RNS Number : 8631T
Inspiration Healthcare Group PLC
26 June 2024

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

Preliminary Unaudited Results for the year ended 31 January 2024

Inspiration Healthcare Group plc (AIM: IHC), the global medical technology company, pioneering, specialist neonatal intensive care medical devices, announces its unaudited preliminary results for the year ended 31 January 2024 ("FY2024").

Financial Highlights

- Group revenue of £37.6m (FY2023: £41.2m)
- Gross profit reduced by 1.1% to £17.9m (FY2023: £18.1m) as gross margin improved to 47.5% (FY2023: 43.9%)
- Adjusted EBITDA[1] of £2.0m (FY2023: £4.0m)
- Adjusted operating loss[2] before non-recurring items of £(0.7)m (FY2023: profit of £1.6m)
- Operating loss of £5.2m (FY2023: profit of £0.4m)
- Operating cash inflow of £2.0m (FY23: outflow of £3.5m)
- Net debt[3] (excluding IFRS16 lease liabilities) increased to £6.0m (FY2023: £3.8m)

[1]Earnings before interest, tax, depreciation, amortisation, impairment, share-based payments and non-recurring items
[2]Earnings before interest, tax, impairment, share-based payments and non-recurring items
[3]Cash and cash equivalents, less revolving credit facility and invoice finance borrowings

Operational Highlights

- Launch of SLE1500 for non-invasive ventilation of neonatal patients
- Launch of SLE6000N a non-invasive version of our flagship product expanding market opportunities
- Acquisition of Airon Corporation provides established platform to advance North America growth strategy
- MDSAP Certification achieved, accessing Canadian market, registrations now underway ahead of planned H2 FY2025 launch

Post year-end

- Launched new infusion pump as a distributed product from partner Micrel Medical Devices SA
- Neil Campbell stepped down as CEO and became a Non-executive Director
- Roy Davis, Non-executive Chair appointed Executive Chair and Interim CEO
- Planned closure of Hailsham site from end July 2024, further rationalising the Group's operating sites and expected to realise annualised savings of approximately £0.5m

Equity raise

- Equity raise to be announced today of £2.5m (gross), with an additional retail offer of up to £0.5m

Roy Davis, Executive Chairman and Interim CEO of Inspiration Healthcare, said: *"Inspiration Healthcare has a solid portfolio of best-in-class, life-saving neonatal technologies and infusion products that are addressing a critical need. Over the course of the year, we have seen underlying growth in our core neonatal and infusion businesses due to increased demand. The acquisition of Airon in January 2024 provides us with an established platform to advance our commercial strategy in North America, which will be a key medium-term growth driver. Despite challenging market conditions, the Group has a number of significant market opportunities and is well placed to deliver long-term sustainable growth.*

"The equity raise, announced today, will provide us with additional working capital, a strengthened balance sheet and provide us with liquidity headroom. On behalf of the whole team, I would like to thank our shareholders for their continued support, and we look forward to updating the market further in due course."

For further information, please contact:

Inspiration Healthcare Group plc	Tel: +44 (0)330 175 0000
Roy Davis, Executive Chairman Alan Olby, Chief Financial Officer	
Liberum (Nominated Adviser & Broker)	Tel: +44 (0)20 3100 2000
Phil Walker Richard Lindley Will King	
Walbrook PR Ltd (Media and Investor Relations)	Tel: +44 (0)20 7933 8780 or inspirationhealthcare@walbrookpr.com
Anna Dunphy	Mob: +44 (0) 7876 741 001
Stephanie Cuthbert	Mob: +44 (0) 7796 794 663
Louis Ashe-Jepson	Mob: +44 (0) 7747 515 393

About Inspiration Healthcare

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

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

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

The Company operates in the UK from its world-class Manufacturing and Technology Centre in Croydon, South London and from its facility in Hailsham, East Sussex, and in the USA from its facility in Melbourne, Florida.

Further information on Inspiration Healthcare can be found at www.inspirationhealthcaregroup.com

Executive Chair and Interim CEO Report

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

Overall however, the year was disappointing with revenues down 8.7% to £37.6m (FY2023: £41.2m) which consequently meant that Adjusted EBITDA was reduced to £2.0m (FY2023: £4.0m). Cash was impacted as was working capital with net debt increasing to £(6.0)m (excluding IFRS16 lease liabilities). Despite recent challenging market conditions, the Company has invested in the business to expand its manufacturing capabilities and product portfolio, building the foundations to deliver long-term sustainable growth.

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

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

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

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

Neonatal

Neonatal revenues were lower than last year at £28.9m (FY2023: £32.1m), this was impacted by delays in receiving a large Middle Eastern order and a key distributed product not receiving its CE marking under the new European Medical Device Regulations ('MDR'). We also saw increased competition in the neonatal ventilator market, due to the saturation of the adult ventilator market following increased purchasing during the Covid-19 pandemic and those manufacturers seeking new markets for their products. We expect the markets to normalise over the next 12-18 months, particularly with the withdrawal of Medtronic from the adult ventilator market.

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

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

During the year we also launched several new products.

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

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

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

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

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Infusion Therapies

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

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

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

North America Strategy

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

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

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

Roy Davis
Executive Chairman and Interim CEO

Financial Review

REVENUE

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

Neonatal

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

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

Infusion

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

GROSS PROFIT

Gross profit of £17.9m was 3.6% lower than the prior year (FY2023: £18.1m) and represents a gross margin of 47.5% for FY2024, increased from the 43.9% achieved in FY2023. The margin improvement was driven by an improving sales mix of neonatal products, and increased absorption of manufacturing overheads into finished goods.

OPERATING LOSS

The Group reported an Operating loss of £5.2m for the year (FY2023: profit of £0.4m). This included non-recurring items of £4.5m (FY2023: £1.2m) and amortisation of acquired intangible assets of £0.6m (FY2023: £0.6m) leading to an Adjusted Operating Loss (before non-recurring items) of £(0.7)m (FY2023: profit of £1.6m).

Administrative expenses increased year-on-year by 12.7% to £18.6m (FY2023: £16.5m), partly reflecting the high inflationary macro-economic environment. Employment costs which represent approximately 60% of administrative expenses increased by 8% in the year because of a 7% pay increase for the year and a small increase in headcount. Other increases were in marketing expenses and travel as activity continued to recover from covid related restrictions in previous years. There were also increases in insurance premiums, foreign exchange variances and amortisation charges.

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

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

	2024	2023
	£'000	£'000
Operating (loss)/profit	**(5,214)**	**431**
Non-recurring items	4,527	1,158
Adjusted Operating (loss)/profit	**(687)**	**1,589**
Depreciation	1,293	1,354
Amortisation of intangible assets	1,144	931
Share based payment	235	132
Adjusted EBITDA	**1,985**	**4,006**

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

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

LOSS PER SHARE ("LPS")

Basic and diluted LPS were 9.27p per share for FY2024 as a result of the loss for the year (FY2023: EPS 0.40p and 0.39p).

CASH FLOW

The Group generated net cash flow from operations of £2.0m in the year, significantly better than the operating cash outflow of £3.5m in FY2023. This was a combination of EBITDA profit and a reduction in working capital.

Cash outflow on investing activities was significantly reduced at £2.5m compared with £8.3m in FY2023. This included £1.1m outflow relating to the acquisition of Airon. Capitalised development costs reduced to £1.1m in the year (FY2023: £2.0m) and capital expenditure reduced significantly to £0.4m (FY2023: £6.2m) following completion of the new Manufacturing and Technology Centre in 2023.

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

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

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

Subsequently, the bank has agreed to remove any restrictions on access to the RCF subject to the Company undertaking an equity raise which has been announced separately today.

NET ASSETS

The value of non-current assets as at 31 January 2024 totalled £26.5m (FY2023: £30.8m). The net £4.3m year-on-year decrease mostly relates to the amortisation and impairment of capitalised development costs, net of goodwill arising on the acquisition of Airon.

Inventory increased by £3.8m in the year to £13.7m (FY2023: £9.9m) through a combination of weaker revenues and ongoing supply chain disruptions requiring the Group to secure increased holding of various components to ensure continuity of supply for customers, the anticipated Middle East order; as well as inventory of £0.4m acquired as part of the Airon acquisition. Trade and other receivables decreased by £3.1m to £8.8m (FY2023 £11.9m) largely because of weaker revenues in the final quarter of the year compared with last year.

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

DIVIDENDS

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

Alan Olby
Chief Financial Officer

Consolidated Income Statement (Unaudited)

for the year ended 31 January 2024

	Note	**2024 Adjusted £'000**	**2024 Non-recurring items £'000**	**2024 Total £'000**	2023 Total £'000
Revenue	2	**37,630**	**-**	**37,630**	41,233
Cost of sales		**(19,743)**	**-**	**(19,743)**	(23,140)
Gross profit		**17,887**	**-**	**17,887**	18,093
Administrative expenses	3	**(18,574)**	**(4,527)**	**(23,101)**	(17,662)
Operating (loss)/profit		**(687)**	**(4,527)**	**(5,214)**	431
Finance income		**61**	**-**	**61**	40
Finance expense		**(810)**	**-**	**(810)**	(395)
(Loss)/Profit before tax		**(1,436)**	**(4,527)**	**(5,963)**	76
Income tax	4	**(358)**	**-**	**(358)**	196
(Loss)/Profit for the year attributable to owners of the parent company		**(1,794)**	**(4,527)**	**(6,321)**	272
Loss per share					
Basic (pence per share)	5			**(9.27)p**	0.40p
Diluted (pence per share)	5			**n/a**	0.39p

Consolidated Statement of Comprehensive Income (Unaudited)

for the year ended 31 January 2024

	2024 Adjusted £'000	**2024 Non-recurring items £'000**	**2024 Total £'000**	2023 Total £'000
Loss for the year	**(1,794)**	**(4,527)**	**(6,321)**	**272**
Other comprehensive income				
Items that may be reclassified to profit or loss	-	-	-	-
Total other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**(1,794)**	**(4,527)**	**(6,321)**	**272**

Consolidated Statement of Financial Position (Unaudited)

as at 31 January 2024

(Registered Number: 03587944)

	2024	2023

	Note	£'000	£'000
Assets			
Non-current assets			
Intangible assets	7	**13,278**	17,004
Property, plant and equipment	8	**7,137**	7,497
Right of use assets		**5,578**	5,970
Deferred tax asset		**-**	324
		25,993	30,795
Current assets			
Inventories	9	**13,743**	9,935
Trade and other receivables	10	**8,669**	11,888
Cash and cash equivalents		**609**	2,276
		23,021	24,099
Total assets		**49,014**	54,894
Liabilities			
Current liabilities			
Trade and other payables	11	**(6,591)**	(5,812)
Lease liabilities		**(697)**	(822)
Borrowings	12	**(1,654)**	(2,079)
Contract liabilities		**(625)**	(531)
		(9,567)	(9,244)
Non-current liabilities			
Lease liabilities		**(5,477)**	(6,176)
Borrowings	12	**(5,002)**	(4,000)
		(10,479)	(10,176)
Total liabilities		**(20,046)**	(19,420)
Net assets		**28,968**	35,474
Shareholders' equity			
Called up share capital		**6,823**	6,813
Share premium		**18,905**	18,842
Reverse acquisition reserve		**(16,164)**	(16,164)
Share based payment reserve		**567**	405
Retained earnings		**18,837**	25,578
Total equity		**28,968**	35,474

Consolidated Statement of Changes in Equity (Unaudited)

	Issued share capital	**Share premium**	**Reverse acquisition reserve**	**Share based payment reserve**	**Retained earnings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 February 2022	**6,812**	**18,838**	**(16,164)**	**278**	**25,725**	**35,489**
Profit for the year	**-**	**-**	**-**	-	272	**272**
Total comprehensive income for the year	**-**	**-**	**-**	-	**272**	**272**
Transactions with owners in their capacity as owners						
Issue of ordinary shares, net of transaction costs and tax	1	4	-	(5)	-	**-**
Dividends	-	-	-	-	(419)	**(419)**
Employee share scheme expense	-	-	-	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**
Loss for the year	**-**	**-**	**-**	-	(6,321)	**(6,321)**
Total comprehensive income for the year	**-**	**-**	**-**	-	**(6,321)**	**(6,321)**
Transactions with owners in their capacity as owners						
Issue of ordinary shares, net of transaction costs and tax	10	63	-	(73)	-	**-**
Dividends	-	-	-	-	(420)	**(420)**

Employee share scheme expense	-	-	-	235	-	**235**
Total transactions with owners	**10**	**63**	**-**	**162**	**(420)**	**(185)**
At 31 January 2024	**6,823**	**18,905**	**(16,164)**	**567**	**18,837**	**28,968**

Consolidated Cash Flow Statement (Unaudited)

for the year ended 31 January 2024

	Note	**2024** £'000	2023 £'000
Cash flows from operating activities			
Profit for the year		**(6,321)**	272
Adjustments for:			
Depreciation and amortisation		**2,437**	2,285
Remeasurement of leases		**(210)**	(25)
Impairment of right of use assets		**-**	446
Impairment of intangible assets		**4,120**	-
Employee share scheme expense		**235**	132
Loss/(profit) on disposal of tangible assets		**108**	(26)
Loss on disposal of intangible assets		-	6
Finance income		**(61)**	(40)
Finance expense		**810**	395
Income tax	**4**	**358**	(196)
		1,476	3,249
Changes in working capital			
Increase in inventories		**(3,410)**	(3,486)
Decrease/(increase) in trade and other receivables		**2,862**	(2,501)
Increase/(decrease) in trade and other payables		**982**	(740)
(Decrease)/increase in contract liabilities		**(120)**	7
Cash flows (used in)/generated from operations		**1,790**	(3,471)
Taxation received	**3**	**190**	-
Net cash generated/(used in) from operating activities		**1,980**	(3,471)
Cash flows from investing activities			
Bank interest received		**21**	5
Interest received on leases		**40**	35
Acquisition of subsidiary, net of cash acquired		**(917)**	-
Purchase of property, plant and equipment		**(402)**	(6,226)
Purchase of intangible assets	7	**(63)**	(140)
Capitalised development costs	7	**(1,135)**	(1,976)
Net cash used in investing activities		**(2,456)**	(8,302)
Cash flows from financing activities			
Principal elements of lease payments		**(829)**	(697)
Principle elements of lease receipts		**281**	217
Interest paid on lease liabilities		**(272)**	(300)
Interest paid on loans and borrowings		**(527)**	(84)
Dividends paid to the holders of the parent		**(420)**	(419)
Proceeds from loans and borrowings	10	**576**	6,079
Net cash generated from/(used in) financing activities		**(1,191)**	4,796
Net decrease in cash and cash equivalents		**(1,667)**	(6,977)
Cash and cash equivalents at the beginning of the year		**2,276**	9,253
Cash and cash equivalents at the end of the year		**609**	2,276

Notes forming part of the Consolidated Financial Statements

1 Basis of the announcement

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.

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.

The financial information included in this preliminary announcement does not constitute the Company's statutory accounts for the year ended 31 January 2024 but is derived from those accounts. Statutory accounts for the year ended 31 January 2023 have been delivered to the registrar of companies. The auditor has reported on those accounts; their report was (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.

Going concern

The Group is reliant on borrowing facilities from external lenders to finance its ongoing operations. As at 31 May 2024, the Group's net debt was £8.9million, excluding IFRS 16 lease liabilities. The Group has access to a revolving credit facility ('RCF') of £10.0million and an invoice finance facility of up to £5.0million. The RCF facility contains certain financial covenants relating to the Group.

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

On 25 June 2024, the Company announced a placing and subscription to raise £2.27million, net of expenses, by the issue of 17,857,142 new Ordinary Shares in the Company. The placing is conditional upon shareholder approval and admission of shares to trading on AIM. Conditional upon the placing completing as expected, the Group's lender has agreed to release any restriction on further drawdown of the RCF which will provide the Group with additional liquidity of £3.5million, subject only to continued compliance with the revised covenants.

The Directors have considered financial projections for the next 18months covering several scenarios, both with and without the material export order, these include a significant (10%) revenue downside versus the base case budget for the period. These projections demonstrate that the Group can operate within the revised headroom available following completion of the placing for the foreseeable future.

The Directors, after taking into account the expected proceeds of the placing and availability of the RCF, believe that they have a reasonable basis for concluding that the Group has adequate facilities to continue as a going concern and have therefore adopted the going concern basis in the preparation of these financial statements. The financial statements do not reflect any adjustments that would be required if they were prepared on a basis other than the going concern basis.

The Directors acknowledge, however, that the placing is conditional on shareholder approval and the release of the current restrictions on further drawdowns of the RCF are conditional on the completion of the placing. The Directors therefore consider that material uncertainties exist which may cast significant doubt on the Group's ability to continue as a going concern and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. These unaudited preliminary results do not include any adjustments that would result from the basis of preparation being inappropriate.

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 Financial Review for further information and reconciliations to the relevant GAAP measure.

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

2 Revenue

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

	2024	2023
	£'000	£'000
Products:		
Neonatal products	**29,097**	32,105
Infusion products	**8,533**	9,128
Total	**37,630**	41,233
Geography:		
Domestic		
- UK	**17,680**	19,340
- Ireland	**1,001**	547
International		
- Europe	**4,354**	5,315
- Asia Pacific	**8,436**	9,458
- Middle East & Africa	**4,206**	5,386
- Americas	**1,953**	1,187
Total	**37,630**	41,233

3 Non-recurring Items

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

	2024	2023
	£'000	£'000
Impairment of capitalised development costs	**4,120**	-

Impairment (credit)/charge on leased properties	**(86)**	446
Acquisition costs	**69**	467
Restructuring	**142**	-
Other	**282**	245
Total Non-recurring items	**4,527**	1,158

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

An impairment credit of £86,000 has been recognised in the year following the sub-lease of vacant properties that were impaired in the prior year. In 2023, following the move to our new Manufacturing and Technology Centre, the Group took the decision to consolidate its property portfolio and, as a result, there was an impairment of our right of use assets and leases of £446,000, relating to our Leicester, Crawley and former Croydon properties.

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

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

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

4 Income tax

Analysis of tax charge for the year is as follows:

	2024 £'000	2023 £'000
UK corporation tax		
Current year	-	14
Prior year adjustment	37	28
	37	42
Deferred tax		
Origination and reversal of temporary timing differences	**321**	(306)
Prior year adjustment	**-**	68
	321	(238)
Tax charge/(credit) on (loss)/profit on ordinary activities	**358**	(196)

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

	2024 £'000	2023 £'000
(loss)/Profit on ordinary activities before taxation	**(5,963)**	76
Tax using the effective UK corporation tax rate of 24.0% (2022: 19.0%)	**(1,431)**	14
Effects of:		
Non-deductible expenses	**320**	188
Additional deduction for research and development	**-**	(314)
Fixed asset differences	**112**	44
Adjustment in respect of prior periods	**37**	(137)
Tax losses not recognised	**1,320**	9
Total tax charge/(credit)	**358**	(196)

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

5 Loss per ordinary share

Basic (loss)/earnings per share for the year is calculated by dividing the profit attributable to ordinary shareholders for the year after tax by the weighted average number of shares in issue. Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. No diluted loss per share is presented for the year ended 31 January 2024 as the exercise of share options would have the effect of reducing loss per share and is therefore not dilutive

	2024	2023
(Loss)/Profit attributable to equity holders of the company £'000	**(6,321)**	272
Weighted average number of shares in issue during the year	**68,216,532**	68,133,218
Dilutive effect of potential ordinary shares:	**n/a**	691,392
Diluted weighted average number of shares in issue during the year	**n/a**	68,824,610

Basic and diluted loss/earnings per share for the year are as follows:

	Basic 2024	**Diluted 2024**	Basic 2023	Diluted 2023
(Loss)/Earnings per share (pence)	**(9.27)**	**n/a**	0.40	0.39

(Loss)/Earnings per share (pence)	(9.27)	n/a	0.40	0.55

6 Dividends

The interim dividend for the year ended 31 January 2024 of 0.205p per share (2023: 0.2p per share) was paid on 29 December 2023. The Board are not proposing to pay a final dividend (2023: 0.41p per share).

7 Intangible assets

	Goodwill £'000	Intangible assets acquired £'000	Development costs £'000	Intellectual property £'000	Software £'000	Total £'000
Cost						
At 1 February 2022	**7,610**	**5,528**	**4,127**	**276**	**756**	**18,297**
Additions	-	-	1,976	-	140	2,116
Disposals	-	-	(6)	-	-	(6)
At 31 January 2023	**7,610**	**5,528**	**6,097**	**276**	**896**	**20,407**
Additions	-	12	1,135	-	63	1,210
Additions arising on business combinations	328	-	-	-	-	328
At 31 January 2024	**7,938**	**5,540**	**7,232**	**276**	**959**	**21,945**
Accumulated amortisation and impairment						
At 1 February 2022	**-**	**1,028**	**780**	**276**	**388**	**2,472**
Charge for the year	-	605	157	-	169	931
At 31 January 2023	**-**	**1,633**	**937**	**276**	**557**	**3,403**
Charge for the year	-	605	338	-	201	1,144
Impairment	-	-	4,120	-	-	4,120
At 31 January 2024	**-**	**2,238**	**5,395**	**276**	**758**	**8,667**
Net book value						
At 31 January 2024	**7,938**	**3,302**	**1,837**	**-**	**201**	**13,278**
At 31 January 2023	7,610	3,895	5,160	-	339	17,004

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

The forecasts covering a five-year period are based on the detailed budget for the year ended 31 January 2025 approved by the Board. The cashflows beyond the budget period are extrapolated for a further four-years based on future expectations. This forecast is then extrapolated to perpetuity using a 2.0% (2023: 2.0%) growth rate.

Annual growth rates for revenues for the five-year forecast period have been included between 5% and 7.5% year-on-year and costs between 3% and 5% year-on-year. A post-tax discount rate of 12.5% (2023: 13.0%) has been used in these calculations. The discount rate uses weighted average cost of capital which is reflective of a medical device Company operating both domestically and internationally. A discount rate of 13.3% (2023: 19%) would need to be applied for there to be zero headroom.

	Leasehold improvements £'000	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	**Total £'000**
Cost					
At 1 February 2022	1,146	106	1,887	58	3,197
Additions	5,894	6	326	-	6,226
Disposals	-	-	(6)	-	(6)
At 31 January 2023	**7,040**	**112**	**2,207**	**58**	**9,417**
Additions	168	11	255	-	434
Disposals	(289)	(45)	(23)	(8)	(365)
At 31 January 2024	**6,919**	**78**	**2,439**	**50**	**9,486**
Accumulated Depreciation					
At 1 February 2022	**129**	**68**	**1,178**	**24**	**1,399**
Charge for the year	241	8	257	17	523

Disposals	-	-	(2)	-	(2)
At 31 January 2023	**370**	**76**	**1,433**	**41**	**1,920**
Charge for the year	375	7	290	13	685
Disposals	(192)	(41)	(19)	(4)	(256)
At 31 January 2024	**553**	**42**	**1,704**	**50**	**2,349**
Net book value					
At 31 January 2024	**6,366**	**36**	**735**	**-**	**7,137**
At 31 January 2023	6,670	36	774	17	7,497

8 Property, Plant and Equipment

Depreciation charged for the financial year is split between cost of sales £82,000 (2023: £60,000) and administrative expense £603,000 (2023: £463,000) in the Consolidated Income Statement.

9 Inventory

	2024	2023
	£'000	£'000
Raw materials	**8,414**	7,749
Work in progress	**1,964**	563
Finished goods	**3,365**	1,623
Total	**13,743**	6,449

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

10 Trade and other receivables

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

11. Trade and other payables

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

12. Borrowings

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

Invoice Financing Facility

The Group continues to benefit from an invoice financing facility to borrow against notifiable trade receivables. The arrangement with the bank is such that the customers remit cash directly with the bank and invoices are settled against the facility. The Group continues to bear the credit risk relating to any defaulting customers and therefore the related trade receivables continue to be recognised on the Group's Statement of Financial Position. Availability under the facility is capped at £5.0m and borrowings bear interest at 2.05% over SONIA. There are no covenants relating to this facility.

Revolving Credit Facility ('RCF')

On 22 February 2024, the Group renewed and extended its £5.0m RCF facility. The new facility is for a committed amount of £10.0m and will expire in February 2027 with the option to extend for a further year and attracts interest at a 2.85% margin above SONIA. RCF covenants of EBITDA/finance charges and net debt/EBITDA are in place which tested quarterly. On 31 January 2024, the Company received a waiver in respect of the 31 January covenant tests because of the delay to a material Middle East order that was anticipated to be received before the year end.

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

	2024	2023

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

13 Business Combinations

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

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

Details of the consideration paid, the provisional fair value of assets acquired and liabilities assumed, and goodwill arising are as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	-	12	12
Right of use assets	-	50	50
	-	**62**	**62**
Current assets			
Inventories	430	-	430
Trade and other receivables	217	-	217
Cash and cash equivalents	261	-	261
	908	-	908
Total assets	**908**	**62**	**970**
Current liabilities			
Trade and other payables	(67)	-	(67)
Lease liabilities	-	(50)	(50)
	(67)	**(50)**	**(117)**
Non-current liabilities			
Deferred tax liability	-	(2)	(2)
	-	**(2)**	**(2)**
Total liabilities	**(67)**	**(52)**	**(119)**
Net assets	**841**	**10**	**851**
Goodwill			328
Total Consideration			**1,179**
Satisfied by Cash consideration			**1,179**
Net cash outflow arising on acquisition			
Cash consideration			**1,179**
Cash acquired			**(262)**
			917

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

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

Goodwill arising on acquisition

Goodwill arose in the acquisition because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, in particular associated with the ability to commercialise the Group's products in the USA. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

Contingent consideration

Contingent consideration is due to the shareholders of Airon, based on revenue targets for the 12month period ending on 30 April 2025. The maximum amount payable is $1,000,000 if the highest revenue target is achieved. Any contingent consideration due is payable in June 2025. None of the contingent consideration has been provided for as at 31 January 2024.

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