6 August 2020

Induction Healthcare Group PLC

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

Full year results for the year ended 31 March 2020

Delivering against our growth strategy by increasing user and engagement numbers while enhancing our group product capabilities with two strategic acquisitions

Chosen by over 300,000 doctors, 90,000 patients, 175 acute hospitals, and integrated with three of the top five UK hospital electronic health record systems

Induction Healthcare, a leading healthcare technology company that helps healthcare professionals deliver better care more efficiently, today announces its full year results for the year ended 31 March 2020.

The Company has successfully executed on its buy-and-build goals during the year – completing three acquisitions, including Zesty post period end, and has significantly increased user engagement with its core products – while managing cash within budget. The Group's engagement with the majority of NHS acute Trusts and doctors creates significant opportunity for sales growth ahead and positions the Company favourably for future transactions as a leading provider of healthcare technology for healthcare professionals, institutions and patients.

Full year highlights

- Induction Switch & MicroGuide: growth in registered user numbers and engagement
    - **Induction Switch**: +73.4% YoY growth in registered users to 138,095 (FY2019: 79,649) and +68% YoY growth in directory calls and guideline lookups to 2.03 million (FY2019: 1.21 million); used by the majority of NHS hospital doctors*
    - **MicroGuide**: +35.5% YoY growth in registered users to 168,678 (FY2019: 124,485) and +82% YoY growth in guideline page views to 8.86 million (FY19: 4.87 million); used by the majority of NHS hospitals*
- Balance sheet remains strong with cash at 31 March 2020 of £10.7 million

* *NHS Workforce Statistics – March 2020*

Post-period highlights

- In June 2020, completed acquisition of revenue-generating Zesty Limited, a market leading patient portal for hospitals in the UK
- Appointment of Joint-CEO's James Balmain and Hugo Stephenson effective 8th June 2020
- MicroGuide trading strongly and likely to reach profitability and achieve its earn-out target ahead of schedule following its acquisition by the Company in November 2019
- Induction has supported NHS Nightingale London since its launch in April 2020
- Induction signed a contract in Mexico for MicroGuide to support the Global Better Health Programme
- In May 2020, the first paying NHS hospital customer signed up to Induction Switch's commercial offering, including newsfeed, directory, messaging and document sharing
- Increased pressure on global healthcare systems as a result of COVID-19 has seen continued growth in user numbers and engagement for Induction Healthcare's MicroGuide and Induction Switch products, with the total number of Induction Switch users growing from 138,095 at 31 March 2020 to 149,364 at 31 July 2020

Current trading and outlook

- Ongoing development of new Induction Switch features, including:
    - Real time notification of patient test results, straight to a healthcare professional's own device
    - Direct connectivity with hospital electronic health record (EHR) systems
    - Clinical images to be pulled direct to a healthcare professional's device
- Healthy acquisition pipeline targeting new and complementary products and geographies
- Expectation that Induction Switch will generate revenues in the current financial year (in addition to MicroGuide and Zesty which are already revenue-generating)

Dr Hugo Stephenson, Joint CEO of Induction, said:

"We have made excellent progress since our IPO over a year ago. This was a transformational year for us as we embarked on the journey of buy and build while delivering critical tools that healthcare professionals continue to rely on during the COVID-19 crisis.

"In under a year we have become one of the leading players in the UK healthcare IT market, with the majority of NHS hospital doctors, the majority of NHS Trusts, and a market leading number of patients choosing to use our products so people get better care.

"This success is testament to the efficiency and quality of our technology, as well as demonstrating the value of solutions designed specifically for healthcare, especially during a global pandemic when the demand for delivering the right resources to the right places at the right time is at an all-time high."

James Balmain, Joint CEO of Induction, said:

"By combining Zesty's patient facing platforms with the existing large user base of health professionals on the Induction platforms has created one of the most compelling digital offerings in the UK health IT market. Our increased reach and scale are already accelerating our partnerships with large health IT vendors and I'm particularly encouraged by signs of growth in our future recurring revenue."

ENQUIRIES

Induction Healthcare Dr Hugo Stephenson, Joint Chief Executive Officer James Balmain, Joint Chief Executive Officer	Via FTI Consulting
Numis Securities (Nominated Adviser and Broker) James Black / Freddie Barnfield / Huw Jeremy / Matthew Jones	+44 (0) 207 260 1000
FTI Consulting Jamie Ricketts / Elena Kalinskaya / Sam Purewal / Mary Whittow	+44 (0) 203 727 1000

About Induction

Induction Healthcare Group PLC is a leading healthcare technology company that helps healthcare professionals deliver better care more efficiently. The Group has three platforms. Induction Switch and MicroGuide support healthcare professionals in multiple markets, including the UK, Ireland, Iceland, Australia, New Zealand, United States, Mexico, South Africa, Tanzania, Ghana, Uganda, Zambia, Malawi and Cambodia. The third platform, Zesty, is a leading provider of patient portals to NHS Hospitals in the UK.

Induction Switch is the number one healthcare collaboration platform in the UK, used by the majority of hospital doctors within the NHS. The platform helps over 140,000 registered users in multiple territories to increase productivity and enhance communication by securely sharing phone numbers and bleeps, bookmarks, documents and messages in a clinical setting.

The MicroGuide platform provides medical organisations with the ability to collaboratively create, edit, and publish their own local medical guidelines in a secure and locally administrated environment. The platform helps over 170,000 registered users in multiple territories, including the majority of hospital trusts within the NHS.

The Zesty platform enables patients to manage their care direct from their smartphone. The Zesty patient portal removes the friction from everyday health related tasks, like booking and managing appointments, reading letters digitally and sharing copies of electronic medical records.

Chairman's statement

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

Key achievements

The last year was transformational for Induction and was marked by significant progress in its development as a growing business with its successful admission to trading on AIM on 22 May 2019. The IPO raised £16.6 million of gross proceeds which placed Induction in a strong position to deliver on its growth strategy and allowed it to establish and grow its registered user base, deliver its first organic product improvements under the Induction Switch brand (acquired shortly before the IPO), and begin to implement its strategy of carefully selected synergistic and revenue generating acquisitions through MicroGuide and, after the period end, Zesty.

With Induction Switch, MicroGuide and Zesty combined, Induction creates one of the first technology platforms that interconnects patients, healthcare professionals, and healthcare information across both multiple hospital sites and electronic health record systems (EHR) platforms.

People and culture

During the year we attracted and retained key talent, selecting, and developing exceptional people motivated by our healthcare first culture. Our teams include developers, clinicians, and commercial individuals all brought together by a common drive to grow their areas of the business in the mid- and long-term for the good of all our stakeholders including patients and healthcare professionals.

I would like to thank all our people for delivering such a strong performance through their commitment, hard work, and support of the Group, especially in light of the many personal challenges that COVID-19 has presented to working people across the world.

Board

Executive Board members

Membership of the executive board was refined during the year as the company grew. By the year end, Dr. Hugo Stephenson was Chief Executive Officer, Shelley Fraser Chief Financial Officer, and Ibs Mahmood, Chief Business Officer. This gave the executive team a strong blend of commercial, clinical, financial, investor relations, and M&A experience with a considerable entrepreneurial focus. After the year end, the executive board was further strengthened by the addition of James Balmain from Zesty as Chief Executive Officer alongside Hugo Stephenson, who, amongst other things, brings with him a strong selection of hospital C-suite level relationships. Ibs Mahmood's expertise in investor relations and M&A was retained in the business despite his stepping back from the board to ensure an appropriate numerical balance between executive and non-executive members.

Non-Executive Board members

The Non-Executive board members bring a wealth of knowledge in software engineering and IT management (Jane Silber), accountancy and professional services (Leslie-Ann Reed), healthcare software, and legal/ corporate governance (Chris Spencer) and the regulatory and political landscape (Andy Williams, appointed post-year end, a former CEO of NHS Digital).

Outlook

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

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

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

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

Chris Spencer, Chairman
5 August 2020

Joint CEO review

Overview

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

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

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

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

Our pace of execution has also improved significantly over the year, incorporating many learnings relating to remote management of systems development and information governance. As a result, we were able to accelerate launch of new features such as user generated TeamSpaces, newsfeeds and document sharing on Induction Switch ahead of COVID-19 market needs, and follow an ambitious timeline for the integration of Induction Switch, MicroGuide and the Zesty platforms.

None of this would have been possible without strong demand for our products by healthcare professionals and patients. Over the course of the year, our user base of healthcare professionals, mostly doctors, has more than doubled while the number of patients using the Zesty patient portal grew from 32,000 to over 90,000 by 31 July 2020. This was accomplished without any spend on advertising.

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

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

Business review

Our key performance indicators show progress increasing user numbers and building even greater user engagement.

Key Performance Indicators for the Group (*as at 31 March 2020)**

- Induction Switch
    - 138,095 registered users, an increase of 73.4% over the period;
    - 60,706 average monthly users in March 2020, an increase of 51.4% over the period;
    - Users looked up 13.25 million numbers in the directory, made 3.26 million calls using Induction Switch and looked up 119,130 guidelines to date;
    - 778 UK healthcare institutions used an Induction Group product; and
    - 851 private workspaces (TeamSpaces) were set up with 11,200 "Level 1" users (“Level 1” users have free access to the basic package of features such as directory, dialer, guidelines and messaging, as well as an administrator who controls membership and content through an administrative portal).
- MicroGuide
    - 168,678 registered users, an increase of 35.5% over the period;
    - 1,850 guide publications created, an increase of 51% over the period

- 8,863,502 guideline page views, an increase of 82% over the period

**The figures presented exclude Zesty, which was acquired post year -end.*

Responding to COVID-19

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

Our Induction Switch and MicroGuide products provide healthcare professionals with the most up-to-date medical guidelines and contact details, helping them navigate through the current unfamiliar and quickly evolving work environment in hospitals, as well as communicate securely with their colleagues. The Zesty portal, acquired after year end, allows patients to book or reschedule outpatient appointments electronically, and capture clinical information at the time of booking that can be routed to assist with triage and resource planning. Since the outbreak of COVID-19, we have seen significant increases in user engagement across our product range – to access information, allocate resources, and make decisions.

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

Growth strategy

Our strategy is simple, buying and building out an ecosystem of products that healthcare stakeholders choose to use so people get better care, and ensuring that these tools: 1) provide a consistent, intuitive user experience; 2) are seamlessly interoperable within the Induction Healthcare ecosystem, 3) allow stakeholders to connect with each other across roles and organisations – irrespective of the underlying IT systems; and 4) add value to an organization's existing IT infrastructure

Current trading and outlook

As our year-end coincided with the height of the COVID-19 pandemic, we have seen users increasingly engage with our tools. Since 31 March 2020, our registered user base for Induction Switch has continued to grow from 138,095 to 149,364. We are seeing increased interest from hospitals and healthcare systems in expanding commercial relationships across our range of products. For example, the Induction Switch was selected for use as a primary communication tool at the NHS Nightingale London Trust. MicroGuide was selected to support Barts Health NHS Trust in the Nightingale London project with antimicrobial and COVID-19 content. We believe that this increased interest reflects a desire to solve problems – particularly under remote working conditions and social distancing – using well established solutions that already have widespread workforce acceptance.

With new features recently added to Induction Switch, as well as ongoing development of further additional features, we are confident that we will be able to continue growing our user base, as well as their levels of engagement, across geographies. We maintain a healthy pipeline of acquisition targets and look forward to building the Group further to deliver for healthcare professionals and patients.

Zesty and MicroGuide are already revenue generating and we expect Induction Switch to start producing revenue during the current financial year.

Dr Hugo Stephenson, Joint Chief Executive Officer
5 August 2020

James Balmain, Joint Chief Executive Officer
5 August 2020

Financial review

The Group delivered a solid financial performance against our IPO objectives set in May 2019, managing our cash balance by exceeding our budget and executing on three acquisitions, two during the year and another post-year end.

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

Revenue

In our first year, reported revenue of £148,480 was generated by the MicroGuide app, reflecting five months of revenue recognised since the acquisition of Horizon Strategic Partners Limited. The MicroGuide business continues to build a strong recurring revenue portfolio, grow the customer base and cash generative position. It starts the new financial year with an order book of £50,417.

Meanwhile, Induction Switch grew its registered users during the year by 73.4% to 138,095. The focus for next year is to monetise the app across the healthcare community.

In May 2020 Induction Switch signed its first revenue generating customer to a level 1 TeamSpace, which includes newsfeed, directory, messaging, document sharing and an administration portal.

Revenue has been generated from the following geographies:

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

Operating Costs

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

	31-Mar-20 £'000	**31-Mar-19 £'000**
Loss before tax	(3,527)	(2,707)
Less: net finance income	(47)	-
Add: depreciation and amortisation	324	10
Operating Loss before depreciation and amortisation	**(3,250)**	**(2,697)**
Adjusted for:		
- IPO costs expensed	281	497
- Acquisition related transaction costs	150	29
- Fair value adjustments on contingent consideration	83	-
Adjusted Loss before interest, tax, depreciation and amortisation	**(2,736)**	**(2,171)**

Cash

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

Assets and Liabilities

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

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

Shelley Fraser, Chief Financial Officer
5 August 2020

Consolidated Income Statement
For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019

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

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019

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

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

Consolidated Statement of Financial Position
As at 31 March

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

Consolidated Statement of Changes in Equity
For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019

	Note	**Share capital £000**	**Share premium £000**	**Translation reserve £000**	**Other reserves £000**	**Merger reserve £000**	**Accumulated deficit £000**	**Total equity £000**
Balance at 5 March 2018		-	-	-	-	-	-	-
					-	-		
Total comprehensive loss for the period								
Loss for the period		-	-	-	-	-	(2,707)	(2,707)
Other comprehensive loss for the period		-	-	(1)	-	-	-	(1)
Total comprehensive loss for the period		-	-	(1)			(2,707)	(2,708)
Transactions with owners, recorded directly in equity								
Issue of shares	22	66	-	-			-	66
Total contributions by and distributions to owners		66	-	-	-	-	-	66
Balance at 31 March 2019 and 1 April 2019		**66**	**-**	**(1)**	-	-	**(2,707)**	**(2,642)**
Total comprehensive loss for the year								
Loss for the year		-	-	-	-	-	(3,527)	(3,527)
Other comprehensive loss for the year		-	-	8	-	-	-	8
Total comprehensive loss for the year		-	-	7	-	-	(3,527)	(3,520)
Transactions with owners, recorded directly in equity								

Reserves arising on acquisition of subsidiaries	13	-	-	-	-	(10)	10	-
Issue of shares pre-Initial Public Offering	22	9	1,991	-	-	-	-	2,000
Issue of shares to settle loans and borrowings	22	9	1,991	-	-	-	-	2,000
Issue of shares as consideration for a business combination	22	2	398	-	-	-	-	400
Issue of shares on Initial Public Offering	22	62	14,521	-	-	-	-	14,583
Share issue costs		-	(469)	-	-	-	-	(469)
Equity settled share-based payments	9	-	-	-	94	-	-	94
Total contributions by and distributions to owners		82	18,432	-	94	(10)	10	18,608
Balance at 31 March 2020		**148**	**18,432**	**7**	**94**	**(10)**	**(6,224)**	**12,447**

Consolidated Cash Flow Statement
For the year ended 31 March 2020 and period 5 March 2018 to 31 March 2019

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

Notes

(forming part of the financial statements)

1. General Information

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

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

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

2. Accounting policies

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

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

2.1 Basis of preparation

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

2.2 Going concern

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

2.3 Basis of consolidation

Subsidiaries

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

Change in subsidiary ownership and loss of control

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

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

Transactions eliminated on consolidation

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

2.4 Business combinations

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

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

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

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

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

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

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

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

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

2.5 Current versus non-current classification

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

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

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

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

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

The Group classifies all other liabilities as non-current.

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

2.6 Fair value measurement

The Group measures financial instruments at fair value.

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

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

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

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

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

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

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

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

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

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

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

2.7 Foreign currency

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

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

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

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

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

2.8 Financial instruments

Classification of financial instruments

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

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
(b) where the instrument will or may be settled in Induction Healthcare plc's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of Induction Healthcare plc's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Recognition and initial measurement

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

Financial assets – classification and subsequent measurement

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

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

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

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

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

Financial liabilities – classification and subsequent measurement

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

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

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

Cash and cash equivalents

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

Derivative financial instruments and other financial assets

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

Business model assessment

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

Impairment

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

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

Derecognition

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

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

2.9 Intangible assets

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

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

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

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

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

Research and development

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

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

Other intangible assets

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

Intangible assets acquired in a business combination

During the year, the Group acquired trade and brand names, users and technology as part of business combinations.

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

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

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

2.10 Impairment of non-financial assets

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

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

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

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

2.11 Employee benefits

Short term employee benefits

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

Defined contribution plans

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

Share-based payment transactions

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

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

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

2.12 Provisions

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

2.13 Revenue

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

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

Control is transferred, and performance obligations are satisfied over time over the subscription period and therefore this revenue is recognised rateably over the period of the subscription.

Payment is due within 30 days of date of invoice.

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

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

A contract liability is recognised if a payment is received from a customer in advance of the subscription period to which that payment relates.

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

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

2.14 Expenses

Cost of sales

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

Lease payments

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

Financial income

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

2.15 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

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

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

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

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and disclosures of contingent assets and liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amounts of assets or liabilities affected in future periods.

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

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

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

Significant Judgements

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

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

Significant estimates

Development costs

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

Impairment of goodwill and intangible assets

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

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

Other non-significant estimates

Share-based payments

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

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

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

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

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

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

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

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

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

included as part of the consideration transferred for the acquisition of Podmedics Limited (see Note 13 for more details).

4. Application of new and revised accounting standards

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

- IFRS 16 Leases (effective date 1 January 2019).

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

  The Group adopted IFRS 16 using the modified retrospective method of adoptions, with the date of initial application 1 April 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. The Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 as the date of initial application. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). During the year the Group only entered into short-term leases and therefore there is no impact to the financial statements arising from the initial application of IFRS 16.

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

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

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

5. Revenue from contracts with customers

5.1 Disaggregated revenue information

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

5.2 Contract balances

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

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

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

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

5.3 Performance obligations

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

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

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

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

6. Expenses by nature

Included in net loss for the period are the following:

	Year to 31 March 2020 £000	Period to 31 March 2019 £000
Employee benefit expense	2,106	706
Contractors	538	1,155
Acquisition related transaction costs	150	-

Depreciation, amortisation and impairment	324	11
Professional and legal fees	583	724
Capitalised research and development costs	(761)	(197)
Remeasurement of contingent consideration	83	-

7. Auditors remuneration

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

8. Employee benefits

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

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

The aggregate payroll costs of these persons were as follows:

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

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

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

9. Share-based payments

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

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

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

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

Movements during the year

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

	Year to 31 March 2020	Period to 31 March 2020

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

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

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

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

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

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

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

10. Net finance costs

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

Total finance income	**47**	**-**

11. Taxation

Recognised in the income statement and equity

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

Reconciliation of effective tax rate

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

Deferred tax recognised

	Year to 31 March 2020 £000	Period to 31 March 2019 £000
General provisions	-	-
Tax losses	97	-
Intangible assets	(321)	
Total deferred tax asset / liability	**(224)**	**-**

Reflected in the statement of financial position as follows:

Deferred tax assets	97	
Deferred tax liabilities	(321)	

Reconciliation of deferred tax liabilities, net

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

A deferred tax liability of £224,068 has been recognised in relation to fair value adjustments of intangible assets acquired in business combinations. A deferred tax asset of £97,100 has been recognised in relation to unused tax losses acquired in the business combination with Horizon Strategic Partners Limited.

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

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

12. Loss per share

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

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

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

Loss attributable to ordinary shares (basic and diluted)

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

Weighted average number of ordinary shares (basic and diluted)

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

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

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

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

13. Business combinations

Group restructuring

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

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

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

Acquisition of Podmedics Limited

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

Assets acquired and liabilities assumed

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

	Note	Fair Value recognised on acquisition £000
Assets		
Intangible assets	15	91
Cash	18	1
Other current assets		12
Total assets		**104**
Liabilities		

Other current liabilities		(4)
Deferred tax arising on acquisition	11	(17)
Total liabilities		**(21)**
Total identifiable net assets at fair value		**83**
Goodwill arising on acquisition		417
Purchase Consideration transferred		**500**

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

The goodwill of £417,361 reflects the value of the anticipated long-term revenue generating capabilities of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

Purchase consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

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

Analysis of cash flows on acquisition

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

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

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

Acquisition of Horizon Strategic Partners Limited

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

Assets acquired and liabilities assumed

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

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

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

Contract liabilities were remeasured to fair value at the acquisition date to take into account the costs that market participants would incur to acquire such contract liabilities.

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

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

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

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

Purchase consideration transferred

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

Analysis of cash flows on acquisition

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

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

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

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

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

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

14. Investments in subsidiaries

The consolidated financial statements of the Group include:

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

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

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

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

15. Goodwill and intangible assets

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

Acquisitions during the year

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

Capitalised development costs
The capitalised development costs consist of the cost incurred on developing the Induction app from 1 January 2019 onwards, the date at which the project passed the technological feasibility milestone,

development costs acquired in the business combination with Horizon Strategic Partners and the costs incurred on the MicroGuide applications post-acquisition of Horizon Strategic Partners.

Amortisation and impairment charge

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

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

Goodwill

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

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

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

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

Induction CGU

The recoverable amount of the Induction CGU of £11,440,692 as at 31 March 2020 has been determined based on a value in use calculation using cash flow projections for a ten year period. The pre-tax discount rate applied to cash flow projections is 16.1% and cash flows beyond the five-year period are extrapolated using a 2% growth rate, which is an inflationary rate. It was concluded that the fair value less costs to sell did not exceed the value in use. No impairment charge resulted from this analysis.

MicroGuide CGU

The recoverable amount of the MicroGuide CGU of £3,829,643 as at 31 March 2020 has been determined based on a value in use calculation using cash flow projections for a five year period. The pre-tax discount rate applied to cash flow projections is 10.6% and cash flows beyond the five-year period are extrapolated using a 2% growth rate. It was concluded that the fair value less costs to sell did not exceed the value in use. No impairment charge resulted from this analysis.

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

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

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

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

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

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

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

16. Derivative instruments

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

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

17. Trade and other receivables and contract assets

Trade and other receivables

	2020 £000	2019 £000
Receivables from third-party customers	80	-
Loans to director and employees	-	10
Other receivables	53	102
Prepayments	7	16

Total trade and other receivables	**140**	**128**

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

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

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

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

18. Cash and cash equivalents

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

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

19. Loans and borrowings

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

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

Terms and debt repayment schedule

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

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

Changes in loans and borrowings from financing activities

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

20. Trade and other payables

	2020 £000	2019 £000

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

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

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

21. Contract liabilities

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

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

22. Capital and reserves

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

Share capital

Ordinary shares issued and fully paid

	No. of shares ('000)
In issue at 5 March 2018 (date of incorporation)	**-**
Issued for cash	**30**
Issued in exchange for intangible asset (see Note 8)	**36**
In issue at 31 March 2019 – fully paid	**66**
Share split	13,053
Issue of shares pre-IPO	1,739
Issue of shares to settle loans and borrowings	1,739

Issue of shares as consideration for a business combination	348
Issue of shares on IPO	12,682
In issue at 31 March 2020	**29,627**

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Induction Healthcare Group plc.

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

Share premium

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

Other reserves

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

Translation reserve

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

Dividends

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

Merger reserve

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

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

23. Financial instruments

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

The previous owners of Horizon Strategic Partners Limited have the right to choose whether payment of the contingent consideration is effected in cash, or in shares of the Induction Healthcare Group plc.

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

Fair values

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

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

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

- estimates of the cash expected to be received from customer subscriptions during the earn-out period, based on historical experience and known status of contract negotiations. These range between £272,740 and £622,390 (at which point the maximum earn-out value of £1,500,000 is reached). The most likely outcome was assessed to be £619,975, at which point the earn-out payment would be £1,489,639. A 10% decrease in the cash target would result in a decrease of the contingent liability of £201,969.
- Assessments of the probabilities of each scenario – probabilities range between 2% and 80%. The probability of the earn-out payment of £1,489,639 as above being reached was assessed at 80%. The probability that the maximum earn-out payment of £1,500,000 being reached was assessed at 15%. A decrease in the probability of the single most likely outcome of 10% would result in a decrease of the contingent consideration of £25,246.
- Discount rate – The discount rate used was 10.74%. A 1% increase in the discount rate would result in a decrease of the contingent consideration of £8,836.

Risk management

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

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

(i) Liquidity risk;
(ii) Credit risk; and
(iii) Market risk

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

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

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

Current	<30 days	30 - 60 days	61 - 90 days	>91 days
	£000	£000	£000	£000

Trade receivables	44	29	6	-
Contract assets	23	-	-	-

Market risk

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

Foreign currency risk

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

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

31 March 2020

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

31 March 2019

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

Capital management

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

24. Commitments

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

25. Contingencies

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

26. Related parties

Identity of related parties with which the Group has transacted

Note 14 provides information about the Group's structure, including subsidiaries and the holding company.

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

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

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

Transactions with key management personnel

Directors of Induction Healthcare Group plc and their immediate relatives control 22.85 per cent of the voting shares of Induction Healthcare Group plc.

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

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

Key management remuneration comprises short-term employee benefits only.

Directors' remuneration has been disclosed in the Director's Report. Refer to page 41 and 42 of the Annual Report and Accounts 2020, tables "Directors remuneration (audited)" and "Directors' shareholding and share interests (audited)".

Other related party transactions

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

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

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

27. Subsequent events

Acquisition of Zesty Limited

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

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

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

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

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

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