3 May 2023

Inspiration Healthcare Group plc

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

Preliminary Unaudited Results for the year ended 31 January 2023

A Year of Significant Investment For Long Term Growth

Inspiration Healthcare Group plc (AIM: IHC), the global medical technology company, pioneering best-in-class, specialist neonatal intensive care medical devices, announces its preliminary results for the twelve months ended 31 January 2023 ("FY2023").

2023 Highlights

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

2023 Financial Highlights

- Group revenue of £41.2m (FY2022: £41.1m)
  Adjusted EBITDA[1] of £4.0m (FY2022: £6.4m) reflecting a gross margin reduction (44% vs 50%) due to product mix in different territories
- Net cash[2] £(3.8)m (FY2022: £9.3m) due to:
    - investment in the Company's Manufacturing and Technology Centre;
    - increased inventories to ensure continuity of supply chain and customer service level;
    - higher debtors driven by strong Q4 revenues; and
    - non-recurring items particularly aborted acquisition costs
- Invoice discounting facility put in place in December 2022 - Facility up to £5m. Total available borrowing facilities, including existing £5m RCF, now £10m
- Proposed final dividend maintained at 0.41p per share (FY2022: 0.41p)

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

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

Post year-end

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

Neil Campbell, Chief Executive Officer of Inspiration Healthcare Group plc, said: "*Last year we showed resilience and the ability to adapt our plans to maintain revenues despite geo-political and macro-economic uncertainty. Although the growth in the business was not as strong as we had hoped, the investments made during the year, coupled with increasing revenues in Q4 FY2023 and subsequent cash generation in Q1 FY2024, means the Company is well positioned to return to growth within this year. On behalf of the Board and all the team, I would like to thank our shareholders for their continued support and we look forward to an exciting year ahead.*"

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Chairman's Report

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

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

The Group delivered revenues that were marginally ahead of FY2022 at £41.2m (FY2022: £41.1m), which reflected growth outside of China and Russia, traditionally important markets for the Group. When I look back and see the issues that were thrown at us, (along with many other companies), I am proud that we achieved much and invested in the business to ensure that we are in better shape now than we were a year ago.

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

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

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

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

Investing for Growth

Our most notable investment is in our new Manufacturing and Technology Centre in Croydon, which was the home of SLE Ltd, a company we acquired in 2020. Maintaining the highly skilled workforce was paramount and it was important to find a site suitable for high tech manufacturing, along with the facilities we need as a fully integrated company (including research and development and technology support). Now with approximately 4,200 sq metres (50% more space than the previous Croydon site), the state-of-the-art design allows for more efficient warehousing and laboratories for product development and testing, along with creating a modern working environment for our employees. I am pleased to say that we completed the move in the first half of the year with no accidents and with only one day of lost production. The site is now fully operational and helped us deliver a record month at the end of our financial year.

The Manufacturing and Technology Centre has been developed with the future in mind. We have incorporated a number of energy-saving initiatives; solar panels on the roof help provide hot water and power to our air source heat pumps for heating the buildings, roof lights have been maintained which allow us to use low energy lighting and in the summer months turn off lighting altogether. With the addition of trees and plants that produce no resins or pollens and do not attract aphids, carbon dioxide is naturally processed within the building, reducing the number of air changes needed and hence reducing the energy required for heating and cooling. Numerous other initiatives have been incorporated and we feel that this is a true demonstration of what can be achieved by smaller British manufacturing companies.

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

Ahead of New Regulatory Requirements

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

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

Strengthened Team

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

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

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

Positioned for Future Growth

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

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

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

Mark Abrahams
Chairman
3 May 2023

Going concern basis

The Group provides essential equipment to the NHS, to private healthcare providers and to distributors who provide the equipment to other healthcare systems internationally. With a focus on neonatal intensive care the use of the Group's products is not something that can be reduced by election or choice.

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

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

Operating and Financial Review

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

REVENUE

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

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

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

BRANDED PRODUCTS

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

DISTRIBUTED PRODUCTS

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

TECHNOLOGY SUPPORT

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

GROSS PROFIT

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

OPERATING PROFIT

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

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

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

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

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

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

TAXATION

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

EARNINGS PER SHARE ("EPS")

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

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

CASH FLOW

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

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

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

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

NET ASSETS

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

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

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

DIVIDENDS

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

On a Group basis the business review and future prospects are set out in the Chairman's Report above.

SHARE PRICE DURING THE YEAR

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

Neil Campbell
Chief Executive Officer
3 May 2023

Consolidated Income Statement
for the year ended 31 January 2023

	Note	2023 Adjusted £'000	2023 Non-recurring items £'000	2023 Total £'000	2022 Total Restated £'000
Revenue	2	**41,233**	-	**41,233**	41,050
Cost of sales		**(23,140)**	-	**(23,140)**	(20,458)
Gross profit		**18,093**	-	**18,093**	20,592
Administrative expenses	4	**(16,504)**	**(1,158)**	**(17,662)**	(16,337)
Operating profit		**1,589**	**(1,158)**	**431**	4,255
Finance income		**40**	-	**40**	9
Finance expense		**(395)**	-	**(395)**	(301)
Profit before tax		**1,234**	**(1,158)**	**76**	3,963
Income tax	3	**196**	-	**196**	271
Profit for the year attributable to owners of the parent company		**1,430**	**(1,158)**	**272**	4,234
Earnings per share, attributable to owners of the parent company					
Basic expressed in pence per share	5	**2.99p**		**0.40p**	6.22p
Diluted expressed in pence per share	5	**2.95p**		**0.39p**	6.16p

A Prior Year Adjustment has been made in relation to Deferred Tax and consequently, an adjustment to Income Tax has been made to the Consolidated Income Statement for the year ended 31 January 2022. Please see Note 12 for further detail.

Consolidated Statement of Comprehensive Income
for the year ended 31 January 2023

	2023	2023	2023	2022

	Adjusted £'000	Non-recurring items £'000	Total £'000	Restated £'000
Profit for the year	**1,430**	**(1,158)**	**272**	4,234
Other comprehensive income				
Items that may be reclassified to profit or loss				
Cash flow hedges	-	-	-	9
Total other comprehensive income for the year	-	-	-	9
Total comprehensive income for the year	**1,430**	**(1,158)**	**272**	4,243

Consolidated Statement of Financial Position

as at 31 January 2023

(Registered Number: 03587944)

	Note	2023 £'000	Restated 2022 £'000
Assets			
Non-current assets			
Intangible assets	7	**17,004**	15,825
Property, plant and equipment	8	**7,497**	1,798
Right of use assets		**5,970**	7,383
Deferred tax asset	11	**324**	87
		30,795	25,093
Current assets			
Inventories		**9,935**	6,449
Trade and other receivables		**11,888**	9,313
Cash and cash equivalents	9	**2,276**	9,253
		24,099	25,015
Total assets		**54,894**	50,108
Liabilities			
Current liabilities			
Trade and other payables		**(5,812)**	(6,552)
Lease liabilities		**(822)**	(647)
Borrowings	10	**(2,079)**	-
Contract liabilities		**(531)**	(524)
		(9,244)	(7,723)
Non-current liabilities			
Lease liabilities		**(6,176)**	(6,896)
Borrowings	10	**(4,000)**	-
		(10,176)	(6,896)
Total liabilities		**(19,420)**	(14,619)
Net assets		**35,474**	35,489
Shareholders' equity			
Called up share capital		**6,813**	6,812

Share premium account	**18,842**	18,838
Reverse acquisition reserve	**(16,164)**	(16,164)
Share based payment reserve	**405**	278
Retained earnings	**25,578**	25,725
Total equity	**35,474**	35,489

A Prior Year Adjustment has been made in relation to Deferred Tax and consequently, adjustments to Goodwill and Deferred Tax have been made in the Consolidated Statement of Financial Position as at 31 January 2022. Please see Note 12 for further detail.

Consolidated Statement of Changes in Shareholders' Equity

	Issued share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Share based payment reserve £'000	Other Reserves £'000	Retained earnings £'000	Total £'000
At 1 February 2021 (Restated)	**6,812**	**18,838**	**(16,164)**	**139**	**(9)**	**21,903**	**31,519**
Profit for the year (Restated)	-	-	-	-	-	4,234	**4,234**
Cash flow hedges: Income recognised on hedging instruments	-	-	-	-	9	-	**9**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**9**	**4,234**	**4,243**
Transactions with owners in their capacity as owners							
Dividends	-	-	-	-	-	(412)	**(412)**
Employee share scheme expense	-	-	-	139	-	-	**139**
Total transactions with owners	**-**	**-**	**-**	**139**	**-**	**(412)**	**(273)**
At 31 January 2022 (Restated)	**6,812**	**18,838**	**(16,164)**	**278**	**-**	**25,725**	**35,489**

Profit for the year	-	-	-	-	-	272	**272**
Total comprehensive income for the year	-	-	-	-	-	**272**	**272**
Transactions with owners in							
their capacity as owners							
Issue of ordinary shares, net of transaction costs and tax	1	4	-	(5)	-	-	-
Dividends	-	-	-	-	-	(419)	**(419)**
Employee share scheme expense	-	-	-	132	-	-	**132**
Total transactions with owners	**1**	**4**	-	**127**	-	**(419)**	**(287)**
At 31 January 2023	**6,813**	**18,842**	**(16,164)**	**405**	-	**25,578**	**35,474**

Consolidated Cash Flow Statement

for the year ended 31 January 2023

	Note	**2023** **£'000**	Restated 2022 £'000
Cash flows from operating activities			
Profit for the year		**272**	4,234
Adjustments for:			
Depreciation and amortisation		**2,285**	1,906
Remeasurement of leases		**(25)**	(46)
Impairment of right of use assets		**446**	122
Employee share scheme expense		**132**	139
(Profit)/Loss on disposal of tangible assets		**(26)**	192
Loss on disposal of intangible assets		**6**	133

Finance income		**(40)**	(9)
Finance expense		**395**	301
Income tax	**3**	**(196)**	(271)
		3,249	6,701
(Increase)/decrease in inventories		**(3,486)**	1,741
Increase in trade and other receivables		**(2,501)**	(4,037)
Decrease in trade and other payables		**(740)**	(266)
Increase/(Decrease) in contract liabilities		**7**	(9)
Cash flows (used in)/generated from operations		**(3,471)**	4,130
Taxation paid	**3**	-	(554)
Net cash (used in)/generated from operating activities		**(3,471)**	3,576
Cash flows from investing activities			
Bank interest received		**5**	1
Interest received on leases		**35**	8
Purchase of property, plant and equipment		**(6,226)**	(1,425)
Purchase of intangible assets	7	**(140)**	(338)
Capitalised development costs	7	**(1,976)**	(2,208)
Net cash used in investing activities		**(8,302)**	(3,962)
Cash flows from financing activities			
Principal elements of lease payments		**(697)**	(382)
Principle elements of lease receipts		**217**	74
Interest paid on lease liabilities		**(300)**	(244)
Interest paid on loans and borrowings		**(84)**	(50)
Dividends paid to the holders of the parent		**(419)**	(412)
Proceeds from loans and borrowings	10	**6,079**	-

Net cash generated from/(used in) financing activities	**4,796**	(1,014)
Net decrease in cash and cash equivalents	**(6,977)**	(1,400)
Cash and cash equivalents at the beginning of the year	**9,253**	10,653
Cash and cash equivalents at the end of the year	**2,276**	9,253

Notes forming part of the Consolidated Financial Statements

1 Accounting Policies

Inspiration Healthcare Group plc ("Company") is a public limited company incorporated in England and Wales and domiciled in England. The Company's registered address is Unit 2, Satellite Business Village, Crawley, West Sussex, RH10 9NE and the registered company number is 03587944. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange plc.

The principal activities of Inspiration Healthcare Group plc and its subsidiaries (together, the "Group") continue to be the sale, service and support of critical care equipment to the medical sector including hospitals.

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which it operates (the functional currency). The Group Financial Statements are presented in pounds sterling, which is the presentation currency of the Group.

Alternative financial measures

In the reporting of its financial performance, the Group uses certain measures that are not defined under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group reports. The Directors believe that these non-GAAP measures assist with the understanding of the performance of the business. These non-GAAP measures are not a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be an important means of comparing performance year-on-year and they include key measures used within the business for assessing performance.

The Group refers to the following alternative financial measures, please refer to the Operating and Financial Review for further information.

● Adjusted EBITDA

● Adjusted Operating Profit

● Adjusted EPS

2 Revenue

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

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

Significant categories of revenue

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

* Technology Support revenue recognised at a point in time relates to the rental of our AlphaCore[5] patient warming equipment.

3 Income tax

(a) Analysis of tax charge for the year

	2023 £'000	2022 £'000
Domestic current year tax *		
UK corporation tax		
Current year	**14**	-
Prior year adjustment	**28**	56
Total current tax expense	**42**	56
Deferred tax		
Origination and reversal of temporary timing differences	**(306)**	(311)
Prior year adjustment	**68**	(16)
Total deferred tax	**(238)**	(327)
Tax expense on profit on ordinary activities	**(196)**	(271)

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

(b) Analysis of current corporation tax assets

	2023 £'000	2022 £'000
Net liability at 1 February	**185**	(313)
Tax payments		
Final payments relating to prior year	-	554
Total tax payments made during the year	-	554
Current year UK corporation tax charge	**(14)**	-
Prior year adjustment	**(28)**	(56)
Net asset at 31 January	**143**	185

(c) Factors affecting tax charge for the year

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

			Effective Tax Rate	
	2023 £'000	2022 Restated £'000	**2023 %**	2022 Restated %
Profit on ordinary activities before taxation	**76**	3,963		
Tax using the effective UK corporation tax rate of 19.00% (2022: 19.00%)	**14**	753	19.0	19.0
Effects of:				
Non-deductible expenses	**188**	56	247.3	1.4

Additional deduction for research and development	**(314)**	(497)	(413.7)	(12.5)
Fixed asset differences	**44**	49	58.3	1.2
Other permanent differences	**-**	12	-	0.3
Adjustment in respect of prior periods	**96**	40	126.5	1.0
Amendments to deferred tax and timing	**(224)**	(684)	(295.2)	(17.3)
Total tax expense	**(196)**	(271)		
Effective tax rate			(257.8)	(6.9)

The effective tax rate for FY2023 is lower than FY2022. This decrease is largely due to the recognition of previously unrecognised losses. The non-deductible expenses largely relate to aborted acquisition costs incurred in the year.

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

(d) Factors that may affect future tax charges

The Group has gross unrecognised losses estimated at £6,019,271 (FY2022: £6,019,271) which were transferred to the Group due to the reverse acquisition of Inditherm. Brought forward losses transferred to the Group due to the reverse acquisition are potentially available for relief against future trading profits generated from the same trade. See note 11 Deferred Tax, for more information.

4 Non-recurring Items

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

	2023
	£'000
Impairments of leased properties	**446**
Aborted acquisition costs	**467**
Other	**245**
Total Non-recurring items	**1,158**

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

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

Other

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

5 Earnings per ordinary share

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

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

FY2022 earnings per share have been restated as a result of the Prior Year adjustment relating to deferred tax, please see Note 12 for further detail.

	2023 **£'000**	2022 Restated £'000
Profit		
Profit attributable to equity holders of the company	**272**	4,234
Add back non-recurring items	**1,158**	-
Add back amortisation of intangible assets acquired through business combinations	**605**	605
Numerator for adjusted earnings per share calculation	**2,035**	4,839

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

	2023	2022
Shares		
Number of ordinary shares in issue at the beginning of the year	**68,127,447**	68,121,447
Weighted average number of shares issued during the year	**5,771**	-
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**68,133,218**	68,121,447
Dilutive effect of potential ordinary shares:		
Weighted average number of share options	**691,392**	672,175
Diluted weighted average number of shares in issue during the year for the purposes of diluted earnings per share	**68,824,610**	68,793,622

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

	Basic **2023**	**Diluted** **2023**	Basic 2022 Restated	Diluted 2022 Restated

	pence	pence	pence	pence
Earnings per share	**0.40**	**0.39**	6.22	6.16
Adjust for:				
Non recurring items	**1.70**	**1.68**	-	-
Add back amortisation of intangible assets acquired through business combinations	**0.89**	**0.88**	0.89	0.88
Adjusted earnings per share	**2.99**	**2.95**	7.11	7.04

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

6 Dividends

The interim dividend for the year ended 31 January 2023 of 0.205p per share (2021: 0.2p per share) was paid on 28 December 2022. The proposed final dividend of 0.41p per share (2022: 0.4p per share) is subject to approval by shareholders at the AGM and has not been recognised as a liability as at 31 January 2023. If approved, the final dividend will be paid on 28 July 2023 to shareholders on the register on 30 June 2023.

7 Intangible assets

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

The Group tests goodwill for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts of the cash-generating unit are determined from value in use calculations. The key assumptions for the value in use calculations are the discount and growth rates used for future cash flows and the anticipated future changes in revenue and costs. The assumptions used reflect the past experience of management and future expectations.

The forecasts covering a five-year period are based on the detailed budget for the year ended 31 January 2024 approved by management. The cashflows beyond the budget are extrapolated for a further four-year period based on future expectations. This forecast is then extrapolated to perpetuity using a 2% (2022: 2%) growth rate.

Annual growth rates for revenues for the five-year forecast period have been included between 10% and 15% year-on-year and costs between 5% and 10% year-on-year. A post-tax discount rate of 13% (2022: 13%) has been used in these calculations. The discount rate uses weighted average cost of capital which is reflective of a medical device Company operating both domestically and internationally. A discount rate of 19% (2022: 31%) would need to be applied for there to be zero headroom.

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

8 Property, Plant and Equipment

	Leasehold improvements	Fixtures and fittings	Plant, machinery, office equipment	Motor vehicles	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Cost					
At 1 February 2021	467	121	1,516	58	2,162
Additions in the year	899	2	525	-	1,426
Disposals in the year	(220)	(17)	(154)	-	(391)
At 1 February 2022	**1,146**	**106**	**1,887**	**58**	**3,197**
Additions in the year	5,894	6	326	-	6,226
Disposals in the year	-	-	(6)	-	(6)
At 31 January 2023	**7,040**	**112**	**2,207**	**58**	**9,417**
Accumulated Depreciation					
At 1 February 2021	114	61	1,061	7	1,243

Charge in the year	73	24	249	17	363
Disposals in the year	(58)	(17)	(132)	-	(207)
At 1 February 2022	**129**	**68**	**1,178**	**24**	**1,399**
Charge in the year	241	8	257	17	523
Disposals in the year	-	-	(2)	-	(2)
At 31 January 2023	**370**	**76**	**1,433**	**41**	**1,920**
Net book value					
At 31 January 2023	**6,670**	**36**	**774**	**17**	**7,497**
At 31 January 2022	1,017	38	709	34	1,798

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

9 Cash and cash equivalents

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

The Group currently use four banks; Royal Bank of Scotland plc, HSBC Bank plc, Bank of Scotland plc and National Westminster Bank plc. Moody's give long-term ratings of A1 for all four banks as at 31 January 2023.

10 Borrowings

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

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

Revolving Credit Facility

The Group has a £5m RCF facility in place, which expires in 2024 with the option to extend and attracts a 2.5% margin above SONIA. During the year, the Group utilised £4m of the RCF facility. Banking covenants of EBITDA / finance charges and net debt / EBITDA are in place and are tested quarterly. All covenants have been complied with during the year ended 31 January 2023.

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

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

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	£'000
At 1 February 2022	-
Proceeds from drawdown of loans	4,000
Interest payable	84
Interest paid	(84)
At 31 January 2023	**4,000**

Invoice Financing Facility

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

11 Deferred tax

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

The Group has made a prior year adjustment in respect of the FY2021 deferred tax asset arising on acquisition of SLE Limited. This note has been restated accordingly. Please see Note 12 for further detail of the prior year adjustment.

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

	2023	**2022 Restated**
	£'000	£'000
Asset at beginning of year	**2,012**	900
Credit to the Income Statement for the year	**351**	1,112
Asset at end of year	**2,363**	2,012

	2023	2022

	£'000	£'000
Liability at beginning of year	**(1,925)**	(1,141)
Charge to the Income Statement for the year	**(114)**	(784)
Liability at end of year	**(2,039)**	(1,925)

The elements of deferred taxation provided for are as follows:

		Restated
	2023	**2022**
	£'000	£'000
Unused tax losses relating to SLE	**1,959**	1,661
Unused tax losses relating to Inditherm	**331**	351
Short term timing differences	**73**	-
Deferred tax asset	**2,363**	2,012

	2023	2022
	£'000	£'000
Accelerated capital allowances	**(186)**	(140)
Intangible assets	**(879)**	(751)
Intangibles arising on business combinations	**(974)**	(1,125)
Short term timing differences	-	91
Deferred tax liability	**(2,039)**	(1,925)

Presentation on the Consolidated Statement of Financial Position

	2023	2022
Deferred tax asset	324	87

At the year end date the Group had gross unused losses of £15,248,186 (2022: £13,988,205) potentially available to offset against future profits. Unused trading losses of £7,905,283 (2022: £6,645,302) arose in SLE Limited prior to the acquisition by Inspiration Healthcare Group plc on 7 July 2020 and brought forward losses transferred to the Group due to the reverse acquisition of Inditherm plc amount to £7,342,903 (2022: £7,342,903). The Group has received advice that these losses can be carried forward and utilised against future taxable profits of the same business from which they were generated. A streaming methodology has been devised to estimate profits from the business relating to Inditherm plc. This has been projected forwards and it is estimated that taxable profits will be generated in the future and consequently, a deferred tax asset has been recognised in respect of these losses. A deferred tax asset has also been recognised in respect of the brought forward losses transferred to the Group following the acquisition of SLE Limited. A prior year adjustment has been made to recognise a deferred tax asset to the extent of the deferred tax liability relating to the intangibles recognised on the acquisition of SLE Limited.

The amounts of deferred tax not recognised are as follows:

	2023	2022
	£'000	£'000
Unused tax losses	**1,505**	1,485

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

12 Prior Year Adjustment

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

Consolidated Statement of Financial Position

	Impact of correction of error		
31 January 2022	As previously reported	Adjustments	As restated
	£'000	**£'000**	**£'000**
Intangibles	16,782	(957)	15,825
Deferred Tax Asset	470	(383)	87
Other	34,197	(1)	34,196
Total Assets	**51,449**	**(1,341)**	**50,108**
Deferred Tax Liability	(1,925)	(1,925)	-
Other	(14,619)	-	(14,619)
Total Liabilities	**(16,544)**	**(1,925)**	**(14,619)**

Retained Earnings	25,141	584	25,725
Other	9,764	-	9,764
Total Equity	**34,905**	**584**	**35,489**

Consolidated Income Statement

	Impact of correction of error		
For the year ended 31 January 2022	As previously reported	Adjustments	As restated
	£'000	**£'000**	**£'000**
Profit before tax	**3,963**	**-**	**3,963**
Income Tax	(370)	641	271
Profit for the year	**3,593**	**641**	**4,234**

Earnings Per Share	Impact of correction of error		
For the year ended 31 January 2022			
	As previously reported	Adjustments	As restated
Basic EPS	5.28p	0.94p	**6.22p**
Diluted EPS	5.22p	0.94p	**6.16p**

Statement of directors' responsibilities

In preparing this preliminary announcement and summary financial statements the directors have considered their statutory responsibilities in relation to the preparation and approval of the annual report and financial statements. In preparing the summary financial statements, the directors have:

• selected suitable accounting policies and then apply them consistently;
• stated whether applicable IFRSs as adopted by the European Union have been followed for the Group summary financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the summary financial statements;
• made judgements and accounting estimates that are reasonable and prudent; and
• prepared the summary financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

In the case of each director in office at the date the summary financial statements are approved:
• so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and

• they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Publication of non-statutory accounts

The financial information included in this preliminary announcement does not constitute the Company's statutory accounts for the year ended 31 January 2023 and for the year ended 31 January 2022 but is derived from those accounts. Statutory accounts for the year ended 31 January 2022 have been delivered to the registrar of companies, and those for year ended 31 January 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention to by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with the UK adopted international accounting standards.

Forward looking statements

Certain statements contained in this document constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Inspiration Healthcare Group plc to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others: general economic conditions and business environment.

Annual Report

A further announcement will be made when the 2023 Annual Report and Financial Statements are available on the Company's website (www.inspirationhealthcaregroup.plc.uk) and copies are sent to shareholders.