

Inspiration Healthcare Group plc

("Inspiration Healthcare", the "Company" or the "Group")

6 October 2020

Interim Results

Inspiration Healthcare Group plc (AIM: IHC), the global medical device company, today announces its unaudited interim results for the six months ended 31 July 2020 ("H1 2020/21").

Highlights:

- Total Group Revenue up 77% to £14.2m
- Revenue on a like for like basis increased by 25% (excluding acquired / 'one time' revenue)
- Gross Margin up to 51.4% (from 46.8%)
- EBITDA¹ up 178% to £2.5m
- Operating Profit up 122% to £1.1m (before exceptional items up 277% to £2.1m)
- Strong net cash position, £5.2m, provides opportunity to accelerate market development investments
- Maiden interim dividend payment declared
- Transformational acquisition of SLE Ltd for a total consideration of £18m - integration on track
- Oversubscribed placing and open offer raising £17m
- Significant contribution to the UK Ventilator Challenge, sourcing over 500 adult ventilators and delivering £7.3m of 'one time' revenue, of which £2.9m was in the first half year
- Patents granted for FirstBreath and Project Wave to maintain R&D momentum
- Expect to materially exceed market expectations for the current financial year

¹Earnings before interest, tax, depreciation, share based payments and exceptional items

Neil Campbell, Chief Executive Officer, said today:

"I am delighted to be able to report on such a positive first half of this financial year. Despite the operating challenges caused by Covid-19, our underlying growth was strong, demonstrating the robustness of our business model and our agility to be able to adapt to new situations quickly. Acquiring SLE has transformed the Group and, in the past few weeks we have confirmed our thinking about the exciting opportunities it brings and its potential to deliver more benefits. We have started the process to integrate it into the Group as a major step on our journey to become a world leader in Neonatal Intensive Care. We are pleased to declare our maiden interim dividend and are confident of further strong growth during the rest of the year and beyond."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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About Inspiration Healthcare

Inspiration Healthcare (AIM: IHC) is a global provider of medical technology for use in neonatal intensive care & operating theatres. The Company provides high quality innovative products to patients around the world which help to improve patient outcomes and it actively invests in innovative product opportunities and disruptive technologies.

The Company has key own brand products that can be used within the first days of life to help premature and sick babies; helping resuscitation and stabilisation in the first moments of life through to preventing brain damage and both invasive and non-invasive respiratory support in terms of capital equipment and disposable medical devices. Additionally, the Company has its own range of products for maintaining normothermia pre, during and post-surgery.

Since September 2019, the Company has acquired Vio Holdings a designer, manufacturer and supplier of single use respiratory products and sterile medical consumables and S.L.E., a leading designer, manufacturer and global provider of neonatal ventilation products. The Group generates approximately 60% of its revenues from export markets and around two-thirds of its revenues come from its own-branded products.

With product availability actively promoted to over 75 countries through a distribution network, Inspiration Healthcare's success has been built on continuous innovation, excellent customer service and an inherent commitment to improving patient outcomes, working in close collaboration with key opinion leaders across the globe.

In the UK and Ireland, the Group has direct sales teams selling Group Branded and complementary products from third parties, with an additional range of home healthcare products. This is supported by Technical Support for planned preventative maintenance and emergency assistance.

The Group operates from various sites in the UK for R&D, Marketing and operations with manufacturing based in Croydon (south London) and Hailsham (East Sussex). The Group's Head Office is located in Crawley, a short distance from London's Gatwick Airport.

Further information on Inspiration Healthcare can be found at www.inspiration-healthcare.com

Chairman's Statement

I am delighted to confirm that the Group has traded above our expectations for the first half of this financial year ending 31 January 2021. Our revenue was up by 77% on the equivalent period last year to £14.2 million.

Despite issues and concerns around Covid-19 during the first half, revenues on a true like for like basis increased to £10.1 million as the Group benefitted from some capital equipment orders from the NHS being brought forward and some pent up demand in our order book from the end of the previous financial year being released, along with our expected growth in the underlying business.

Additionally, the Group benefited from a contribution of 4 weeks of sales from the recently acquired SLE Ltd. This additional acquired revenue along with the contribution of Viomedex accounted for £1.2 million (excluding 'one time' adult ventilator sales) compared to the same period last year. Finally, the Group (including SLE) benefited from several 'one time' orders from the NHS in the UK for ventilators and ancillary products and support associated with Covid-19. In the first half of the year, the total revenue for these contracts was £2.9 million and I am pleased to say that a further £4.4 million of revenue has been delivered since 1 August 2020. These orders are now complete.

At a Glance

	Inspiration Revenue £million	Acquired Revenue* £million	Covid-19 Revenue £million	Total £million
H1 YE Jan 21	£10.1	£1.2	£2.9	£14.2
H1 YE Jan 20	£8.1	n/a	n/a	£8.1
Growth Year-on-Year	25%	n/a	n/a	77%

*Excluding inter-company revenues

As could be expected with the unknown impact of Covid-19, the mix of products sold is different from that we had anticipated at the beginning of the year. Needless to say, we are delighted at how robust our product portfolio is and how well our margins stood up over this period with Gross Margins (increasing) to 51.4% from 46.8% in the equivalent period. It is understandable that our operating theatre sector suffered a downturn in revenues with much planned surgery being postponed but pleasing that this was made up by a strong performance in our Critical Care and Homecare sectors. We look forward to a recovery in performance in the Operating Theatre sector when hospitals return to routine work.

It pays testament to the staff across the Group as a whole that during the height of the pandemic in the UK, we not only remained open and delivered products and service support to our customers, but we continued our important work in the background and have now submitted Project Wave through the UK's IRAS portal to be assessed for clinical trials. We hope that we will get clearance at the earliest opportunity and can start clinical trials early in 2021.

The recent acquisition of the SLE business was underpinned by expectations of synergistic growth opportunities through a stronger product portfolio and greater geographic reach. Having only owned the business for a few weeks we are very confident that the acquisition will transform the Group quickly and deliver long term synergistic value. With the additional cash and profit from the one-time Covid-19 related activity along with a strong first half performance in the underlying business I am excited about the next chapter in the Group's development. We will use the additional profit from the Covid-19 activity to further invest in our business and fast track our growth.

Financial Review

Revenue for the six months to 31 July 2020 totalled £14.2 million (H1 2019/20: £8.1 million), an increase of 77% over the equivalent period for the previous year with the inclusion of SLE, Viomedex and the 'one time' UK NHS ventilator and ancillary product orders. Like for like revenue growth was at 25% reflecting some large contracts and certain specific opportunities being brought forward resulting in revenue being weighted towards the first half. EBITDA¹ improved by 178% to £2.5 million as a result of improved gross margins, additional revenues and the impact of Covid-19 on the timing of some cash-based overheads now expected to be incurred during H2.

Operating profit before exceptional items for the period was £2.1 million, an increase of 277% over the equivalent period of the previous year.

Revenue from our Own Brand Products decreased 17% year on year to £3.0 million (H1 2019/20: £3.6 million) and accounted for 30% of underlying revenue on a like for like basis, compared with 45% in the equivalent period. This is reflective of both a deferral of operating theatre revenue as a result of Covid-19 and the large Polish Alpha Core⁵ Patient Warming System order received during H1 of the prior period. Revenue from our Distributed Products was up by 83% to £6.1 million on a like for like basis. The growth was mainly as a result of strong performance in the Micrel product range and unwinding back orders of products that could not be shipped last year along with the NHS bringing forward orders that were planned for later in the year due to Covid-19. Interest in the Group's products remain strong.

Gross margin of 51.4% increased from 46.8% in the equivalent period due to improved Distributed Product margins and the consolidation of manufacturer margins on a number of Group products resulting from the acquisition of Viomedex.

Operating expenses pre-exceptional items increased by 62%. These increases included 6 months of overheads associated with Viomedex, 4 weeks from SLE and additional one-time Covid-19 related expenses, along with our planned continued investment in personnel to maintain our growth. Investment in R&D amounted to approximately 2% of underlying revenue in the first half, however, we expect total spend on R&D to increase in the second half.

Exceptional items of £1.0 million (H1 2019/20: £0.07 million) of which £0.4 million relates to the issue of 671,296 new ordinary shares in the Company to the vendors of Vio Holdings in full and final settlement of the deferred consideration arrangements relating to the acquisition. The remaining £0.6 million represent expenses incurred to 31 July 2020 in relation to the acquisition of SLE Limited which completed on 7 July 2020.

Profit after tax of £0.8 million was up 95% on last year.

Adjusting for exceptional items and amortisation of intangible assets acquired through business combinations, underlying earnings per share was 4.3p (H1 2019/20: 1.3p).

Cash at 31 July 2020 was £6.7 million. A revolving credit facility was put in place to help facilitate the acquisition of SLE of which £1.5 million was due resulting in a net cash position of £5.2 million as at 31 July 2020. It is pleasing to note that the Group has generated enough cash to have paid off the loan early in H2.

Operational Review

Sales in the UK (without sales of 'one time' orders for Covid-19) were up 60% resulting from a previous strong order book, also a greater installed base of products requiring consumables and a small contribution from Viomedex (acquired September 2019). Additionally, some sales for capital equipment that were expected to have been realised in the second half have been brought forward which will result in a change to the usual second half weighting of sales activity. Internationally sales were down 28% primarily due to a change of buying patterns of overseas critical care providers focusing their resources on Covid-19. We expect international sales to improve in the second half and domestic sales to maintain a more normal level of activity over the next few months.

The Group continues to plan for Brexit and having acquired SLE we are integrating their plans into the Group to ensure that we continue to serve all our customers around the world. We have been working alongside the Dept of Health contingency planning group and ensuring that our regulatory compliance in the EU will not be affected.

Jonathan Ballard was promoted from Group Financial Controller to Chief Financial Officer due to the retirement of Mike Briant. We have also appointed Brook Nolson as Chief Operating Officer, adding considerable expertise to the Group's executive team and an important resource as we integrate SLE and re-structure the Group for further growth. In addition, we are currently seeking to fill the non-executive role that was held by Brook Nelson prior to him being appointed as COO and are making good progress in this regard. Furthermore, we have recently strengthened our senior team with the appointment of Dr Peter Reynolds, a Consultant Neonatologist, as our VP Clinical, Research and Innovation.

Acquisition of SLE Ltd

The Group has acquired the entire share capital of SLE Ltd, a well-known UK based manufacturer and supplier of Neonatal ventilators for a total consideration of £18m. SLE offers great commercial synergies to the Group with products that can be sold alongside the Group's main product lines and opens opportunities in overseas markets where SLE has a broader geographic reach than the existing Group, especially in Asia-Pacific. The acquisition transforms the size of the Group, almost doubling the size in every metric. Although the acquisition only completed on 7 July 2020, SLE has already shown potential to deliver more opportunities than originally anticipated as we integrate the business into the Group.

Dividend Declaration

The Board believes that the growth and profitability of the Group now support implementation of a progressive dividend policy. Our cash generation further confirms our ability to commence dividend payments. The initial interim payment will be 0.2p per share payable to shareholders on the register on 27th November payable on 29th December 2020. It is the Board's intention to announce approximately one third of the annual dividend at the interim stage.

Outlook

The Group has made great progress in the first half of the financial year despite the uncertainty and stress caused by Covid-19. To have delivered such strong growth in our underlying business, along with the acquisition of SLE and one-time orders due to Covid-19 is a credit to the strength of our product portfolio, reputation, partners and, of course, our people.

The cash generated by this growth will allow us to invest further in H2 and over the forthcoming year. We intend to invest in our marketing and accelerate our plans for product development to ensure that our exciting new products reach the widest customer base as quickly as possible.

Given the success in the first half, we expect to materially exceed market expectations in the full year and will maintain momentum into next year.

Mark Abrahams

Chairman

6 October 2020

¹Earnings before interest, tax, depreciation, share based payments and exceptional items

Unaudited Consolidated Income Statement

For the six months ended 31 July 2020

	Notes	Unaudited 6 months ended 31-Jul 2020 £'000	Unaudited 6 months ended 31-Jul 2019 £'000	Audited Year ended 31-Jan 2020 £'000
Revenue		14,218	8,057	17,775
Cost of sales		(6,916)	(4,288)	(9,203)
Gross profit		7,302	3,769	8,572
Operating expenses		(6,220)	(3,281)	(7,434)
Operating profit		1,082	488	1,138
Analysed as:				
Operating profit before exceptional items		2,122	563	1,521
Exceptional items		(1,040)	(75)	(383)
Finance income		2	4	9
Finance cost		(10)	(9)	(21)
Profit before tax		1,074	483	1,126
Income tax expense	4	(287)	(79)	(393)
Profit attributable to the owners of the parent company		787	404	733
Earnings per share, attributable to owners of the parent company				
Basic expressed in pence per share	6	1.84p	1.32p	2.19p
Diluted expressed in pence per share	6	1.82p	1.29p	2.15p

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2020

	Notes	Unaudited 6 months ended 31-Jul 2020 £'000	Unaudited 6 months ended 31-Jul 2019 £'000	Audited Year ended 31-Jan 2020 £'000
Profit for the period/year		787	404	733
Other comprehensive income/(expense) Items that may be reclassified to profit or loss				
Cash flow hedges		65	13	(31)
Total other comprehensive income/(expense) for the period/year		65	13	(31)
Total comprehensive income for the period/year		852		702

Unaudited Consolidated Statement of Financial Position

As at 31 July 2020

(Registered Number: 03587944)

Notes	Unaudited As at 31-Jul 2020 £'000	Unaudited As at 31-Jul 2019 £'000	Audited As at 31-Jan 2020 £'000
ASSETS			
Non-current assets			
Intangible assets	15,818	1,212	3,655
Property, plant and equipment	811	397	496
Right of use asset	482	448	553
Investments	-	111	-
	17,111	2,168	4,704
Current assets			
Inventories	9,118	1,225	3,091
Trade and other receivables	9,547	3,111	4,205
Cash and cash equivalents	7,663	2,646	4,480
	26,328	6,982	11,776
Total assets	43,439	9,150	16,480
Liabilities			
Current liabilities			
Trade and other payables	(8,627)	(2,059)	(3,988)
Lease liabilities	(97)	(86)	(132)
Financial liability	-	-	(40)
Contract liabilities	(2,624)	(505)	(376)
	(11,348)	(2,650)	(4,536)
Non-current liabilities			
Trade and other payables	(248)	-	(742)
Lease liabilities	(376)	(367)	(426)
Borrowings	(1,500)	-	-
Deferred tax liability	(227)	(105)	(227)
	(2,351)	(472)	(1,395)
Total liabilities	(13,699)	(3,122)	(5,931)
Net assets	29,740	6,028	10,549
Shareholders' equity			
Called up share capital	6,797	3,067	3,838
Share premium account	18,761	-	3,475
Reverse acquisition reserve	(16,164)	(16,164)	(16,164)
Share based payment reserve	247	169	153
Other reserves	31	4	(34)
Accumulated profit	20,068	18,952	19,281
Total equity attributable to owners of the parent company	29,740	6,028	10,549

Unaudited Consolidated Statement of Changes in Shareholders' Equity
For the six months ended 31 July 2020

	Notes	Called up Share Capital £000's	Share Premium £000's	Reverse acquisition reserve £000's	Share based payment reserve £000's	Other reserves £000's	Retained earnings £000's	Total equity £000's
At 31 January 2019		3,067	-	(16,164)	91	(9)	18,548	5,533
Profit for the period 1 February 2019 to 31 July 2019		-	-	-	-	-	404	404
Other comprehensive income		-	-	-	-	13	-	13
Total comprehensive income for the period		-	-	-	-	13	404	417
Transactions with owners in their capacity of owners								
Employee share scheme expense		-	-	-	78	-	-	78
Total transactions with owners		-	-	-	78	-	-	78
At 31 July 2019		3,067	-	(16,164)	169	4	18,952	6,028
Profit for the period 1 August 2019 to 31 January 2020		-	-	-	-	-	329	329
Other comprehensive income		-	-	-	-	(44)	-	(44)
Total comprehensive income/(expense) for the period		-	-	-	-	(44)	329	285
Transactions with owners in their capacity of owners								
Employee share scheme expense		-	-	-	(16)	-	-	(16)
Issue of ordinary shares as consideration for a business combination, net of transaction cost and tax		771	-	-	-	-	-	771
Proceeds from shares issued, net of transaction costs and tax		-	3,475	-	-	-	-	3,475
Deferred tax		-	-	-	-	6	-	6
Total transactions with owners		771	3,475	-	(16)	6	-	4,236
At 31 January 2020		3,838	3,475	(16,164)	153	(34)	19,281	10,549
Profit for the period 1 February 2020 to 31 July 2020		-	-	-	-	-	787	787
Other comprehensive income		-	-	-	-	65	-	65

Unaudited Consolidated Statement of Changes in Shareholders' Equity (continued)

For the six months ended 31 July 2020

	Notes	Called up Share Capital £000's	Share Premium £000's	Reverse acquisition reserve £000's	Share based payment reserve £000's	Other reserves £000's	Retained earnings £000's	Total equity £000's
Total comprehensive income for the period		-	-	-	-	65	787	852
Transactions with owners in their capacity of owners								
Employee share scheme expense		-	-	-	94	-	-	94
Issue of ordinary shares as consideration for a business combination, net of transaction cost and tax		2,959	-	-	-	-	-	2,959
Proceeds from shares issued, net of transaction costs and tax		-	15,286	-	-	-	-	15,286
Total transactions with owners		2,959	15,286	-	94	-	-	18,339
At 31 July 2020		6,797	18,761	(16,164)	247	31	20,068	29,740

Unaudited Consolidated Statements of Cash flows
For the six months ended 31 July 2020

		Unaudited 6 months ended 31-Jul 2020 £'000	Unaudited 6 months Ended 31-Jul 2019 £'000	Audited Year ended 31-Jan 2020 £'000
	Notes			
Cash flows from operating activities				
Cash generated from operations	7	2,242	261	1,616
Interest paid		(10)	(9)	(21)
Taxation received		-	105	104
Taxation paid		(114)	(75)	(235)
Net cash inflow from operating activities		2,118	282	1,464
Cash flow from investing activities				
Payment for acquisition of subsidiary, net of cash acquired		(16,200)	-	(3,000)
Interest received		2	4	9
Purchase of property, plant and equipment		(59)	(71)	(163)
Purchase of intangible assets		(16)	(12)	(24)
Capitalised development costs		(87)	(33)	(192)
Net cash used in investing activities		(16,360)	(112)	(3,370)
Cash flow from financing activities				
Proceeds from issue of shares		16,967	-	4,246
Share issue costs		(957)	-	(250)
Proceeds from borrowings		1,500	-	-
Principle elements of lease payments		(85)	(63)	(149)
Net cash used in financing activities		17,425	(63)	3,847
Net increase in cash and cash equivalents		3,183	107	1,941
Cash and cash equivalents at the beginning of the period		4,480	2,539	2,539
Cash and cash equivalents at the end of the period/year		7,663	2,646	4,480

Notes to the Unaudited Interim Financial Statements

For the six months ended 31 July 2020

1. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 31 July 2020 have been prepared in accordance with AIM rule 18 in relation to half year reports. This information should be read in conjunction with the annual financial statements for the year ended 31 January 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. Going concern basis

The Group meets its day-to-day working capital requirements through its cash resources. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

3. Interim financial information

The interim financial information for the period ended 31 July 2020 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial information for the period ended 31 July 2019 is also unaudited. The audited accounts for the year ended 31 January 2020 for Inspiration Healthcare Group plc were approved by its Board of Directors on 24 April 2020 and have been delivered to the Registrar of Companies with an unqualified audit report.

The Company's annual report and financial statements for the year ended 31 January 2020 were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing those statements.

4. Taxation

A provision has been made for corporation tax at the rate of 19% on the estimated taxable profits for the period.

5. Dividends Paid

No dividends were paid or declared in the current period.

The Board has declared an interim dividend of 0.2p per share to be paid on 29 December 2020.

6. Earnings per ordinary share

Basic earnings per share for the period is calculated by dividing the profit attributable to ordinary shareholders for the year after tax by the weighted average number of shares in issue.

Basic diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares.

Notes to the Unaudited Interim Financial Statements (continued)
For the six months ended 31 July 2020

6. Earnings per ordinary share (continued)

	Unaudited 6 months Ended 31-Jul 2020 £'000	Unaudited 6 months Ended 31-Jul 2019 £'000	Audited Year Ended 31-Jan 2020 £'000
Profit			
Profit attributable to equity holders of the Company	787	404	733
Add back exceptional items	1,040	75	383
Add back amortisation of intangible assets acquired through business combinations	31	-	-
Add back deferred tax charge on intangible assets acquired from the acquisition of Vio Holdings Limited	-	-	117
Numerator for underlying earnings per share calculation	1,858	479	1,233

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

	Unaudited 6 months Ended 31-Jul 2020	Unaudited 6 months Ended 31-Jul 2019	Audited Year Ended 31-Jan 2020
Shares			
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	38,380,850	30,667,548	30,667,548
Weighted average number of shares issued during the period/year	4,485,115	-	2,747,203
Weighted average number of ordinary shares in issue during the period/year for the purposes of basic earnings per share	42,865,965	30,667,548	33,414,751
Dilutive effect of potential Ordinary shares:			
Share options	474,675	583,941	583,941
Diluted weighted number of shares in issue for the purpose of diluted earnings per share	43,340,640	31,251,489	33,998,692

£16.2 million of the £17.0 million proceeds from the 28,921,463 shares issued during the period was used to fund the acquisition of SLE Limited, see note 8. These have been prorated for the time they have been in place.

A further 671,296 shares were issued during the period in relation to deferred consideration shares for the acquisition of Vio Holdings Limited and its subsidiary company amounting to £435,000.

Notes to the Unaudited Interim Financial Statements (continued)
For the six months ended 31 July 2020

6. Earnings per ordinary share (continued)

The basic and diluted earnings per share are as follows:

	Unaudited 6 months Ended 31-Jul 2020 Pence	Unaudited 6 months Ended 31-Jul 2019 Pence	Audited Year Ended 31-Jan 2020 pence
Basic earnings per share	1.84	1.32	2.19
Adjust for:			
Exceptional items	2.43	0.24	1.15
Intangible assets acquired through business combinations	0.07		
Tax charge on intangible assets acquired from the acquisition of Vio Holdings Limited	-	-	0.36
Underlying basic earnings per share	4.34	1.56	3.69
Diluted earnings per share	1.82	1.29	2.15
Adjusted for:			
Exceptional items	2.40	0.24	1.13
Intangible assets acquired through business combinations	0.07		
Tax charge on intangible assets acquired from the acquisition of Vio Holdings Limited	-	-	0.34
Underlying diluted earnings per share	4.29	1.53	3.62

7. Note to the Consolidated Statement of Cash flows

	Unaudited 6 months Ended 31-Jul 2020 £'000	Unaudited 6 months Ended 31-Jul 2019 £'000	Audited Year Ended 31-Jan 2020 £'000
Profit before taxation	1,074	483	1,126
Adjustments for:			
Net finance cost	8	5	12
Depreciation and amortisation	331	273	617
Impairment of investment	-	-	111
Impairment of intangible assets	-	-	72
Employee share scheme expense	94	78	62
Deferred consideration share issue	435	-	-
Loss on disposal of tangible asset	-	3	3
Increase in inventories	(1,653)	(507)	(1,696)
Decrease/(increase) in trade and other receivables	995	(30)	(889)
Increase/(decrease) in trade and other payables	1,101	(230)	2,141
Increase / (decrease) in contract liabilities	(143)	186	57
Net cash inflow from operating activities	2,242	261	1,616

Notes to the Unaudited Interim Financial Statements (continued)
For the six months ended 31 July 2020

8. Business combinations

On 7 July 2020, the Group acquired 100% of the share capital of SLE Limited for £18.0 million on a cash free debt free basis. SLE Limited designs, manufactures and supplies neonatal ventilators worldwide.

As a result of the acquisition, the Group is expected to benefit from both revenue and cost synergies, additional routes to international markets whilst the acquired manufacturing capability is expected to allow the Group to further improve gross margins.

Details of the purchase consideration is as follows:

	Unaudited £'000
Purchase consideration	
Cash paid	16,200
Ordinary shares issued	1,800
Total purchase consideration	18,000

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

A £5m revolving credit facility was also put in place of which £1.5 million was utilised in order to fund acquisition related expenses.

Issue costs of £957,000 which were directly attributable to the issue of the shares have been netted off against share premium.

Both the purchase price allocation and fair value exercise of the assets and liabilities recognised as a result of the acquisition are ongoing as at the period end. As such the total amount acquired above the draft assesment of net identifiable assets acquired has been allocated to Goodwill totalling £12.2 million in the first instance. Therefore all amounts in relation to the Business Combination are provisional.

The purchase price allocation and fair value exercise are expected to be completed by the year ended 31 January 2021.

9. Related party transactions

- Lease of Leicestershire facility

The Leicestershire facility at Earl Shilton is rented on an arms length basis from a self-invested pension plan controlled by Neil Campbell, Toby Foster and others. The lease was renewed on an arms length basis in April 2018.

- Key management

Directors control 7% of the voting shares of the Company as at 31 July 2020.

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