. 	



Risk	Description and impact	Key mitigating activities	Trend
<p>Compliance with laws and regulations</p>	<p>The risk of insufficient evaluation and non-compliance with legislation and regulation in the markets and countries in which Induction operates.</p> <p>Potential Impacts:</p> <ul style="list-style-type: none"> • Failure to comply with regulations could have a material impact on the Group’s reputation, fines or late filings penalties, and financial results. 	<ul style="list-style-type: none"> • The Group maintains an in-house legal function and uses external legal and tax counsel to advise on local legal, tax and regulatory requirements. 	
<p>System access and security</p>	<p>The Group notes the ongoing threat of third parties attempting to exploit weaknesses in the technological infrastructure and SaaS services of different companies.</p> <p>Potential Impacts:</p> <p>Inadequate security controls to protect against these threats could lead to business disruption, reputational damage and loss of assets.</p>	<ul style="list-style-type: none"> • The ongoing development and maturation of our Information Security Management System (ISMS), including the continued investment in endpoint security, has greatly increased our ability to monitor and respond to cyber-related threats. • Our people are also required to undertake ongoing training to maintain their awareness and understanding of information security. • The Group plans to initiate an independent third-party review of the existing ISMS. 	

Financial Risks

Risk	Description and impact	Key mitigating activities	Trend
<p>Foreign currency risk</p>	<p>The risk of significant unfavourable foreign exchange movements.</p> <p>The Group has historically had 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 in GBP sterling. However, with the acquisition of Attend Anywhere Pty Ltd post year end, the impact on the Group’s reported profits and asset values could become increasingly impacted by any fluctuation of Sterling relative to other currencies, particularly the AUS Dollar.</p> <p>Potential impact:</p> <ul style="list-style-type: none"> • Currency volatility uncertain in current COVID-19 climate 	<ul style="list-style-type: none"> • Clear communications on Treasury strategy to ensure groups currency exposures and policies are understood. • Continue international customer contracts in GBP • The global and local short-term cash flow forecasts are used to monitor future large foreign currency payments, and natural currency hedging is used where possible across the Group. • Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations. 	

Principal risks and uncertainties

Financial Risks

Risk	Description and impact	Key mitigating activities	Trend
<p>Pandemics (COVID-19)</p>	<p>Covid-19 has created an unprecedented global emergency, the effects of which will have a lasting impact on both people and economies alike.</p> <p>In particular, it has been a difficult year for the healthcare sector with many of our customers being overwhelmed by COVID-19. On one hand COVID-19 has strongly demonstrated the need for our leading technology but it has also made it very difficult to engage customers who were understandably focused on initially treating acute patients and subsequently implementing the national vaccine programme.</p> <p>However, as a technology-centred business, we have been able to respond quickly to protect our employees, customers and the business.</p> <p>Potential impact:</p> <p>The main risks of such events relate to:</p> <ul style="list-style-type: none"> • Bringing staff together in a physical environment • The Group has been impacted by some customers capacity to take on new transformation in the health and social care marketplace due to workload issues • Sickness and absence impacts of personal isolation 	<ul style="list-style-type: none"> • The Group has sound virtual working practices internally and externally with customers • 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 • Home working is well supported technically and with regular contact visually and verbally. • The Group will continue to monitor the situation and is ready to take further action if needed. 	
<p>Liquidity risk</p>	<p>The risk of the Group not being able to meet its financial obligations as they fall due.</p>	<ul style="list-style-type: none"> • Clear Treasury policies that are designed to ensure that sufficient cash is available to support current and future business requirements. • Cash management through rolling cash flow forecasts, updated at least on a monthly basis. • The recent share issue post year end raised £25m to both fund the acquisition of Attend Anywhere Pty Ltd and provide £10m in additional working capital to the Group. 	



Going Concern

The Group's going concern statement is detailed in note 1.2 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 34 to 36 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 has maintained operational capability throughout COVID-19 and closely monitors the COVID-19 situation and Government guidelines.

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 several 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 and Jane Silber. 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.

Our Executive Directors during the year were Ibs Mahmood, Hugo Stephenson, Shelley Fraser and James Balmain. Following our acquisition of Zesty Limited, on 8 June 2020, we were delighted to welcome James Balmain as joint CEO with Hugo Stephenson. Ibs Mahmood stepped down from the Board on the same date. Shelley Fraser resigned as a director on 22 January 2021 and Oliver Drake was appointed as interim CFO. Oliver is not a director but has been attending and advising the Board as interim CFO since 2 February 2021.

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.

Chris Spencer

Non-Executive Chair

22 September 2021

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 21. 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, holds strategy days and the active challenges provided by the Non-Executive Directors help shape the strategy with the Executive Directors. The interim 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 on a regular basis. 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 intend that our AGM will provide a forum for face-to-face interaction between the Board and the Company's shareholders. If the Board views it necessary to keep shareholders and Directors safe due to restrictions on public gatherings, we may change our AGM logistics. 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.

Corporate Governance Report

for Induction Healthcare Group PLC (continued)

One of our most important stakeholder groups is our employees. The Company engages regularly with its 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 Governance section on pages 27 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, two Executive Directors, and three Non-Executive Directors. The Chair and the three Non-Executive Directors are all considered to be independent. Aligned to the Group's diversity strategy, the current Board has an acceptable gender balance with two female and four male Directors and a female Company Secretary.

The Board holds eight scheduled meetings a year and attendance that these meeting is set out below on page 36. There have also been several 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 37 to 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 22 to 23.

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 interim CFO, the in-house legal counsel, the nominated advisor, strategic communication consultants, external legal advisers, and tax consultants.

The Board training and development needs are met with the support of our NOMAD and our advisors. The Board are provided with regular updates on governance developments and the Company Secretary 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. The Board conducted a formal Board evaluation during the year under review with actions identified and implemented. A further formal internal Board evaluation will be carried out on 2021/2022 and the Board evaluation process itself will continue to be refined.

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 was considered at the Nomination Committee and 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			
Christopher Spencer	8 of 8	3 of 3	7 of 7	4 of 4
Hugo Stephenson	8 of 8	N/a	N/a	N/a
Shelley Fraser*	6 of 6	N/a	N/a	N/a
Andy Williams **	7 of 7	N/a	N/a	N/a
Leslie-Ann Reed	8 of 8	3 of 3	7 of 7	4 of 4
Jane Silber	8 of 8	3 of 3	7 of 7	4 of 4
Ibs Mahmood***	1 of 1	N/a	N/a	N/a
James Balmain ****	7 of 7	N/a	N/a	N/a
Oliver Drake *****	2 of 2	N/a	N/a	N/a

* Shelley Fraser resigned from the Board on 22 January 2021

** Andy Williams was appointed to the Board on 8 June 2020

*** Ibs Mahmood resigned from the Board on 8 June 2020

**** James Balmain was appointed to the Board on 8 June 2020

***** Oliver Drake is not a director but attends the Board as interim CFO, he has been attending the Board since 2 February 2021

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 on pages 37 to 40.

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.

Nominated Adviser and Sole Broker

On 4 March 2021 Induction announced the appointment of Singer Capital Markets as Nominated Adviser and Sole Broker with immediate effect.

Remuneration Committee Report

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee report for the year ended 31 March 2021. 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 Director’s Remuneration Report.

Committee Members

Jane Silber (Chair)
 Leslie-Ann Reed
 Christopher Spencer

Committee Responsibilities

The Committee is primarily responsible for:

- Setting the remuneration policy for all executive directors and the Company’s Chair;
- Recommend and monitor the levels and structure of remuneration for senior management; and
- Reviewing the ongoing appropriateness and relevance of the remuneration policy.

The Work of the Committee

The objective of the Company’s remuneration policy is to facilitate the recruitment and retention of executives of an appropriate calibre, to ensure that the Executive Directors 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 in the year. The remuneration policy has regard to the risk appetite of the Company and alignment to the Company’s long strategic term goals

Bonus Plan	The outcome of the 2020 annual plan
LTIP	Review of the Scheme Rules
LTIP	Review of awards to staff
Remuneration	Review of proposed staff pay awards
Terms of Reference	The Committee postponed the review of its own terms of reference until 2021 given the acquisition of Attend Anywhere

Directors Remuneration Report

The objective of the Company’s remuneration policy remains unchanged. It is the intention of the Committee to review the remuneration policy in the year ended 31 March 2022.

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 relate to health insurance.
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.
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 over three years, with a third vesting after twelve months and the remainder quarterly over the subsequent two years and can 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 were awarded to the Executive Directors or Non-Executive Directors for FY21.

Remuneration Committee Report

(continued)

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 with 6 months' notice.

Remuneration received by Directors for the year ended 31 March 2021

	Salary and Fees		Pension		Bonus		Other		Total Remuneration	
	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21
Executive										
Hugo Stephenson	101,848	214,153	2,334	20,697	–	–	–	–	104,182	234,850
Ibs Mahmood	235,835	18,889	26,111	1,889	–	–	41,033	4,722	302,979	25,500
Shelley Fraser*	14,583	150,580	1,458	18,560	–	–	1,142	84,858	17,183	253,998
James Balmain	–	176,723	–	17,672	–	30,000	–	34,726	–	259,121
Sebastien Jantet	124,143	–	11,000	–	–	–	–	–	135,143	–
Non-Executive										
Christopher Spencer	45,984	55,000	3,578	2,475	–	–	–	–	49,562	57,475
Leslie-Ann Reed	27,971	40,000	–	–	–	–	–	–	27,971	40,000
Andy Williams	–	28,504	–	–	–	–	–	–	–	28,504
Jane Silber	33,443	40,000	2,602	1,800	–	–	–	–	36,045	41,800
	583,807	723,849	47,083	63,093	–	30,000	42,175	124,306	673,065	941,248

Director	Date of Grant	Exercise price (£)	Number of shares	Market value of award	Performance conditions	Exercisable from	Exercisable to
James Balmain	8 th June 2020	0.005	745,559	734,376	no	08/06/2021	08/06/2031

* Shelley Fraser resigned from the Board on 22 January 2021. From the initial grant of 450,000 shares in January 2020, 150,000 Share options vested. The remaining 300,000 share options lapsed.

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 or potentially held by executive and non-executive directors (including their connected persons where relevant) as at 31 March 2021 and 31 March 2020.

Name	Beneficially owned shares at 31 March 2021	Award description	Number of unvested options at 31 March 2020	Number of vested options at 31 March 2020	Granted	Number of unvested options at 31 March 2021	Number of vested options at 31 March 2021
Hugo Stephenson	8,891,730	–	–	–	–	–	–
James Balmain*	699,391	Share Options 2021	–	–	745,559	745,559	–
Christopher Spencer	8,696	–	–	–	–	–	–
Jane Silber	8,696	–	–	–	–	–	–
Andy Williams*	419,495	–	–	–	–	–	–

* James Balmain and Andy Williams were appointed to the Board on 8 June 2020

Jane Silber

Remuneration Committee Chair

22 September 2021

Audit Committee Report

On behalf of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 31 March 2021. 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;
- Identification of adjusting items and the presentation of Alternative Performance Measures ("APMs") and the judgement used in terms of which costs or credits are not associated with the underlying trading of the Group or otherwise impact the comparability of the Group's results year on year; 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 36 and considered the following items during the year:

Whistleblowing	Review of arrangements in place
Bribery	Review of arrangements in place
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 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 postponed the review of its own terms of reference until 2021 given the acquisition of Attend Anywhere

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, including any contractual restrictions on the choice of auditor. 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 £8k. 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
22 September 2021

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 2021.

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 four times during the year and held a number of informal meetings and telephone calls between scheduled meetings.

Appointment of Directors	Following 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 for the Executive Directors and the Chairs of the various Committees. 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. Shelley Fraser stood down as an Executive Director and Chief Financial Officer and Oliver Drake assumed the role of Interim Chief Financial Officer. Oliver Drake was not appointed as an Executive Director but attends the Board and the various Committees.
Change of Company Secretary	The Committee reviewed the provision of Company Secretarial Services considering the needs of the business. The recommendations of the Committee were communicated to the full Board and resulted in the services being brought in-house with the appointment of Alison Talbot as Company Secretary and the resignation of Prism Company Secretarial Services.

Induction of new directors

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

Chris Spencer

Nomination Committee Chair

22 September 2021

Directors' report

The Directors are pleased to present the Directors' report to shareholders and the audited financial statements for the year ended 31 March 2021.

Principal activity and business model

The principal activity and business model are set out in the Business Model and Strategy section on pages 12 to 21.

Results and dividends

The results for the year to 31 March 2021 are set out in the financial statements on pages 54 to 90.

The Directors do not propose payment of a dividend for 2021 (2020: £Nil).

Review of the year

A comprehensive analysis of the Group's progress and development is set out in the Strategic Report on pages 6 to 11. 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 2021, the Company announced that it had raised £25 million through a placing of 35,714,285 new Ordinary Shares at a price of 70p per share (refer note 30).

On 10 June 2020, the Company acquired Attend Anywhere Pty Ltd (Attend Anywhere) an Australian-based video consultation provider in the UK, for a consideration comprising (1) £16,348k, which included approximately £788k as payment for Attend Anywhere's net assets at completion and (2) the issue of 14,285,714 New Ordinary Shares (having a value equivalent to £10 million at the Placing Price).

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 92,050,727 ordinary shares of £0.005 each with voting rights. Note 30 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 28 to the Financial Statements.

Corporate governance

The Directors' statement on Corporate Governance is set out on pages 34 to 40 and forms part of this report.

Future outlook

The strategy of the business is set out in the Group Strategy on pages 12 to 16.

Annual General Meeting

The date of the 2021 Annual General Meeting of the Company can be found 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 capitalised £1,660k on development (2020: £761k).

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 27 of the accounts.

Directors

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

- Shelley Fraser, resigned 22 January 2021
- Ibs Mahmood, resigned 8 June 2020
- James Balmain, appointed 8 June 2020
- Leslie-Ann Reed
- Jane Silber
- Christopher Spencer
- Hugo Stephenson
- Andy Williams, appointed 8 June 2020

Political contributions

Neither the Group nor any of its subsidiaries made any disclosable political donations or incurred any disclosable political expenditure during the year (2020: £Nil).

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

James Balmain
Director

22 September 2021

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 the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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 the Group's 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

1. Our opinion is unmodified

We have audited the financial statements of Induction Healthcare Group plc ("the Company") for the year ended 31 March 2021 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement and Company Statement of Financial Position, Consolidated Statement and Company Statement of Changes in Equity, Consolidated Statement and Company Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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.

Overview

Materiality: group financial statements as a whole	£66.0k (2020 : £30.4k) 0.80% (2020: 0.83%) of Total expenses
Coverage	99% (2020 : 100%) of Total expenses
Key audit matters	vs 2020
Recurring risks	Intangible assets - capitalised development costs ▲
	Revenue recognition ◀▶
	Investment impairment ◀▶
Event driven	New: Valuation of acquired intangibles of Zesty Limited ▲
	New: Goodwill impairment ▲

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 judgement, 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
<p>Goodwill impairment (£9,373k; 2020: £1,553k)</p> <p>Refer to page 39 (Audit Committee Report), page 64 (accounting policy) and page 80 (financial disclosures).</p>	<p>Forecast-based assessment: In accordance with IAS 36, the company is required to assess the carrying value of intangible assets with indefinite useful lives for impairment.</p> <p>During FY20, the Group recognised goodwill relating to the acquisition of Horizon (£417k and £1,136k respectively) and in FY21, the group acquired Zesty Limited recognising goodwill of £8,237k.</p> <p>The goodwill was allocated to the Microguide (Induction Guidance) and Induction Zesty cash generating units for which the Company is required to estimate their value in use.</p> <p>The estimated recoverable amount is subjective due to the start-up nature of the Company and the inherent uncertainty involved in forecasting and discounting future cash flows.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill 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 17) disclose the sensitivity estimated by the Company</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described:</p> <p>— Assessing judgements and estimates: We critically assessed the method used in the value in use estimates.</p> <p>We challenged the assumptions on revenue growth (including renewals, upsells and new business), discount rate, EBITDA margin and terminal rate used to determine the value in use for the CGUs by corroborating the assumptions against the Company's internal data and relevant market data.</p> <p>— Sensitivity analysis: Performing breakeven analysis on the assumptions noted above;</p> <p>— Comparing valuations: Comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cashflows; and</p> <p>— Assessing transparency: We evaluated whether the disclosure within the financial statements (see note 17) are in line with IAS 36 and IAS 1.</p>

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

	The risk	Our Response
<p>Valuation of acquired intangibles of Zesty Limited (£3,277k; 2020: £nil)</p> <p><i>Refer to page 39 (Audit Committee Report), page 63 (accounting policy) and page 75 (financial disclosures).</i></p>	<p>Forecast-based estimate One business was acquired in the year; Zesty Limited.</p> <p>We identified the valuation of the identified intangible assets and goodwill as a significant risk due to the judgements and assumptions required to be applied by management in determining valuation of the acquired intangibles.</p> <p>In performing the valuations of the identified intangible assets, various assumptions were applied in deriving the fair value of the identified intangible assets.</p> <p>The effect of any changes to the assumptions is that, as part of our risk assessment, we determined that the calculation of fair value and accordingly Goodwill 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.</p> <p>The financial statements (Note 14) disclose the sensitivity of the Goodwill estimated by the Group.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described:</p> <p>— Our valuation expertise: We used our own valuation specialists to assist us in critically assessing discount rate, discount for lack of marketability ('DLOM') and royalty rate utilised within the valuation of the identified intangible assets by comparing against the specialists' own developed assumptions.</p> <p>— Assessed accuracy: The Company utilised internal data such as the strategic plans, forecast and actual data. We performed procedures to assess the accuracy of the internal data. This included comparing and corroborating the assumptions made by the company when preparing forecasts against the internal data.</p> <p>— Assessing transparency: We critically assessed whether the Company's disclosures on the assumptions used were consistent with the valuations performed and whether the Group's disclosures adequately highlighted the uncertainties inherent in the valuations due to the assumptions used.</p>

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

	The risk	Our Response
<p>Intangible assets – capitalised development costs (£1,939k; 2020: £963k)</p> <p><i>Refer to page 39 (Audit Committee Report), page 63 (accounting policy) and page 82 (financial disclosures).</i></p>	<p>Estimate-based assessment</p> <p>We identified the capitalisation of development costs as a risk due to the inherent judgement and assumptions that need to be applied in estimating the capitalised development costs. There is estimation uncertainty in determining which of the costs incurred in the development of the applications should be capitalised and at what rate as a percentage of total expense in the period.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the estimate 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.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the company’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described:</p> <p>— Assessed assumptions: We challenged the assumptions on the rate (as a percentage of employee time) used to capitalise the development costs by having meetings with developers and other employees in the company to agree the time spent on the projects on a sample basis. 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 by agreeing the rates used in calculation against the applicable rates.</p> <p>— Assessed accuracy: We inspected the invoices and other supporting documentation for the contractor expenses incurred and we inspected employees’ contracts to corroborate that these were directly linked to the development of the applications.</p> <p>We recalculated the capitalised costs using the applicable rate for the employees identified.</p>

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

	The risk	Our Response
<p>Revenue recognition (£1,513k; 2020: £148k)</p> <p>Refer to page 39 (Audit Committee Report), page 60 (accounting policy) and page 69 (financial disclosures).</p>	<p>Accounting treatment</p> <p>As required by the auditing standards, we identified a fraud risk related to the Company's revenue recognition at the year-end date for Horizon Strategic Partners and existence of revenue throughout the year in relation to Zesty revenue.</p> <p>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.</p> <p>For customer contracts in Zesty Limited, the application of IFRS 15 involves significant judgement due to the bespoke nature of the contracts. The inappropriate determination of when revenue recognition commences and the identification of performance obligations may result in a material misstatement.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the company's controls because knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.</p> <p>— Accounting analysis:</p> <p>We assessed and challenged the key terms in purchase orders and contracts 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 or point in time recognition.</p> <p>We assessed whether 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 by agreeing contract term and price to source documentation.</p> <p>For Provision of Software revenue, we recalculated the accrued and deferred income calculation as at the balance sheet date to confirm that revenue has been recognised at the correct accounting period.</p> <p>We have tested the manual journal entries in relation to Provision of Software revenue by agreeing to source data.</p> <p>— Assessed Transparency:</p> <p>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 6).</p>
<p>Investment impairment – parent company (£14,639k: 2020: £2,514k)</p> <p>Refer to page 39 (Audit Committee Report), page 95 (accounting policy) and page 95 (financial disclosures).</p>	<p>Moderate risk, high value</p> <p>The carrying amount of the parent company's investments in the subsidiary companies represent 76% of the Company's total assets.</p> <p>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.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described:</p> <p>We compared the net assets of the Group to the market capitalisation of the Company.</p> <p>We considered if the subsidiaries have sufficient net assets to support the value of the investment held by the company.</p> <p>We obtained and analysed the recoverable amount of the CGUs prepared and considered the impact of these valuations on the carrying value of the investment recorded.</p>

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 £66.0k (2020: £30.4k), determined with reference to a benchmark of Total Expenses, of which it represents 0.8% (2020: 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 £155k (2020: £90k), determined with reference to a benchmark of company total assets, of which it represents 0.8% (2020: 2.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

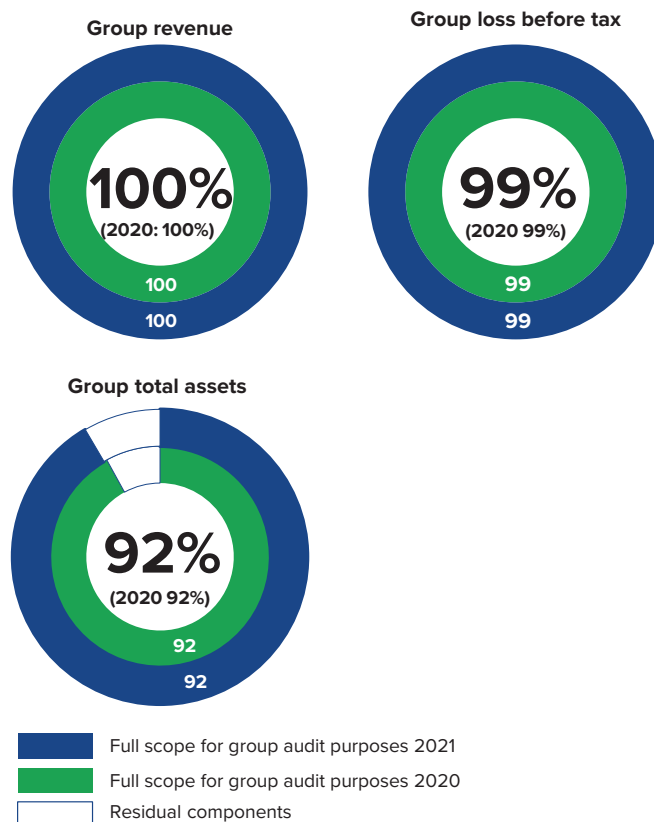
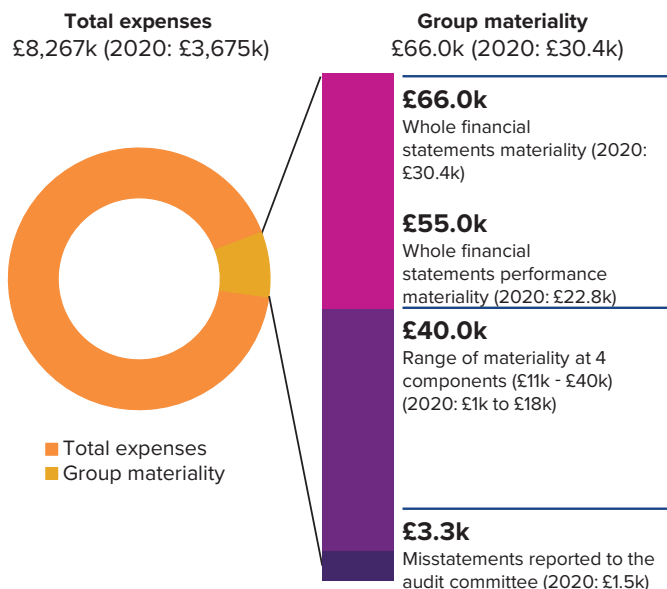
Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £50.0k (2020: £22.8k) for the group and £194k (2020: £67.5k) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3.3k (2020: £1.5k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group’s 6 (2020: 5) reporting components, we subjected 4 (2020: 4) to full scope audits for group purposes and nil (2020: nil) to specified risk-focused audit procedures. The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 0.01% (2020: 1%) of total group expenses, 0.01% (2020: 1%) of group loss before tax and 8.5% (2020: 8%) of total group assets is represented by 3 (2020: 2) of reporting components, none of which individually represented more than 8.5% (2020: 8%) of any of total group expenses, group profit before tax or total group assets. For these 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 work of all reporting components including the audit of the parent company, was performed by the Group team (2020: all reporting components including the audit of the parent company performed by the Group team)



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

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company'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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its 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:

- delays in launch of the products and the retention of customers for existing product.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's and Company's current and projected cash (a reverse stress test).

Our procedures also included:

- Critically assessing assumptions in base case and downside scenarios, in particular in relation to customer renewals, new business and upsells by comparing to historical renewal and upsell rates of customers and historical trends in severe economic situations and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates;
- Assessing whether downside scenarios applied mutually consistent and severe assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies;
- Assessing the working capital assumptions inherent in the forecasts to actual recent experience and existing supplier/customer arrangements; and
- Comparing past budgets to actual results to assess the directors' track record of budgeting accurately.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that license revenue is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as capitalised development costs, impairment of intangible assets and recoverable amount of CGUs.

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

5. Fraud and breaches of laws and regulations – ability to detect (continued)

We did not identify any additional fraud risks.

Further detail in respect of fraud in revenue recognition is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's ability to comply with the regulations of being a vendor within the NHS. We identified the following areas as those most likely to have such an effect: General Data Protection Regulations and the specific restrictions relating to medical devices, clinical governance including patient safety and information governance including confidentiality and security. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal

correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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

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

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 43, 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.

9. 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.

Karen Tasker
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP
Challenge House
Sherwood Drive
Milton Keynes
MK3 6DP

22 September 2021

Consolidated Statement of Profit or Loss

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Revenue	6	1,513	148
Cost of sales		(636)	(73)
Gross profit		877	75
Sales and marketing expenses		(590)	(274)
Administrative expenses		(5,052)	(2,330)
Development expenses		(1,893)	(962)
Impairment losses		(1,366)	–
Loss from operations	7	(8,024)	(3,574)
Finance income	11	3	47
Finance expense	11	(5)	–
Fair value losses on contingent consideration	7	(91)	(83)
Loss before tax		(8,117)	(3,527)
Tax credit	12	503	–
Loss for the year		(7,614)	(3,527)

The Notes on pages 58 to 90 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	2021 £000	2020 £000
Loss for the year	(7,614)	(3,527)
Exchange (losses)/gains arising on translation on foreign operations	(9)	8
Reclassified to profit and loss during the year	(7)	(1)
	(16)	7
Other comprehensive income for the year, net of tax	(16)	7
Total comprehensive income	(7,630)	(3,520)
Loss per share attributable to the ordinary equity holders of the parent		
Profit or loss		
Basic	13	(0.19)
Diluted	13	(0.19)

The Notes on pages 58 to 90 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	19	15	–
Intangible assets	18	5,884	2,349
Goodwill	17	9,373	1,553
Deferred tax assets	12	880	97
Total non-current assets		16,152	3,999
Current assets			
Contract assets	21	155	23
Trade and other receivables	20	896	140
Cash and cash equivalents	22	2,472	10,718
Other current financial assets	12	447	–
Total current assets		3,970	10,881
Total assets		20,122	14,880
Liabilities			
Non-current liabilities			
Contract liabilities	24	187	38
Deferred tax liability	12	1,048	321
Total non-current liabilities		1,235	359
Current liabilities			
Trade and other payables	23	1,396	402
Contract liabilities	24	1,027	263
Other financial liabilities	27	–	1,409
Total current liabilities		2,421	2,074
Total liabilities		3,656	2,433
Net assets		16,466	12,447
Equity attributable to equity holders of the parent			
Share capital	25	210	148
Share premium reserve	26	18,432	18,432
Merger reserve	26	10,879	(10)
Foreign exchange reserve	26	(9)	7
Other reserves	10	792	94
Retained earnings	26	(13,838)	(6,224)
Total equity		16,466	12,447

The Notes on pages 58 to 90 form an integral part of these financial statements.

The financial statements on pages 53 to 90 were approved and authorised for issue by the board of Directors on 22 September 2021 and were signed on its behalf by:

James Balmain
Director
Company registered number: 11852026

Consolidated Statement of Changes in Equity

As at 31 March 2021

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Foreign exchange reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2019		66	–	–	(1)	–	(2,707)	(2,642)
Comprehensive income 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		–	–	(10)	–	–	10	–
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		82	18,432	(10)	–	94	10	18,608
At 31 March 2020 and 1 April 2020		148	18,432	(10)	7	94	(6,224)	12,447
Comprehensive income for the year								
Loss for the year		–	–	–	–	–	(7,614)	(7,614)
Other comprehensive loss for the year		–	–	–	(16)	–	–	(16)
Total comprehensive income for the year		–	–	–	(16)	–	(7,614)	(7,630)
Transactions with owners, recorded directly in equity								
Issue of shares as consideration for a business combination	14	62	–	10,953	–	–	–	11,015
Share issue costs	14	–	–	(64)	–	–	–	(64)
Equity settled share-based payments	10	–	–	–	–	698	–	698
Total contributions by and distributions to owners		62	–	10,889	–	698	–	11,649
At 31 March 2021		210	18,432	10,879	(9)	792	(13,838)	16,466

The notes on pages 58 to 90 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Cash flows from operating activities			
Loss for the year		(7,614)	(3,527)
Adjustments for			
Depreciation of property, plant and equipment	19	7	–
Amortisation of intangible fixed assets	18	1,340	323
Impairment losses on intangible assets	17 & 18	1,366	–
Finance income	11	(3)	(47)
Finance expense	11	5	–
Fair value adjustments on financial liabilities	27	91	83
Share-based payment expense	10	698	94
Net foreign exchange loss/(gain)		3	(7)
Income tax credit	12	(503)	–
		3,004	446
Movements in working capital:			
(Increase) / decrease in trade and other receivables and contract assets		(485)	29
Increase / (decrease) in trade and other payables and contract liabilities		1,085	(342)
Interest received	11	3	47
Interest paid	11	(5)	–
Net cash used in operating activities		(4,012)	(3,346)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	14	(1,987)	(976)
Purchases of property, plant and equipment	19	(5)	–
Repayments by related parties		–	10
Payment of software development costs	7	(1,660)	(761)
Net cash used in investing activities		(3,652)	(1,727)
Cash flows from financing activities			
Issue of ordinary shares		–	16,584
Share issue costs	14	(64)	(469)
Proceeds from related party borrowings		–	500
Repayment of bank borrowings	27	(501)	–
Repayment of related party borrowings		–	(1,000)
Net cash (used in)/from financing activities		(565)	15,615
Net cash (decrease)/increase in cash and cash equivalents		(8,230)	10,542
Cash and cash equivalents at the beginning of year		10,718	169
Exchange (loss)/gains on cash and cash equivalents		(16)	7
Cash and cash equivalents at the end of the year		2,472	10,718

The notes on pages 58 to 90 form part of these financial statements.

Notes (forming part of the financial statements)

1. Accounting policies

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Group and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

There are no restrictions on the ability of the parent and subsidiaries to transfer cash or other assets to or from other entities within the group. There are no restrictions that may restrict dividends and other capital distributions within the group. There are no restrictions on the ability of the group to access or use the assets and settle the liabilities of the group.

1.2 Going concern

The Group has recognised revenues from commercial deals during the year of £1,513k (2020: £148k), however it is still largely reliant on cash from financing activities to fund on-going operations.

The Group made adjusted operating losses before interest, tax, depreciation, amortisation, impairment and exceptional costs for the year ended 31 March 2021 of £4,775k (2020: £2,736k) and had cash balances at 31 March 2021 of £2,472k (2020: £10,718k) with cash outflows from operating activities during the year of £4,012k (2020: £3,346k).

On 8 June 2021, the Company announced that it had raised £25 million through a placing of 35,714,285 new Ordinary Shares at a price of 70p per share (refer note 30).

On the 9 June 2021, the Company announced the completion of the acquisition of Attend Anywhere Pty Ltd for a cash consideration of approximately £16,348k, which included approximately £788k as payment for Attend Anywhere's net assets at completion; and the issue of 14,285,714 Consideration Shares (having a value equivalent to £10 million at the Placing Price).

Following the share placing and acquisition the Group has seen an incremental increase in cash reserves of £10 million, which will be used to support product development and international expansion.

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

1. Accounting policies (continued)

1.2 Going concern (continued)

In assessing the appropriateness of the going concern assumption, the Board of Directors has reviewed the projected cash flow forecasts to 31 March 2023 of the enlarged Group and other relevant information, together with considering scenarios with adverse impacts across the Group's principal risks relating to COVID-19 and macro-economic conditions.

Management's base case going concern assessment allows investment in the full range of planned market and product development activities, to achieve revenue targets over this forecast period.

Management has considered a severe but plausible downside scenario whereby the Group sees six-month delays in signing new revenues and a 33% reduction in renewals of Attend Anywhere Pty Limited's existing contracts, together with a series of mitigating actions, which resulted in the Group remaining viable over the going concern period.

After due consideration, the Board has concluded that there is a reasonable expectation that the Group and Company have adequate resources to meet its liabilities as they fall due for at least 12 months from the date of this report, and therefore these financial statements are prepared on a going concern basis.

1.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see note 1.8); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

1. Accounting policies (continued)

1.3 Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

1.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 1.3) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.5 Revenue

Licensed subscription services

The Group is in the business of providing access to its proprietary software applications, as software-as-a-service. Revenue from the sale of licensed software is recognised when control of the goods or services are transferred to the customer, either after user acceptance testing or Go-Live and at the point where there are no further outstanding significant commitments relating to the sale.

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those 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/licence 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. For arrangements which contain set-up services, the period of the subscription commences once set-up services have been fully provided.

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. 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.

Set-up services

Set-up services vary depending on the scope and complexity of the engagement and type of software service provided. Examples of such services include system configuration, project management, testing assistance and database consulting. Where software requires installation effort, set-up services are deemed to be essential to the functionality of the licence and therefore impacts the timing of the software licence recognition, as control does not transfer until such set-up services have been fully provided.

Set-up services are considered fully provided on either the go-live date or date of completion of user acceptance testing, as specified in each contract. Such set-up services are not considered a separate performance obligation and are combined with the corresponding licence subscription fee and recognised rateably over the subscription period.

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

1. Accounting policies (continued)

1.5 Revenue (continued)

Set-up services (continued)

Certain of the group's services require set-up effort, these are not considered to be essential to the functionality of the software and are not considered to be separate performance obligations and do not affect the timing of revenue recognition for licensed subscriptions.

Contract terms

Management considers termination clauses and renewal clauses on a contract-by-contract basis to determine if such clauses grant a material right to the customer. Where management have determined that such material rights exist, these impact the contractual licenced subscription term. Management also assess whether material rights represent separate performance obligations.

Software support and maintenance fees

Unless separately specified, software support and maintenance services are included in licence fees under in the Group contracts. These are recognised as revenue in line with the licensed subscription revenues, from the date at which any set-up services have been fully provided (ie. go-live date or user acceptance date). The transaction price is determined with reference to the standalone selling price of the services based on historical contracted amounts agreed. Management have assessed whether any contracts contain specified upgrade rights and have concluded that no contracts contain material upgrade rights and therefore these are not accounted for as separate performance obligations.

Text and SMS revenues

Text and SMS revenues are recognised at a point in time and in line with usage.

Other revenues

Where ad-hoc development or consulting activities are undertaken for customers, the revenue from these is recognised at a point in time, when control of the service passes to the customer and there are no further outstanding significant commitments in relation to the sale.

Contract assets and liabilities

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.

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 incurred sales commission costs to obtain contracts with customers during the year. Management have elected to apply the exemption from capitalisation of these costs for contracts with a term of 12 months or less. For contracts with terms longer than 12 months, costs are capitalised and amortised over the subscription term.

The Group has incurred costs to fulfil contracts with customers during the year, specifically related to the provision of set-up services. Such costs are capitalised as contract costs and amortised through cost of sales over the licenced subscription term from the date of the completion of the set-up services.

1.6 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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

1. Accounting policies (continued)

1.7 Employee benefits

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

1.8 Share-based payments

Share-based payment transactions of the Group

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 10.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

1.9 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.

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

1. Accounting policies (continued)

1.9 Taxation (continued)

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 unless there is uncertainty over the amount and timing of the credits. During the year ended 31 March 2021 a credit was recognised in respect of the claim submitted for the year ended 31 March 2019. A credit was also recognised in respect of the claim for the year ended 31 March 2020, this claim has not yet been submitted to HM Revenue & Customs. Refer Note 5.1 for the judgement applied by management in recognising this claim. No credits have been recognised for the years ended 31 March 2021 as the assessment of qualifying expenditure for the claim has not yet been performed and therefore there is uncertainty over the amount and timing of the credits.

1.10 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

	Fixtures and fittings	Computer Equipment
Useful life	5 years	3 years
Amortisation method	Straight line over the expected life of the asset	Straight line over the expected life of the asset

1.11 Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

	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

(ii) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An Internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

1. Accounting policies (continued)

1.11 Intangible assets (continued)

(ii) Internally-generated intangible assets (continued)

The amount initially recognised for Internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no Internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, Internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

1.12 Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value-in-use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

1.13 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

1. Accounting policies (continued)

1.14 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) 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:

- 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
- where the instrument will or may be settled in Induction Healthcare Limited's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of Induction Healthcare Limited'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 Limited'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.

(ii) 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.

(iii) 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.

(iii) Financial assets – classification and subsequent measurement

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.

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.

(iv) 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.

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

1. Accounting policies (continued)

1.14 Financial instruments (continued)

(iv) Financial liabilities – classification and subsequent measurement (continued)

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.

(v) Measurement and recognition of expected credit losses

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.

(vi) 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, cancelled, or expire.

(vii) 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.

(viii) 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.

(ix) 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.

1.15 Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

1.16 Cost of sales

Cost of sales consists of the direct costs associated with the Group’s proprietary application. These include costs incurred for server hosting, costs incurred to obtain a contract such as sales commission, and costs incurred to deliver on a contract. Costs incurred to deliver on a contract are staff costs, which are allocated to cost of sales based on an estimation of the proportion of time spent on each contract.

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

1. Accounting policies (continued)

1.17 Segmental reporting

For management purposes, the Group is organised into business units based on its products and services, with separate revenue streams being generated by different business units. These business units operate on a shared cost base. The Board is the Chief Operating Decision Maker (CODM) and monitors the operating results of the consolidated Group for the purposes of making decisions about resource allocation and performance assessment. Therefore, management have determined that the Group has one reportable segment.

2. Reporting entity

Induction Healthcare Group plc is a 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 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 during the year ended 31 March 2020.

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.

3. Basis of preparation

Both the financial statements of the Group and the financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS"). They were authorised for issue by the Group's board of directors on 22 September 2021.

Details of the Group's accounting policies, including changes during the year, are included in note 1.

These financial statements are presented in pound sterling, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 5.

The financial statements have been prepared on the historical cost basis.

4 New standards, interpretations and amendments

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

- Amendments of IFRS 3, "Business Combinations" (effective 1 January 2020). This amends the definition of a "business". Management have applied the amended definition of a business in assessing all business combinations completed during the year.
- Amendments to IAS 1 "Presentation of Financial Statements", and IAS 8 "Accounting policies, changes in accounting estimates and errors" (effective from 1 January 2020), which clarified the definition of the word "material". This standard has had no impact on the financial statements.
- Amendments to References to Conceptual Framework in IFRS Standards (effective 1 January 2020). The impact of this has not been material to the financial statements.

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

4 New standards, interpretations and amendments (continued)

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), (effective 1 January 2020). The impact of this has not been material to the financial statements.

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

5. Accounting estimates and judgements

5.1 Judgement

Determination of material rights and contractual terms

The Group recognises licenced subscription revenue from the date that all set-up services have been completed, based on either the user acceptance testing completion date or the “go-live” date. The contracts of the Group contain both termination clauses and renewal options, and management makes a judgement on a contract-by-contract basis as to whether these clauses grant a material right to the customer. Where management concludes that a material right exists, this material right affects the term over which implementation revenue is recognised and whether it represents a separate performance obligation.

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.

Recognition of deferred tax assets

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. 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 £15,549k (2020: £6,144k) 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.

On this basis, the Group has determined that it can only recognise deferred tax assets on the tax losses carried forward to the extent that there are sufficient offsetting deferred tax liabilities and therefore future profits.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,961k (2020: £1,058k). Further details on taxes are disclosed in Note 12.

Research and development tax credit

Management have recognised research and development tax credits for claims submitted for the year ended 31 March 2019 and 31 March 2020. The claim for the year ended 31 March 2019 has been submitted to HM Revenue & Customs and has been successfully settled post year-end. Management have recognised the research and development tax credit for claims for the year ended 31 March 2020 which have not yet been submitted to HM Revenue & Customs, based on the historical evidence that the claim is likely to be successful. These claims are in relation to one subsidiary and management have not recognised research and development tax credits for two subsidiaries where there is no past history of claims.

5.2 Estimates and assumptions

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 2021, the carrying amount of capitalised development costs was £1,939k (2020: £963k). In determining the estimated percentage of time, management considers: the role of the employee; whether the activity is of a research nature (which is not capitalised); whether the standard activities the employee performs are project or customer specific (not capitalised) or related to the development of the products of the entity; and an estimate of other time spent on administrative activities such as training. The eventual percentage arrived at is reflective of the time spent purely on developing the services of the group for sale to a range of customers. As a result, there is high level of estimation uncertainty to the estimates used. Development costs capitalised are highly sensitive to the percentages used.

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

5. Accounting estimates and judgements (continued)

5.2 Estimates and assumptions (continued)

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. Management do not calculate the fair value less costs of disposal, as reliable inputs to fair value are not available for the assets, therefore the recoverable amount is the value-in-use.

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 17.

Valuation of acquired intangibles

Management has made estimates in determining the value of intangible assets acquired in its business combinations. Due to the variety of methods used to value intangible assets, as well as the numerous assumptions made on variables within the valuation, there is a high level of estimation uncertainty. The values of intangible assets recognised are highly sensitive to changes in the estimates and assumptions, as management have performed corroborating valuation analyses for each class of intangible assets using alternative valuation methodologies. Please refer to Note 14 for more information.

6. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2021 £000	2020 £000
Provision of software	1,340	148
Post-contract support and maintenance	73	–
Text message revenue	100	–
	1,513	148

The following is an analysis of revenue by country of destination:

	2021 £000	2020 £000
United Kingdom	1,342	131
Europe	13	2
United States	23	11
Rest of World	135	4
	1,513	148

The following is an analysis of revenue by product line. Zesty Limited (Induction Zesty) was acquired on 8 June 2020, see Note 14 for further information.

	2021 £000	2020 £000
Induction Zesty	872	–
Induction Guidance	636	148
Induction Switch	5	–
	1,513	148

Timing of revenue recognition:

	2021 £000	2020 £000
Services transferred over time	1,347	148
Services at point in time	165	–
	1,513	148

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

7. Expenses by nature

	2021 £000	2020 £000
Employee costs	5,123	2,106
Depreciation of property, plant and equipment	7	–
Amortisation of intangible assets	1,340	323
Impairment of goodwill and intangible assets	1,366	–
Contractors' costs	1,103	538
Acquisition related transaction costs	375	150
Professional and legal fees	359	583
Research and development expense capitalised	(1,660)	(761)
Share-based payment charge	698	94
Fair value adjustments on financial liabilities	91	83
Fair value adjustments on contract liabilities	152	–

Fair value adjustments on contract liabilities relate to the unwinding of adjustments made to the contract liabilities of acquirees at acquisition. These adjustments unwind as the revenue to which the contract liability balance relates is recognised.

8. Auditors remuneration

	2021 £000	2020 £000
Audit of these financial statements	241	80
Total audit fees	241	80
Interim financial statement review	8	15
Non-audit fees in relation to initial public offering	–	79
Total non-audit fees	8	94
Total audit and non-audit fees	249	174

The Group has not entered into any limitation of liability agreements with its auditors.

9. Employee benefit expenses

	2021 £000	2020 £000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	3,583	1,717
Social security costs	414	191
Defined contribution pension cost	140	96
Share-based payment expenses	698	94
Other employee benefits	288	8
Total employee benefit expense	5,123	2,106

The monthly average number of persons, including the directors, employed by the Group during the year was as follows:

	2021 No. of employees	2020 No. of employees
Development	23	11
Sales and Marketing	12	2
General and Administrative	6	3
Total Average FTE	41	16

The remuneration of the highest paid director was £259k (2020: £303k). Included in other employee benefits is £30k (2020: £Nil) compensation for loss of office paid to a former director of the group.

The Group operates a defined contribution pension plan which was put in place in October 2018. The total expense relating to the plan in the year was £140k (2020: £94k).

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

10. Share-based payments

Details of the employee share option of the Group

On the admission to the AIM market on 22 May 2019, the Group established the Non-tax Advantaged Share Option Plan ("the NTA Plan" which awards executive directors, management and other employees share options. The awards are granted in the form of share options over ordinary shares of £0.005 each with the intent of normal vesting after a minimum period of three years from the date of grant, and an exercise price of £0.005 per option. 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. During the year ended 31 March 2021, the Group amended the vesting periods in the NTA Plan. The vesting period were amended to allow for vesting in tranches, whereby one-third of the options awarded vest after 1 year of service, and the remaining two-thirds of the options vest on a quarterly basis over the remaining 2 years.

Expense recognised during the year

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

	2021 £000	2020 £000
Expense arising from equity settled share-based payment transactions	698	94
Total expense arising from share-based payment transactions	698	94

Fair value of share options granted in the year

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 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.

The weighted average remaining contractual life for the share options outstanding as at 31 March 2021 was 3.09 years (2020: 3.43). Options expire after 10 years.

The weighted average fair value of options granted during the year was £0.93 (2020: £2.17).

The following share-based payment arrangements were in existence during the current and prior years:

	Year to 31 March 2021	Year to 31 March 2020
Weighted average grant date fair value £	0.93	1.03
Exercise price £	0.005	0.005
Expected volatility %	50.00	50.00
Option life years	3.94	3.94
Risk Free interest rate %	0.62	0.62
Dividend rate %	–	–

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2021 Number of options ('000)	2020 Number of options ('000)
Balance at the beginning of the year	288,153	–
Granted during the year	2,765,185	431,351
Forfeited during the year	(464,107)	(143,198)
Outstanding at 31 March	2,589,231	288,153
Exercisable at 31 March 2020	303,071	–

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

11. Finance income and expense

	2021 £000	2020 £000
Finance income		
Interest on:		
– Bank deposits	3	47
Total finance income	3	47
Finance expense		
Other loan interest payable	5	–
Total finance expense	5	–
Net finance (expense)/income recognised in profit or loss	(2)	47

12. Tax expense

12.1 Income tax recognised in profit or loss

	2021 £000	2020 £000
Current tax		
Research & development tax credit	(446)	–
Total current tax	(446)	–
Deferred tax expense		
Origination and reversal of timing differences	(116)	–
Prior year deferred tax movement	59	–
Total deferred tax	(57)	–
Tax income on loss on ordinary activities	(503)	–

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2021 £000	2020 £000
Loss for the year	(8,117)	(3,527)
Tax at the standard rate of corporation tax of 19% (2020: 19.11%)	(1,561)	(674)
Non-tax deductible amortisation of goodwill and impairment	9	(1)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	301	108
Depreciation on tangible assets	–	–
Share-based payments	124	18
Prior year adjustments	(386)	–
Deferred tax not recognised	961	550
Other	(50)	–
Total tax income	(503)	–

Changes in tax rates and factors affecting the future tax charges

Deferred tax balances have been recognised at the rate expected to apply when the deferred tax balance is forecast to be utilised based on tax rates substantively enacted at 31 March 2021. A reduction in the UK corporate 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. An increase in the UK corporate tax rate to 25% (effective 1 April 2023) was substantively enacted on 11 March 2021.

This does not result in any significant change to these figures. The deferred taxes at 31 March 2021 have been calculated based on the 19% tax rate.

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

12. Tax expense (continued)

12.2 Current tax assets and liabilities

	2021 £000	2020 £000
Current tax assets		
R&D tax credit receivable	446	–
	446	–

Current tax assets relate to research and development tax credits in respect of a subsidiary, for the years ended 31 March 2019 and 31 March 2020. The claim for the year ended 31 March 2019 was submitted to HMRC and settled post-year end. Other subsidiaries do not have a recent history of claims and therefore an estimate for these has not been made, due to the uncertainty regarding timing and amount of such claims.

12.3 Deferred tax balances

A deferred tax liability of £791k (2020: £321k) has been recognised in relation to fair value adjustments of intangible assets acquired in business combinations. A deferred tax asset of £791k (2020: £97k) was recognised in relation to unused tax losses acquired in business combinations. This deferred tax asset was recognised only to the extent that there are deferred tax liabilities available with the same tax authority and which will be unwound in the same period as the deferred tax asset.

A deferred tax asset of £2,787k (2020: £1,058k) 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 £14,605k (2020: £6,144k). These amounts exclude amounts related to Horizon Strategic Partners Limited, which is expected to generate profits and for which a deferred tax asset of £89k (2020: £97k) has been recognised.

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	2021 £000	2020 £000
Deferred tax assets	880	97
Deferred tax liabilities	(1,048)	(321)
	(168)	(224)

Deferred tax liabilities in relation to:

	2021 £000	2020 £000
Intangible assets	(1,048)	(321)
Tax losses carried forward	880	97
Total deferred tax liability	(168)	(224)

Reconciliation of deferred tax liabilities, net

	2021 £000	2020 £000
Opening deferred tax balance at tax rate of 19%	(224)	–
Deferred tax acquired in business combinations	–	(224)
Tax expense during the period recognised in profit or loss	116	–
Prior year movements	(59)	–
Closing deferred tax at tax rate of 19%	(168)	(224)

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

13. Loss per share

(i) Basic loss per share

	2021 £	2020 £
From continuing operations attributable to the ordinary equity holders of the Group	(0.19)	(0.13)
Total basic loss per share attributable to the ordinary equity holders of the Group	(0.19)	(0.13)

(ii) Diluted loss per share

	2021 £	2020 £
From continuing operations attributable to the ordinary equity holders of the Group	(0.19)	(0.13)
Total diluted loss per share attributable to the ordinary equity holders of the Group	(0.19)	(0.13)

(iii) Reconciliation of loss used in calculating loss per share

	2021 £000	2020 £000
Profit attributable to the ordinary equity holders of the Group used in calculating basic loss per share and diluted loss per share:		
From continuing operations	(7,614)	(3,527)
	(7,614)	(3,527)

(iv) Weighted average number of shares used as the denominator

	2021 number	2020 number
Shares in issue at the beginning of the period	29,626,201	65,591
Shares issued on share split	–	13,052,609
Shares issued	–	3,826,086
Shares issued on IPO	–	12,681,915
Shares issued on business combination	12,424,527	–
Issued ordinary shares as at the end of the period	42,050,728	29,626,201
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	39,701,981	26,189,458

On 9 June 2021, the Group acquired Attend Anywhere Pty Ltd (“Attend Anywhere”). The consideration for the acquisition included the issue of 14,285,714 new Ordinary Shares.

As part of the transaction, the Group also completed a fundraise by issuing 35,714,285 new Ordinary Shares.

Both the above transactions would have significantly changed the number of shares outstanding used to calculate the loss per share, if they had occurred prior to 31 March 2021.

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

14. Business combinations during the year

14.1 Subsidiaries acquired

On 8 June 2020, Induction Healthcare Group plc acquired 100% of the share capital of Zesty Limited for a consideration comprising £500k in cash, plus the issue of 12,424,527 New Ordinary Shares.

Zesty Limited is a digital healthcare patient engagement platform company. Zesty's platform provides an integration layer with a hospital's electronic patient record ("EPR") or patient administration system ("PAS") 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.

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.

Name	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred £000
Zesty Limited	Provision of software to healthcare organisations	08/06/20	100	11,514

14.2 Consideration transferred

The following represents the consideration transferred to the owners of Zesty Limited.

	Zesty Limited £000
Cash	500
Equity consideration	11,014
Total consideration	11,514

The fair value of cash consideration equals its carrying value. The fair value of the equity consideration has been determined with references to the market value of the shares of Induction Healthcare Group plc immediately prior to the issue of the consideration shares, adjusted for the impact of a lack of marketability discount of 10%.

14.3 Assets acquired and liabilities recognised at the date of acquisition

The following represents assets acquired and liabilities recognised on acquisition.

	Zesty Limited £000
Non-current assets	
Property, plant and equipment	18
Intangible assets	4,163
Other non-current assets	884
Current assets	
Cash and cash equivalents	13
Other current assets	313
Non-current liabilities	
Loans and borrowings	(417)
Deferred tax liabilities	(791)
Current liabilities	
Other current liabilities	(821)
Loans and borrowings	(85)
Total identifiable net assets at fair value	3,277

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

14. Business combinations during the year (continued)

14.3 Assets acquired and liabilities recognised at the date of acquisition (continued)

The separately identifiable intangible assets and valuation techniques used to measure the fair value of these material assets acquired were as follows:

Assets acquired	Valuation technique
Trade Name	Relief-from-royalty savings method. This method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned.
Users	Premium profits method. This method estimates the value of customer-related assets by quantifying the impact on cash flows under a scenario in which the customer related assets must be replaced, assuming all of the assets required to operate the business are in place except the customer-related assets.
Technology	Replacement cost method. This method establishes value based on the cost of reproducing or replacing the asset, less depreciation from functional or economic obsolescence. A corroborating analysis was performed using the multi-period excess earnings method. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

14.4 Goodwill arising on acquisition

	Zesty Limited £000
Consideration transferred	11,514
Total identifiable net assets at fair value	3,277
Goodwill arising on acquisition	8,237

14.5 Net cash outflow on acquisition

	2021 £000
Consideration paid in cash	(500)
Transaction costs of the acquisition (included in cash flows from operating activities)	(269)
Transaction costs attributable to the issuance of shares (included in cash flows from financing activities, net of tax)	(64)
Less: cash and cash equivalent balances acquired	13
Net cash flow on acquisition	(820)

Acquisition related costs of £269k were recognised in administrative expenses. Acquisition related costs of £64k relate to the issuance of shares and were capitalised to share premium. All issue costs were recognised.

14.6 Impact of acquisition on the results of the Group

From the date of acquisition, Zesty Limited contributed £872k to the revenue of the group and net losses of £1,921k to the 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 £954k and contribution to loss before tax from continuing operations for the Group would have been £2,306k.

Notes (forming part of the financial statements)

(continued)

15. Business combinations completed in prior periods

15.1 Podmedics Limited

Subsidiary acquired

On 7 May 2019, Induction Healthcare Limited exercised the option to acquire the share capital of Podmedics Limited which was entered into in September 2018 for £100k. Consequently, 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 £400k 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.

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

The goodwill of £417k 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.

Consideration transferred

	2020 £000
Exercise of option classified as other financial assets	100
Equity instruments (347,826 ordinary shares)	400
Total consideration transferred	500

Assets acquired and liabilities assumed at the date of acquisition

	2020 £000
Intangible assets	91
Cash and cash equivalents	1
Trade and other receivables	12
Deferred tax liabilities	(17)
Other current liabilities	(4)
	83

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

The goodwill of £417k 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.

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.

Goodwill arising on acquisition

	2020 £000
Consideration paid	(500)
Goodwill	(417)

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

15. Business combinations completed in prior periods (continued)

15.1 Podmedics Limited (continued)

Analysis of cash flows on acquisition

	2020 £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 was 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 £2k have been charged directly to equity as a reduction in the share premium.

15.2 Horizon Strategic Partners Limited

Subsidiary acquired

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 £507k initial cash consideration, contingent consideration of £1,325k and assumed liabilities of £523k. Horizon owns Induction Guidance - a revenue-generating app providing medical organisations with functionality to create, edit, and publish their own local medical guidelines ("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 Induction Guidance brings to the Group a further substantial NHS user base.

Consideration transferred

	2020 £000
Cash	507
Contingent consideration	1,325
Liabilities assumed	523
Total consideration transferred	2,355

Contingent consideration transferred

As part of the purchase agreement with the previous owners of Horizon Strategic Partners Limited, contingent consideration had been agreed, in the form of an earn-out agreement. The contingent consideration was based on a multiple of 4.29 times the cash collected from customers for subscription fees which were invoiced and paid from 1 October 2019 to 30 September 2020 (the earn-out period). The cash collected from customers excluded a baseline cash amount of £225k plus VAT. Contract liabilities as at the date of acquisition were deducted in arriving at the contingent consideration. The maximum amount to be paid out as contingent consideration was £1,500k, based on a maximum cash target of £622k. The previous owners of Horizon Strategic Partners Limited had the right to choose whether payment of the contingent consideration is settled in cash, or in shares of the Induction Healthcare Group plc.

As at 31 March 2020, the key performance indicators of Horizon Strategic Partners Limited showed that it was highly probable that the target would be achieved, and a remeasurement charge of £83,434 was recognised through profit or loss. The fair value was determined using a probability-weighted expected value approach.

At the end of the earn-out period on 30 September 2020, Horizon Strategic Partners Limited reached the maximum cash target, and therefore the maximum amount of £1,500k was paid out to the previous owners. This resulted in the increase in the fair value of the contingent consideration liability to £1,500k prior to settlement, and remeasurement charge of £91k was recognised in profit or loss.

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

15. Business combinations completed in prior periods (continued)

15.2 Horizon Strategic Partners Limited (continued)

Assets acquired and liabilities recognised at the date of acquisition

	2020 £000
Intangible assets	1,598
Cash and cash equivalents	53
Other current assets	61
Deferred tax assets	97
Non-current liabilities	(304)
Current liabilities	(285)
Total identifiable net assets at fair value	1,220

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

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 £1,136k 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.

Assets acquired and liabilities recognised at the date of acquisition (continued)

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

Goodwill arising on acquisition

	2020 £000
Consideration paid	(2,355)
Goodwill	(1,135)

Analysis of cash flows on acquisition

	2020 £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)

Impact of acquisition on the results of the Group

From the date of acquisition, Horizon Strategic Partners Limited contributed £148k of revenue and £73k in net profits to Group's loss before tax from continuing operations in the year ended 31 March 2021. If the acquisition had taken place at the beginning of the year, contribution to revenue from continuing operations would have been £383k and contribution to loss before tax from continuing operations for the Group would have been £43k for the year ended 31 March 2020.

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

16. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Registered number	Registered Address	Principal activity	Place of incorporation and operation	Directly owned by the Company	Proportion of ownership interest in ordinary shares and voting power held by the Group (%)	
						2021	2020
Induction Healthcare Limited	11232772	20 St. Dunstan's Hill, London, EC3R 8HL	Investment holding company	United Kingdom	✓	100	100
Induction Healthcare (UK) Limited	11237890	20 St. Dunstan's Hill, London, EC3R 8HL	Provision of software to healthcare providers	United Kingdom		100	100
Induction Healthcare Pty Ltd	625119397	23 Regent St, Prahran, Victoria, Australia, 3181	Provision of software to healthcare providers	Australia		100	100
Podmedics Limited	06840040	20 St. Dunstan's Hill, London, EC3R 8HL	Provision of software to healthcare providers	United Kingdom	✓	100	100
Horizon Strategic Partners Limited	06285278	20 St. Dunstan's Hill, London, EC3R 8HL	Provision of software to healthcare providers	United Kingdom	✓	100	100
Zesty Limited	08294659	20 St. Dunstan's Hill, London, EC3R 8HL	Provision of software to healthcare providers	United Kingdom	✓	100	–

There are no dormant subsidiaries not preparing and filing individual accounts by virtue of S394A and S448A of the Companies Act 2006.

Podmedics Limited (registered number 06840040) has 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 479C of the Companies Act 2006.

All subsidiaries have reporting periods that end on 31 March 2021.

17. Goodwill

The following represents the carrying value of goodwill as at 31 March 2021.

	2021 £000	2020 £000
Cost	9,790	1,553
Accumulated impairment	(417)	–
	9,373	1,553
	2021 £000	2020 £000
Cost		
At 1 April	1,553	–
Additions as a result of business combinations	8,237	1,553
At 31 March	9,790	1,553
Accumulated impairment		
Impairment charge	417	–
At 31 March	417	–

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

17. Goodwill (continued)

17.1 Allocation of goodwill to cash generating units

Goodwill is allocated to the Group's cash generating unit as follows:

	2021 £000	2020 £000
Induction Zesty	8,237	–
Induction Guidance	1,136	1,136
Induction Switch	–	417
	9,373	1,553

Induction Zesty

The Zesty CGU consists of the assets and cash flows related to the Zesty patient portal product. The recoverable amount of the Zesty CGU of £10,902k as at 31 March 2021 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 17.4% and cash flows beyond the five-year period are extrapolated using a declining growth rate, determined using the H-model. The recoverable amount of this CGU exceeded its carrying amount by £1,334k. No impairment charge resulted from this analysis. Refer to sensitivity disclosures below.

Induction Guidance

The Induction Guidance CGU consists of the assets and cash flows related to the Induction Guidance product line (formerly MicroGuide, acquired as part of the acquisition of Horizon Strategic Partners). The recoverable amount of the Induction Guidance CGU of £3,385k as at 31 March 2021 (2020: £3,830k) 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 17.7% (2020: 10.6%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2020: 2.7%). The recoverable amount of this CGU exceeded its carrying amount by £1,231k. No impairment charge resulted from this analysis. Refer to sensitivity disclosures below.

Induction Switch

The Induction Switch CGU consists of the assets and cash flows related to the Induction Switch app. During the year ended 31 March 2021, the performance of the Induction Switch app did not align to management's previous expectations and forecasts. This was due to challenges in monetising the app, due to the COVID-19 pandemic changing priorities for the customers of the Group. As a result of this, management's forecasts of future cash inflows were updated to reflect these delays in monetisation. The recoverable amount of the Induction Switch CGU of £Nil as at 31 March 2021 (2020: £11,441k) 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 16.7% (2020: 17.9%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2020: 2%). An impairment charge of £1,366k was recognised on the Induction Switch CGU, and would have been included in administrative expenses if presented by function on the statement of profit and loss. This impairment charge was allocated to all identifiable individual assets within the CGU as follows: £417k to goodwill; £33k to intangible assets acquired in a business combination; and £915k to capitalised development costs (refer Note 18). Management does not expect any further impairment of the assets related to the Induction Switch CGU. Refer to sensitivity disclosures below.

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

The calculation of value-in-use for all 3 CGU's is most sensitive to the following assumptions:

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") margins
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period.

Notes (forming part of the financial statements)

(continued)

17. Goodwill (continued)

17.1 Allocation of goodwill to cash generating units (continued)

Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions (continued)

EBITDA – EBITDA is determined by deducting the budgeted costs to be incurred (cash outflows) from payments received from customers. Cash inflows are determined based on detailed budgets for the first 2 years of the forecast period, and then extrapolated for the remaining forecast period using an appropriately declining growth rate to reach the terminal growth rate. Detailed budgets are determined using assumptions on existing customer renewal rates; sales of additional services to existing customers; sales made to new customers; and pricing assumptions based on a standard price list as determined by the Group's pricing policy. Cash outflows are based on values achieved in the year to 31 March 2021, adjusted for an appropriate growth rate depending on the nature of the cash outflow. Decreased demand can lead to a decline in EBITDA. A reasonable possible decrease of 1% in EBITDA would not result in an impairment of either the Zesty or Induction Guidance CGU. A decrease of 7.4% would result in the impairment of the Zesty CGU. A decrease of 32.6% would result in the impairment of the Induction Guidance 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. The assumptions made in determining the discount rate were updated during the year ended 31 March 2021 to reflect the changes in the nature of the business as a result of the acquisition of Zesty Limited.

A reasonable possible rise in the pre-tax discount rate to of 1% 18.4% in the Zesty CGU would result in the elimination of the headroom of the CGU. A rise in the pre-tax discount rate of 5.5% to 23.2% in the Induction Guidance CGU would result in the elimination of the headroom of the CGU.

Terminal growth rate The terminal growth rate is the growth rate used to forecast cash inflows and outflows into perpetuity. As the terminal growth rate for the Induction Guidance and Induction Zesty CGU's is 2%, there would be no material impact to the recoverable amount of any decreases in the terminal growth rate.

18. Intangible assets

	Capitalised development costs £000	Trade name £000	Users £000	Technology £000	Total £000
Cost					
At 1 April 2019	197	–	–	36	233
Additions internal	761	–	–	–	761
Acquired through business combinations	229	264	919	277	1,689
At 31 March 2020	1,187	264	919	313	2,683
Additions – internally developed	1,660	–	–	–	1,660
Acquired through business combinations	1,081	369	507	2,205	4,162
At 31 March 2021	3,928	633	1,426	2,518	8,505

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

18. Intangible assets (continued)

	Capitalised development costs £000	Trade name £000	Users £000	Technology £000	Total £000
Accumulated amortisation and impairment					
At 1 April 2019	–	–	–	10	10
Charge for the year	224	15	53	31	323
At 31 March 2020	224	15	53	41	333
Charge for the year	851	61	189	239	1,340
Impairment charge	915	7	23	3	948
At 31 March 2021	1,990	83	265	283	2,621
Net book value					
At 1 April 2019	197	–	–	26	223
At 31 March 2020	963	249	866	271	2,349
At 31 March 2021	1,939	550	1,161	2,234	5,884

The impairment charge of £948k recognised on capitalised development costs and acquired intangible assets relates to the allocation of the impairment loss recognised in the Induction CGU to individual assets within the CGU. Refer Note 17 for further information.

19. Property, plant and equipment

	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost			
Additions	–	6	6
Acquired through business combinations	3	40	43
Disposals	–	(18)	(18)
At 31 March 2021	3	28	31

	Fixtures and fittings £000	Computer equipment £000	Total £000
Accumulated depreciation and impairment			
Charge owned for the year	–	7	7
Acquired through business combinations	2	23	25
Disposals	–	(16)	(16)
At 31 March 2021	2	14	16
Net book value			
At 31 March 2020	–	–	–
At 31 March 2021	1	14	15

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

20. Trade and other receivables

	2021 £000	2020 £000
Trade receivables	723	80
Trade receivables net	723	80
Total financial assets other than cash and cash equivalents classified as loans and receivables	723	80
Prepayments and accrued income	151	34
Other receivables	22	26
Total trade and other receivables	896	140

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

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 (2020: £nil).

An allowance for expected credit losses is not material to the Group, due to the nature of the customers of the Group (primarily NHS), for which the risk of default has been assessed to be negligible.

21. Contract assets

	2021 £000	2020 £000
Balance at 1 April	23	–
Transfers from contract assets recognised at the beginning of the year, on invoice	(23)	–
Transfers from contract assets not recognised at the beginning of the year, on invoice	(371)	–
Additions for subscriptions commenced, not yet invoiced	400	3
Impairment of a contract asset	(5)	–
Changes due to business combinations	11	20
Contracts costs – to obtain a contract	35	–
Amortisation of contract costs to obtain a contract	(10)	–
Contract costs – to fulfil a contract	330	–
Amortisation of contract costs to fulfil a contract	(235)	–
Balance at 31 March	155	23

22. Cash and cash equivalents

	2021 £000	2020 £000
Cash at banks and on hand	872	671
Short-term deposits	1,600	10,047
Cash and cash equivalents per the statement of financial position and cash flow statement	2,472	10,718

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made on 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)

23. Trade and other payables

	2021 £000	2020 £000
Trade payables	289	39
Other payables	70	15
Accruals	760	299
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	1,119	353
Other payables tax and social security payments	277	49
Total trade and other payables	1,396	402

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Included within trade and other payables is £nil expected to be settled in more than 12 months (2020: £nil).

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

24. Contract liabilities

	2021 £000	2020 £000
Current	1,027	263
Non-current	187	38
	1,214	302

	2021 £000	2020 £000
Balance at 1 April	302	–
Revenue recognised that was included in the contract liability balance at the beginning of the year	(222)	–
Revenue recognised, not included in contract liability balance at the beginning of the year	(1,261)	(148)
Increases due to cash received, excluding amounts recognised as revenue during the year	2,074	229
Changes due to business combinations	159	221
Other changes	162	–
Balance at 31 March	1,214	302

25. Share capital

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. There have been no changes to the Group's capital management policies and processes during the year ended 31 March 2021.

Authorised

	2021 Number ('000)	2021 £000	2020 Number ('000)	2020 £000
Shares treated as equity				
Ordinary shares of £0.0050 each	42,052	210	29,627	148
	42,052	210	29,627	148

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

25. Share capital (continued)

Issued and fully paid

	2021 Number ('000)	2021 £000	2020 Number ('000)	2020 £000
Ordinary shares of £0.0050 each				
At 1 April	29,627	148	66	66
Share split	–	–	13,053	–
Issue of shares pre-IPO	–	–	1,739	9
Issue of shares to settle loans and borrowings	–	–	1,739	9
Issue of shares as consideration for a business combination	12,425	62	348	2
Issue of shares on IPO	–	–	12,682	62
At 31 March	42,052	210	29,627	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.

The number of share options granted to employees of the Group that are exercisable at 31 March 2021 is 303,071. An equivalent number of shares are reserved for issue.

26. Reserves

The following represents the movement in the share premium:

Share premium

	2021 £000	2020 £000
Ordinary shares of £0.0050 each		
At 1 April	18,432	–
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
Share issue costs capitalised	–	(469)
At 31 March	18,432	18,432

Foreign exchange 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.

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 £10,388k, and therefore a merger reserve has been recognised for this amount. The transaction has been accounted for at book value.

Where the conditions set out in section 612 of the Companies Act 2006 or equivalent sections of previous Companies Acts are met, shares issued as part of the consideration in a business combination are measured at their fair value in the Consolidated Balance Sheet, and the difference between the nominal value and fair value of the shares issued is recognised in the merger reserve.

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

26. Reserves (continued)

Merger reserve (continued)

On 8 June 2020, Induction Healthcare Group plc acquired 100% of the share capital of Zesty Limited for a consideration comprising £500k in cash, plus the issue of 12,424,527 New Ordinary Shares. This acquisition was effected by way of a share-for-share exchange, whereby the shareholders of Zesty Limited exchanged their shares for an equivalent number of shares in Induction Healthcare Group plc. The difference between the nominal amount of the shares and the fair value of the shares has been recognised in the merger reserve. The following represents the movement in the merger reserve:

	2021 £000	2020 £000
At 1 April	(10)	–
Issue of shares as consideration for a business combination	10,953	(10)
Share issue costs capitalised	(64)	–
At 31 March	10,879	(10)

Other reserves

Other reserves arise from the Group's equity settled share option scheme. Refer to Note 10 for further details.

27. Financial instruments fair values and risk management

27.1 Financial assets

The following table shows the carrying amounts and fair values of financial instruments as at 31 March 2021 and 31 March 2020. For financial assets not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value.

	2021 £000	2020 £000
Financial assets measured at amortised cost		
Trade receivables	723	80
Other receivables	22	53
Prepayments	151	7
Cash and cash equivalents	2,471	10,718
Other financial assets	447	–
	3,814	10,858

The business does not hold any other form of financial assets

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.

27.2 Financial liabilities

The following table shows the carrying amounts and fair values of financial liabilities as at 31 March 2021 and 31 March 2020. For financial liabilities not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value.

	2021 £000	2020 £000
Financial liabilities measured at amortised cost		
Trade and other payables	1,391	402
Financial liabilities at fair value through profit or loss		
Contingent consideration	–	1,409
	1,391	1,811

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

27. Financial instruments fair values and risk management (continued)

27.2 Financial liabilities (continued)

As part of the purchase agreement with the previous owners of Horizon Strategic Partners Limited concluded during the year ended 31 March 2020, contingent consideration was agreed, in the form of an earn-out agreement. The contingent consideration was based on a multiple of 4.29 times the cash collected from customers for customer subscriptions (over and above the baseline cash amount of £225k), which were invoiced and paid from 1 October 2019 to 30 September 2020 (the earn-out period). Contract liabilities as at the date of acquisition were deducted in arriving at the contingent consideration. The maximum amount to be paid out as contingent consideration was £1,500k. The previous owners of Horizon Strategic Partners Limited had the right to choose whether payment of the contingent consideration was effected in cash, or in shares of the Induction Healthcare Group plc.

Included in the net identifiable assets acquired and liabilities assumed of Zesty Limited was a loan of £501k. This loan was repaid in full during the year. The following represents the movements in the loans and borrowings of the group for the year ended 31 March 2021:

	2020 £000	2020 £000
Balance on 1 April	–	2,500
Incurred on acquisition through a business combination	501	–
Proceeds from loans and borrowings	–	500
Repaid during the year	(501)	(3,000)
Balance on 31 March	–	–

27.3 Fair value measurements

The following table reconciles the balance of the contingent consideration:

	2020 £000	2020 £000
Balance on 1 April	1,409	–
Incurred on acquisition through a business combination	–	1,325
Loss on remeasurement to fair value recognised in other operating expenses	91	83
Settlement	(1,500)	–
Balance on 31 March	–	1,409

At the end of the earn-out period on 30 September 2020, Horizon Strategic Partners Limited reached the maximum cash target, and therefore the maximum amount of £1,500k was paid out to the previous owners. This resulted in the increase in the fair value of the contingent consideration liability to £1,500k prior to settlement, and remeasurement charge of £91k was recognised in profit or loss. The previous owners of Horizon Strategic Partners Limited elected full settlement in cash.

27.4 Financial risk management objectives

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) Market risk
- (ii) Foreign currency risk;
- (ii) Credit risk; and
- (iii) Liquidity risk

27.5 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

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

27. Financial instruments fair values and risk management (continued)

27.6 Foreign currency risk management

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 Group's 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.

	Liabilities 2021 £000	Assets 2021 £000
Australian dollar	(6)	7
US dollar	–	16
Euro	–	–
Sterling	(1,390)	3,331
	(1,396)	3,354

27.7 Credit risk management

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.

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

	Current £000	<30 days £000	30 – 60 days £000	60 – 90 days £000	>91 days £000
2020					
Trade receivables	44	29	6	–	–
Contract assets	23	–	–	–	–
2021					
Trade receivables	460	112	–	121	30
Contract assets	60	–	–	–	–

27.8 Liquidity risk management

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 2021 (and 31 March 2020), the contractual maturity of all financial liabilities was less than 12 months.

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

28. Related party transactions

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

28.1 Identities of related parties with whom the Group has transacted

Note 16 provides information about the Group's structure, including subsidiaries and the holding company. The related parties with whom the Group has transacted are i) the subsidiaries within the group and ii) key management personnel.

28.2 Compensation of key management personnel

The remuneration of the directors and other members of key management personnel during the year was as follows:

	2021 £000	2020 £000
Short-term employee benefits	791	584
Post-employment pension and other benefits	44	92
Termination benefits	74	–
Share-based payment transactions	322	13
Bonus	30	–
Other benefits	–	–
Total compensation paid to key management personnel	1,261	689

Key management remuneration comprises short-term benefits only.

29. Contingent liabilities

As at 31 March 2020 the Group had £nil contingent consideration liabilities (2020: £1,409k). The contingent consideration liability was settled during the year. Refer Note 27 for more information.

30. Events after the reporting date

On 9 June 2021, the Group acquired Attend Anywhere Pty Ltd ("Attend Anywhere"), a private Australian-based video consultation provider in the UK. The Acquisition (which comprised the acquisition of 818 shares in Attend Anywhere together with the acquisition of 1 share in A.C.N. 167 231 307 Pty Ltd, a company which owns the remaining shares in Attend Anywhere) resulted in Induction owning the whole issued share capital (100%) and voting rights of Attend Anywhere.

The acquisition of Attend Anywhere is an opportunity for the Induction Healthcare Group to provide a comprehensive virtual care platform for hospitals, doctors and patients. Attend Anywhere extends the Group's existing product set with a mature video consultation platform already being widely used by NHS hospitals across the UK. It will also deliver Attend Anywhere customers an even higher standard of user support, technical resilience and customer service, via the Group's existing UK based infrastructure.

The consideration for the Acquisition comprised £16,348k in cash including an amount equal to Attend Anywhere's net assets at completion of the Acquisition as calculated in accordance with the SPA (estimated to be £788k) and the issue of 14,285,714 new Ordinary Shares (the "Consideration Shares").

As part of the transaction, on 8 June 2021, the Company announced that it had raised £25 million through a placing of 35,714,285 new Ordinary Shares at a price of 70p per share. Part of the proceeds of the Placing was used to fund the Cash Consideration and fees in respect of the Acquisition and the remainder will be used to provide the Group with additional working capital.

Following completion of the Acquisition, Chris Ryan, Attend Anywhere's CEO, joined the Company's executive management team and holds 11,002,445 Ordinary Shares.

The Group is in the process of determining the accounting impacts of the acquisition and completing the purchase price allocation in accordance with IFRS 3, however this is not yet complete. Therefore, the Group has determined that providing the disclosures required by IFRS 3 for business combinations effected after the reporting date is not practicable.

Company Statement of Financial Position

as at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Other non-current investments	4	14,639	2,514
Amounts receivable from group companies	5	4,585	12,668
Total non-current assets		19,224	15,182
Total assets		19,224	15,182
Liabilities			
Current liabilities			
Trade and other payables	6	507	52
Other financial liabilities	7	–	1,409
Total current liabilities		507	1,461
Total liabilities		507	1,461
Net assets		18,717	13,721
Issued capital and reserves			
Share capital	8	210	148
Share premium	9	18,432	18,432
Merger reserve	9	10,879	(10)
Other reserves	9	792	94
Retained earnings	9	(11,596)	(4,943)
TOTAL EQUITY		18,717	13,721

The loss for the year for the Company was £6,653k (2020: £4,943k).

The notes on pages 94 to 99 form an integral part of these Financial Statements.

The financial statements were approved and authorised for issue by the board of directors on 22 September 2021 and were signed on its behalf by:

James Balmain
CEO
Company registered number: 11852026

Company Statement of Changes in Equity

for the year ended 31 March 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 April 2019	1	–	–	–	–	1
Total comprehensive loss for the year						
Loss for the year	–	–	–	–	(4,943)	(4,943)
Total comprehensive loss for the year	–	–	–	–	(4,943)	(4,943)
Transactions with owners, in their capacity as owners						
Shares issued in share-for-share exchange	66	–	(10)	–	–	56
Pre-IPO shares issued	9	1,991	–	–	–	2,000
Shares issued to settle loan notes	9	1,991	–	–	–	2,000
Issue of ordinary shares as consideration for a business combination	2	398	–	–	–	400
IPO shares issued	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	(10)	94	–	18,664
At 31 March 2020	148	18,432	(10)	94	(4,943)	13,721
At 1 April 2020	148	18,432	(10)	94	(4,943)	13,721
Total comprehensive loss for the year						
Loss for the year	–	–	–	–	(6,653)	(6,653)
Total comprehensive loss for the year	–	–	–	–	(6,653)	(6,653)
Transactions with owners, in their capacity as owners						
Issue of ordinary shares as consideration for a business combination	62	–	10,953	–	–	11,015
Share-issue costs	–	–	(64)	–	–	(64)
Equity-settled share-based payments	–	–	–	698	–	698
Total contributions by and distributions to owners	62	–	10,889	698	–	11,648
At 31 March 2021	210	18,432	10,879	792	(11,596)	18,717

The notes on pages 94 to 99 form an integral part of these Financial Statements.

Company Cash Flow Statement

for the year ended 31 March 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Loss for the year	(6,653)	(4,943)
Adjustments for		
Fair value adjustment of contingent consideration	91	83
Other non-cash movements	32	92
	123	175
Movements in working capital:		
Decrease/(increase) in amounts due from group companies	6,138	(13,399)
Increase in trade and other payables	456	52
Net cash from/(used in) operating activities	64	(18,114)
Cash flows from financing activities		
Issue of ordinary shares	–	18,583
Share issue costs	(64)	(469)
Net cash (used in)/from financing activities	(64)	18,114
Net cash increase/(decrease) in cash and cash equivalents	–	–
Cash and cash equivalents at the end of the year	–	–

The notes on pages 94 to 99 form an integral part of these Financial Statements.

Notes to the company financial statements

1. Accounting policies

1.1 Going concern

The Company operates as an investment company for the Induction Healthcare Group plc, holding investments in subsidiaries financed by Group companies. As the Company is an intrinsic part of the Group's structure, the Directors have a reasonable expectation that Group companies will continue to support the Company through trading and cash generated from trading for the foreseeable future. On this reason, the Directors have adopted the going concern assumption in preparing the financial statements. Please refer to Note 1.2 in the consolidated financial statements for Induction Healthcare Group plc for going concern considerations for the Group.

1.2 Share-based payments

Share-based payment transactions of the Company

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 recognised in the consolidated financial statements and a corresponding credit in other reserves in equity.

The Company recharges the expenses for share-based awards relating to employees employed UK subsidiaries to the subsidiary which employs the respective employee at an amount equivalent to the respective share-based payment expense recognised in the consolidated financial statements relating to those subsidiary employees. The Company recognises in its individual financial statements an allocated percentage of the share-based payment charge for employees performing some duties for the Company, as well as 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 consolidated financial statements 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.

1.3 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.

2. Reporting entity

Induction Healthcare Group Plc (the 'Company') is a public company incorporated, domiciled and registered in England in the United Kingdom. The Company's registered office is at 20 St Dunstan's Hill, London, EC3R 8HL. The Company's principal activity is the provision of software to healthcare professionals.

3. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

Details of the Company's accounting policies, including changes during the year, are included in note 1.

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Income statement or Statement of comprehensive income in these financial statements.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 5 in the Group financial statements.

The financial statements have been prepared on the historical cost basis.

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

Notes to the company financial statements

(continued)

4. Investments in subsidiaries

The investments in subsidiaries represent the investments of Induction Healthcare Group plc in Induction Healthcare Limited, Horizon Strategic Partners Limited and Zesty Limited (acquired during the year). All three entities are wholly owned subsidiaries of the Company. A full list of subsidiaries is included in Note 16 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 was treated as a common control transaction in the prior year.

On 5 November 2019, the Group acquired 100% of the share capital of Horizon Strategic Partners Limited, in exchange for £507k initial cash consideration, contingent consideration of £1,325k and assumed liabilities of £523k.

On 8 June 2020, Induction Healthcare Group plc acquired 100% of the share capital of Zesty Limited for a consideration comprising £500k in cash, plus the issue of 12,424,527 new ordinary shares.

During the year, the group impaired the investment in Induction Healthcare Limited by £55k, its full carrying value, due to the impairment of the Induction Switch CGU, of which it is a part. Refer to Note 17 in the consolidated financial statements for further information.

	2021 £'000	2020 £'000
Balance at 1 April	2,514	–
Acquisitions of new subsidiaries	11,514	2,420
Share-based payments	666	94
Impairment	(55)	–
Balance at 31 March	14,639	2,514

5. Amounts receivable from group companies

Amounts receivable from group companies comprise loans due from group companies of £4,585k (2020: £12,668k). The loans are interest free and repayable on demand. Lifetime expected credit losses of £5,750k (2020: £4,678k) have been recognised on amounts due from group companies. These amounts have been classified as non-current, as there is no intention to demand repayment of these amounts within 12 months from 31 March 2021.

	2021 £'000	2020 £'000
Balance at 1 April	12,668	–
Loans to group companies	(2,333)	17,436
Provision for expected credit losses	(5,750)	(4,768)
Amounts receivable from group companies	4,585	12,668
Total non-current portion	4,585	12,668

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

Notes to the company financial statements

(continued)

6. Trade and other payables

The following table summarises the balance of trade and other payables. The amounts owed to group companies represent £288k. This is an interest free arrangement and is repayable on demand.

	2021 £,000	2020 £,000
Accruals	219	27
Amounts due to group companies	288	25
Total current portion	507	52

7. Other financial liabilities

Other financial liabilities relate to the contingent consideration paid on the acquisition of Horizon Strategic Partners Limited. At the end of the earn-out period on 30 September 2020, Horizon Strategic Partners Limited reached the maximum cash target, and therefore the maximum amount of £1,500k was paid out to the previous owners. This resulted in the increase in the fair value of the contingent consideration liability to £1,500k prior to settlement, and remeasurement charge of £91k was recognised in profit or loss. The previous owners of Horizon Strategic Partners Limited elected full settlement in cash.

	2021 £'000	2020 £'000
Balance at 1 April	1,409	–
Incurred on acquisition through a business combination	–	1,325
Loss on remeasurement to fair value recognised in other operating expenses	91	83
Settlement	(1,500)	–
Balance on 31 March	–	1,409

8. Share capital

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. There have been no changes to the Group's capital management policies and processes during the year ended 31 March 2021.

Authorised

	2021 Number ('000)	2021 £000	2020 Number ('000)	2020 £000
Shares treated as equity				
Ordinary shares of £0.0050 each	42,052	210	29,627	148
	42,051	210	29,627	148

Issued and fully paid

	2021 Number ('000)	2021 £000	2020 Number ('000)	2020 £000
Ordinary shares of £0.0050 each				
At 1 April	29,627	148	66	66
Share split	–	–	13,053	–
Issue of shares pre-IPO	–	–	1,739	9
Issue of shares to settle loans and borrowings	–	–	1,739	9
Issue of shares as consideration for a business combination	12,425	62	348	2
Issue of shares on IPO	–	–	12,682	62
At 31 March	42,052	210	29,627	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.

Notes to the company financial statements

(continued)

9. Reserves

Share premium

	2021 £000	2020 £000
Ordinary shares of £0.0050 each		
At 1 April	18,432	–
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
Share issue costs capitalised	–	(469)
At 31 March	18,432	18,432

Foreign exchange 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.

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 £10k, and therefore a merger reserve has been recognised for this amount. The transaction has been accounted for at book value.

Where the conditions set out in section 612 of the Companies Act 2006 or equivalent sections of previous Companies Acts are met, shares issued as part of the consideration in a business combination are measured at their fair value in the Consolidated Balance Sheet, and the difference between the nominal value and fair value of the shares issued is recognised in the merger reserve.

On 8 June 2020, Induction Healthcare Group plc acquired 100% of the share capital of Zesty Limited for a consideration comprising £500k in cash, plus the issue of 12,424,527 New Ordinary Shares. This acquisition was effected by way of a share-for-share exchange, whereby the shareholders of Zesty Limited exchanged their shares for an equivalent number of shares in Induction Healthcare Group plc. The difference between the nominal amount of the shares and the fair value of the shares has been recognised in the merger reserve. The following represents the movement in the merger reserve:

	2021 £000	2020 £000
At 1 April	(10)	–
Issue of shares as consideration for a business combination	10,953	(10)
Share issue costs capitalised	(64)	–
At 31 March	10,879	(10)

Other reserves

Other reserves arise from the Group's equity settled share option scheme. Refer to Note 10 in the consolidated group financial statements for further details.

Notes to the company financial statements

(continued)

10. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

10.1 Identities of related parties with whom the Group has transacted

Note 16 provides information about the Group's structure, including subsidiaries and the holding company. The related parties with whom the Group has transacted are i) the subsidiaries within the group and ii) key management personnel.

10.2 Compensation of key management personnel

The remuneration of the directors and other members of key management personnel during the year was as follows:

	2021 £000	2020 £000
Short-term employee benefits	791	584
Post-employment pension and other benefits	44	92
Termination benefits	74	–
Share-based payment transactions	322	13
Bonus	30	–
Other benefits	–	–
Total compensation paid to key management personnel	1,261	689

Key management remuneration comprises short-term benefits only.

Directors' remuneration has been disclosed in the Directors' report. Refer to page 37 and 38, tables "Directors remuneration" and "Directors' shareholding and share interests".

10.3 Transactions with subsidiaries

Included in amounts due from group companies is an amount of £4,722k 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 trade and other payables is an amount of £269k due 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. The loan carries interest at 0% and is repayable on demand.

Included in trade and other payables is an amount of £19k due to Induction Healthcare Pty Ltd. This arose as a result of payments made by Induction Healthcare Pty Ltd on behalf of Induction Healthcare Group plc. The loan carries interest at 0% and is repayable on demand.

Included in trade and other payables is an amount of £4k due to Zesty Limited. This arose as a result of payments made by Zesty Limited on behalf of Induction Healthcare Group plc. The loan carries interest at 0% and is repayable on demand.

11. Events after the reporting date

On 9 June 2021, the Group acquired Attend Anywhere Pty Ltd ("Attend Anywhere"), a private Australian-based video consultation provider in the UK. The Acquisition (which comprises the acquisition of 818 shares in Attend Anywhere together with the acquisition of 1 share in A.C.N. 167 231 307 Pty Ltd, a company which owns the remaining shares in Attend Anywhere) resulted in Induction owning the whole issued share capital (100%) and voting rights of Attend Anywhere.

The acquisition of Attend Anywhere is an opportunity for the Induction Healthcare Group to provide a comprehensive virtual care platform for hospitals, doctors and patients. Attend Anywhere extends the Group's existing product set with a mature video consultation platform already being widely used by NHS hospitals across the UK. It will also deliver Attend Anywhere customers an even higher standard of user support, technical resilience and customer service, via the Group's existing UK based infrastructure.

Notes to the company financial statements

(continued)

11. Events after the reporting date (continued)

The consideration for the Acquisition comprised £15,560k in cash plus an amount equal to Attend Anywhere's net assets at completion of the Acquisition as calculated in accordance with the SPA (estimated to be £787k) and the issue of 14,285,714 new Ordinary Shares (the "Consideration Shares").

As part of the transaction, on 8 June 2021, the Company announced that it had raised £25 million through a placing of 35,714,285 new Ordinary Shares at a price of 70p per share. Part of the proceeds of the Placing was used to fund the Cash Consideration and fees in respect of the Acquisition and the remainder will be used to provide the Group with additional working capital.

Following completion of the Acquisition, Chris Ryan, Attend Anywhere's CEO, joined the Company's executive management team and holds 11,002,445 Ordinary Shares.

The Group is in the process of determining the accounting impacts of the acquisition and completing the purchase price allocation in accordance with IFRS 3, however this is not yet complete. Therefore, the Group has determined that providing the disclosures required by IFRS 3 for business combinations effected after the reporting date is not practicable.

Company Information

Directors

Chris Spencer
James Balmain
Hugo Stephenson
Jane Silber
Leslie-Ann Reed
Andrew Williams

Non-Executive Chair
Chief Executive Officer¹
Group Executive Director¹
Non-Executive Director
Non-Executive Director
Non-Executive Director

Secretary

Alison Talbot
20 St Dunstan's Hill
London
EC3R 8HL

Auditors

KPMG LLP
The Pinnacle
170 Midsummer Blvd
Milton Keynes
MK9 1FD

Primary Bankers

HSBC Bank Ltd
172 Upper Richmond Road London
SW15 2SH

Public Relations

Walbrook Public Relations
75 King William Street
London
EC4N 7BE
induction@walbrookpr.com

Solicitors

Pinsent Masons LLP
Third Floor
Quay 2
139 Fountainbridge Edinburgh
EH3 9QG

Nominated advisers and brokers

Singer Capital Markets²
1 Bartholomew Lane
London
EC2N 2AX

Registered Office

20 St Dunstan's Hill
London
EC3R 8HL

Registered Number

11232772

Company Website

www.inductionhealthcare.com

¹ James Balmain and Hugo Stephenson were joint CEO's during the year ended 31 March 2021. On the 6th September 2021, Hugo Stephenson took a new role as Group Executive Director and James Balmain became sole CEO

² Numis Securities Ltd were the Company's nominated adviser and broker during the year until 4 March 2021, at which point the Company appointed Singer Capital Markets.

Glossary

Alternative Investment Market (AIM)

Annual General Meeting (AGM)

Attend Anywhere Pty Ltd (Attend Anywhere, Induction Anywhere)

Electronic Health Record (EHR)

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

General Data Protection Regulation (GDPR)

Horizon Strategic Partners Limited (Induction Guidance, Horizon and Microguide)

Induction Healthcare Group PLC (Group, Induction, Induction Healthcare and Company)

Initial Public Offering (IPO)

Milton Keynes University Hospital Foundation Trust (MKUH)

Monthly recurring revenue (MRR)

National Health System (NHS)

Patient administration system (PAS)

Podmedics Limited (Podmedics, Induction Switch)

Return on Investment (ROI)

Software as a service (SaaS)

The Quoted Companies Alliance (the QCA Code)

Zesty Limited (Induction Zesty, Zesty)

Reader's Notes



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