28 November 2019

Induction Healthcare Group PLC

(“Induction”, the “Company, or the “Group”)

Half year results

Induction, a global healthcare technology company that helps healthcare professionals deliver better care more efficiently, announces its results for the six months ended 30 September 2019.

The Group currently has two platforms, Induction Switch and MicroGuide, supporting healthcare professionals in multiple markets, including the UK, Ireland, Australia and South Africa. Induction Switch is the number one healthcare collaboration app in the UK, used by the majority of doctors within the NHS. The app helps more than 110,000 users – mostly doctors - to increase productivity and enhance communication by securely sharing phone numbers and bleeps, bookmarks, documents and messages in a clinical setting. MicroGuide (part of the post period end acquisition) enables medical organisations to collaboratively create, edit, and publish their own local medical guidelines in a secure and locally administrated environment. The MicroGuide platform is used by the majority of trusts within the NHS.

Period highlights

- Induction Switch: strong growth in registered user base and deepening engagement
  - 38% increase in the number of registered users to 109,537 in the last six months
  - Over 49% growth of directory and guideline lookups in the last six months
- In the UK, the majority of NHS doctors (excluding GPs) use the Induction Switch app*

* *NHS Workforce Statistics – August 2019 (latest available version)*

Post period end acquisition

First step in buy-and-build strategy: acquisition of Horizon Strategic Partners Limited (“Horizon”) for up to £2.5m, as announced on 6th November 2019

- Includes leading guidance management platform, MicroGuide, for healthcare professionals
- Access to an established customer base including the majority of UK NHS Trusts as well as hospitals in international markets
- Expansion of Induction’s user base – adding additional junior doctors within the NHS and international markets, as well as consultants, senior medical staff, nurses and pharmacists
- Induction Switch and MicroGuide rank as either number one or number two most used healthcare apps for healthcare professionals in many UK NHS Trusts

Current trading and outlook

- Continued growth in users and engagement – in the month to 31 October 2019:
  - Registered user base grew further 4% to 114,074.
  - Growth in lookups (directory / guidelines), calls and document downloads at 7% each
- Ongoing development and release of new Induction Switch features including secure messaging, and document exchange within clinical teams
- Healthy acquisition pipeline targeting new and complementary products and geographies
- Expectation that Induction Switch app will generate revenues in 2020 (in addition to MicroGuide, which is already revenue-generating)

Ibs Mahmood, CEO of Induction, said:

“I am pleased with our progress since our IPO in May 2019. We have a large, established, and engaged user base among healthcare professionals. In line with our growth strategy, I am excited by our first acquisition – the MicroGuide platform and app which extends our capability and generates revenue. With the addition of MicroGuide, Induction apps are relied upon by the majority of not only doctors but also the majority of trusts in the UK to improve productivity and deliver better care through faster communication and access to critical information. MicroGuide also gives the Group a broader global footprint.

Our progress brings us nearer to our clear and simple vision: to produce technology that healthcare professionals choose to use to provide better, and more efficient, care. We look forward to updating the market on further progress in the second half of the financial year."

ENQUIRIES

Induction Healthcare

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About Induction

Induction Healthcare Group PLC is a global healthcare technology company that helps healthcare professionals deliver better care more efficiently. The Group has two platforms, Induction Switch and MicroGuide, that support healthcare professionals in multiple markets, including UK, Ireland, Australia and South Africa. Induction Switch is the number one healthcare collaboration app in the UK. The app helps more than 110,000 users – mostly doctors – 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 Induction switch app is used by the majority of doctors within the NHS. The MicroGuide platform is used by the majority of trusts within the NHS.

As at 31 October 2019, the Induction Switch app had 114,074 registered users, primarily in the UK. The registered user base grew by 43% from 31 March 2019 to 31 October 2019.

CEO Review

At Induction we believe that there is a moral and economic imperative to deliver better healthcare more efficiently around the world. We believe that the increased burden of non-clinical work and administrative activities on healthcare professionals is a barrier to productivity and quality care for patients. As a result, we focus on producing tools that healthcare professionals choose to use to streamline their delivery of care. We are grateful to our investors that recognise both our market opportunity, but – more importantly – the reason why we are doing this: freeing up healthcare professionals' time to look after patients more effectively.

Our strategy follows three steps:

1. Build a large user base of healthcare professionals who choose our tools;
2. Increase engagement, trust and loyalty within this growing user base; and
3. Deliver features that – in combination with our engaged user base – allow healthcare organisations and systems to improve productivity, reduce costs and solve problems that are barriers to better patient care.

Over the last six months we have made important progress against these objectives and expect to continue to do so over the next six months. We expect our Induction Switch app to generate revenues in the 2020 calendar year.

Our user base continued to grow strongly, as expected, with 114,074 registered users at 31 October 2019, an increase of 43% compared to 31 March 2019, meaning the majority of NHS hospital doctors use Induction Switch.

Induction also enjoyed a faster than expected increase in 'user engagement', i.e. the amount each registered user uses our app. 1.8m extension numbers were looked up in Induction hosted directories, half a million calls placed, and over ten thousand guidelines accessed in the last three months. This represents 27%, 24% and 109% growth respectively on the previous quarter. An unprecedented 248 private workspaces were set up with 3,323 users within these workspaces. The Induction Switch directory is accessed more than once every five seconds.

During the period our software team completed the core Induction Switch platform. My huge thanks goes to the Development team for delivering a potent core Induction Switch product primed for future premium features. Over the coming months we expect the development focus to shift towards the production of these premium features that can be activated on a Trust by Trust, hospital by hospital, or team by team basis.

We also expect to add further solutions via acquisitions. For example, the acquisition of the MicroGuide app post period-end provides Induction with a premium solution that complements our existing document sharing capability with a market-leading guidance authorship and management platform. MicroGuide serves the majority of Trusts in the UK, as well as organisations in other markets, with functionality to create, edit, and publish their own local medical guidelines in a secure and locally administrated environment. Induction acquired MicroGuide for up to £2.5 million, as announced on 6 November 2019. We plan to expose MicroGuide generated content through the Induction Switch document sharing capability – in addition to the existing MicroGuide app – to help healthcare professionals access the information they need in one place to look after patients more effectively, securely and rapidly.

Business review

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

Key Performance Indicators (*as at 30 September 2019)*

- 109,537 registered users, an increase of 38% over the six month period;
- 50,075 average monthly users in September 2019, an increase of 23% over the six month period;
- Users looked up 9.5m numbers in the directory, made 2.2m calls using Induction Switch and looked up 61,250 guidelines to date;
- 693 UK healthcare institutions and 165 overseas healthcare institutions using Induction Switch; and
- 248 private workspaces set up with 3,323 "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).

Financial review

The Group's result showed a loss for the period of £2.2m. The business continues to invest in its technology platforms to further develop new modular features to grow the user base and engagement. Administrative expenses included £0.7m of non-recurring costs relating to the acquisition of Podmedics and the IPO on

AIM in May 2019. Product development incurred £0.5m of which the majority was staff and contractor costs (excluding £0.2m of capitalised development spend).

Balance Sheet

As at 30 September 2019 the Group had paid its outstanding loans and closed the period with cash and cash equivalents of £13.6m. Intangible assets reflect the acquisition of Podmedics Limited of £0.5m and capitalised development spend relating to Induction Switch.

The share capital increased during the period to £19.1m (2018: £0.1m) as a result of the Podmedics acquisition and IPO which raised funds of £16.5m. The total number of ordinary shares as at 30 September 2019 was 29,626,201 (2018: 65,591), driven by the creation of Induction Healthcare Group PLC with a share for share transfer from Induction Healthcare Limited as the original parent, which was split from 65,591 shares to 13,118,200 ordinary shares, with the further issuance of 16,508,001 ordinary shares in connection with the acquisition of Podmedics and the issuance of new ordinary shares as a result of the IPO. For further detail refer to note 6.

Working capital

The Group's net cash outflows from operating activities was £2.4m in the six months ended 30 September 2019 due to the investment in development of the Induction Switch app following the successful IPO on AIM and the acquisition of Podmedics, both of which were one off costs.

The Group's strategy is to manage its cash balance to focus on:
(1) supporting the development of its products;
(2) sourcing, completing and integrating acquisitions that align with the Induction Healthcare mission; and
(3) promoting market synergies between Induction's products and markets to maximize opportunities for cross-selling, develop new customers and expand into new markets.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2019

	Note	30 September 2019 Unaudited £000	30 September 2018 Unaudited £000
Revenue	2,3	**-**	**-**
Cost of sales		**(46)**	**(31)**
Gross loss		**(46)**	**(31)**
Distribution expenses		**(76)**	**(149)**
Development expenses		**(497)**	**(678)**
Administrative expenses		**(1,587)**	**(170)**
Other operating expenses		**(9)**	**(2)**
Operating loss	2	**(2,215)**	**(1,030)**
Financial income	4	**17**	**-**
Loss before tax		**(2,198)**	**(1,030)**
Taxation	5	**-**	**-**
Loss for the period		**(2,198)**	**(1,030)**
Attributable to:			
Equity holders of the Parent		**(2,198)**	**(1,030)**
		(2,198)	**(1,030)**

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2019

	Note	**30 September 2019 Unaudited**	**30 September 2018 Unaudited**
		£000	**£000**
Loss for the period		**(2,198)**	**(1,030)**
Other comprehensive income			
Items that will be reclassified to profit or loss			
Foreign currency translation differences – foreign operations		**(1)**	**(1)**
Other comprehensive loss for the period		**(1)**	**(1)**
Total comprehensive loss for the period		**(2,199)**	**(1,031)**
Attributable to:			
Equity holders of the Parent		**(2,199)**	**(1,031)**
		(2,199)	**(1,031)**

		2019 Pence	**2018 Pence**
Earnings per share:			
Basic loss per share	6	**(0.10)**	**(40.35)**
Diluted loss per share	6	**(0.10)**	**(40.35)**

Condensed Consolidated Statement of Financial Position
For the six months ended 30 September 2019

	Note	30 September 2019 Unaudited	31 March 2019 Audited
		£000	£000
Non-current assets			
Intangible assets	7	**928**	**222**
		928	**222**
Current assets			
Other financial assets	8	**-**	**100**
Other receivables	9	**61**	**128**
Cash and cash equivalents	10	**13,560**	**169**
		13,621	**397**
Total assets		**14,549**	**619**
Current liabilities			
Trade and other payables	11	**366**	**761**
Other financial liabilities		**-**	**-**
Loans and borrowings	12	**-**	**2,500**
		366	**3,261**
Total liabilities		**366**	**3,261**
Net Assets		**14,183**	**(2,642)**
Equity attributable to equity holders of the parent			
Share capital		**19,050**	**66**
Translation reserve		**(1)**	**(1)**
Other reserves		**39**	
Accumulated deficit		**(4,905)**	**(2,707)**
Total equity		**14,183**	**(2,642)**

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2019

	Share capital £000	Translation / other reserves £000	Accumulated Deficit £000	Total equity £000
Balance at 1 April 2019	66	(1)	(2,707)	(2,642)
Total comprehensive loss for the period				
Loss for the period	-	-	(2,198)	(2,198)
Other comprehensive loss for the period	-	39	-	39
Total comprehensive loss for the period	66	38	(4,905)	(4,801)
Transactions with owners, recorded directly in equity				
Issue of share premium	18,902	-	-	18,902
Issue of share nominal	82			82
Total contributions by and distributions to owners	18,984	-	-	18,984
Balance at 30 September 2019	**19,050**	**38**	**(4,905)**	**14,183**

	Share capital £000	Translation/ other reserves £000	Accumulated Deficit £000	Total equity £000
Balance at 5 March 2018 (date of incorporation)	-	-	-	-
Total comprehensive loss for the period				
Loss for the period	-	-	(1,030)	(1,030)
Foreign currency translation differences	-	(1)	-	(1)
Total comprehensive loss for the period	-	(1)	(1,030)	(1,031)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	66	-	-	66
Total contributions by and distributions to owners	66	-	-	66
Balance at 30 September 2018	**66**	**(1)**	**(1,030)**	**(965)**

Induction Healthcare Group PLC was incorporated 28th February 2019. The shareholders in Induction Healthcare Limited executed a share for share exchange whereby Induction Healthcare Group PLC acquired 100% of the share capital of Induction Healthcare Limited on the basis of one ordinary share in Induction Healthcare Group PLC for each ordinary share in Induction Healthcare Limited.

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 September 2019

	30 September 2019 Unaudited	30 September 2018 Unaudited
	£000	£000
Cash flows from operating activities		
Loss for the period	(2,198)	(1,030)
Adjustments for:		
Depreciation, amortisation and impairment	9	2
Foreign exchange losses	-	-
Financial income	(17)	-
Increase in trade and other receivables	166	(188)
Increase in trade and other payables	(395)	250
Net cash used in operating activities	(2,435)	(967)
Cash flows from financing activities		
Proceeds from the issue of share capital	15,809	30
Proceeds from new loan	-	1,819
Interest	17	-
Net cash from financing activities	15,826	1,849
Net increase in cash and cash equivalents	13,391	883
Cash and cash equivalents at 1 April 2019	169	-
Effect of exchange rate fluctuations on cash held	(1)	(1)
Cash and cash equivalents at 30 September 2019	13,560	882

Notes to the Condensed Consolidated Interim Financial Statements

1. General Information

Reporting entity

Induction Healthcare Group PLC ("Induction" the "Parent" or the "Company") is publicly listed on the AIM market of the London Stock Exchange ("LSE") incorporated, domiciled and registered in the United Kingdom. The registered number is 11852026 and the registered address is Wework C/O Induction Healthcare, 12 Hammersmith Grove, London, United Kingdom, W6 7AP. Induction is a leading healthcare technology company helping to streamline delivery of care by providing software to healthcare professionals.

As of 30 September 2019, Induction Healthcare Group PLC comprised of four legal subsidiaries, that are majority owned and controlled, and therefore fully consolidated in the Company's consolidated financial statements. Details of the Company's subsidiaries are included in note 13.

Basis of preparation

These interim financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information included in the annual report and accounts as of and for the year ended 31 March 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent obtained control and continue to be consolidated until the date when such control ceases. The financial information of the subsidiaries is prepared for the same reporting period as the Parent, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

When the Parent loses control over 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.

These interim financial statements are unaudited and were approved by the Board of Directors and authorised for issue on 28 November 2019 and are available on the Company's website at www.inductionhealthcare.com under "Investors – Financial reports & publications".

Going concern

For the period ended 30 September 2019, the group made a loss of £2,197,773 and had net current assets of £13,255,519. The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the historical financial information:

- Prepared cashflow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funding to meet its liabilities as they fall due for that period.

As a result, the directors are of the opinion that the Group will have sufficient working capital to enable it to meet its objectives and financial obligations. Further, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in this historical financial information as at 30 September 2019. Accordingly, no adjustments have been made to this historical financial information relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. Accounting policies

The accounting policies applied by the Group in these half-yearly results are the same as those which formed the basis of the Annual Report and Financial Statements for the period ended 31 March 2019.

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 balance sheet 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 balance sheet 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.

Fair value measurement

Financial instruments 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.

Notes to the Condensed Consolidated Interim Financial Statements

Accounting policies *(continued)*

Classification of financial instruments issued by the Group

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 the company’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company’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 the company’s own shares, the amounts presented in this historical financial information for called up share capital and share premium account exclude amounts in relation to those shares.

Financial instruments

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.

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.

Notes to the Condensed Consolidated Interim Financial Statements

Accounting policies *(continued)*

Financial instruments *(continued)*

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.

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.

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 Group measures goodwill at the acquisition date as:

- 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.

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

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

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Notes to the Condensed Consolidated Interim Financial Statements

Accounting policies *(continued)*

Intangible assets

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 the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. 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.

Amortisation

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 balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and trademarks up to 5 years
- capitalised development costs up to 5 years
- other intellectual property up to 5 years

Impairment

Non-derivative financial assets

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.

Non-financial assets

The carrying amounts of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period end.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For 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”).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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 balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

Provisions

A provision is recognised in the consolidated balance sheet 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.

Revenue

Revenue comprises the fair value of consideration received or receivable for access to the Induction Switch Platform, the Group’s proprietary application which facilitates communication between healthcare professionals, in the ordinary course of the Group’s activities. Revenue is shown net of value added tax and trade discounts and is reported as follows:

Notes to the Condensed Consolidated Interim Financial Statements

Accounting policies *(continued)*

- On a per-user basis whereby users are charged a monthly fee to access the Induction Platform, with the pricing depending on the features selected by users. Invoices are issues monthly and settled via a credit or debit card. Revenue is recognised on a monthly basis reflecting the period during which they have access to the Induction Platform.
- On a healthcare institution basis whereby healthcare institutions are charged a subscription for making the Induction Platform available to users. This revenue is recognised rateably over the period of the subscription.

Expenses

Cost of sales

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

Operating lease payments

Payments made under operating 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

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financial income comprises interest receivable on loans issued 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.

Taxation

Tax on the profit or loss for the year 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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 balance sheet 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.

Notes to the Condensed Consolidated Interim Financial Statements

Accounting policies *(continued)*

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the historical financial information unless otherwise indicated:

- IFRS 16 Leases (effective date 1 January 2019) – the Group has no leases which would fall within the scope of IFRS 16.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date to be confirmed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed).

3. Revenue

	30 September 2019 £000	30 September 2018 £000
Rendering of services	-	-
Total Revenue	-	-

4. Financial income

	30 September 2019 £000	30 September 2018 £000
Interest income on unimpaired financial assets	17	-
Total finance income	17	-

Notes to the Condensed Consolidated Interim Financial Statements - continue

5. Taxation

Reconciliation of effective tax rate

	30 September 2019 £000	30 September 2018 £000
Loss for the period	**(2,198)**	**(1,030)**
Tax using the UK corporation tax rate of 19%	**418**	**196**
Non-deductible expenses	**(2)**	**(1)**
Current year losses for which no deferred tax asset was recognised	**(415)**	**(195)**
Total tax expense	-	-

A deferred tax asset of £415,248 arises from unused tax losses of £2,197,773, however given the early stage nature of the business the deferred tax asset has not been recognised.

6. Earnings per share

The calculation of basic and fully diluted earnings per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Loss attributable to ordinary shares (basic and diluted)	**30 September 2019 £000**	**30 September 2018 £000**
Loss attributable to ordinary shares (basic and diluted)	**(2,199)**	**(1,031)**
	(2,199)	**(1,031)**

Weighted average number of ordinary shares (basic and diluted)	**2019 £000**	**2018 £000**
Issued ordinary shares as at 1 April 2019 (5 March 2018)	**66**	**20**
Shares issued on 1 May 2019 (4 September 2018)	**1,739**	**10**
Shares issued on 7 May 2019 (5 September 2018)	**15,139**	**36**
Shares issued on 22 May 2019	**12,682**	**-**
Issued ordinary shares as at 30 September	**29,626**	**66**
Weighted-average number of ordinary shares (basic and diluted)	**22,791**	**26**
Basic loss per share	**(0.10)**	**(40.35)**
Diluted loss per share	**(0.10)**	**(40.35)**

Notes to the Condensed Consolidated Interim Financial Statements - continue

7. Intangible assets

	Acquired Intangibles £000	Development costs £000
Cost		
Balance at 1 April 2019	36	197
Acquisitions	501	214
Balance at 30 September 2019	537	411
Amortisation and impairment		
Balance at 1 April 2019	11	-
Amortisation for the year	9	-
Net book value		
At 1 April 2019	25	197
At 30 September 2019	**517**	**411**

8. Other financial assets

	30 September 2019 £000	31 March 2019 £000
Other financial assets designated as fair value through profit or loss	-	100
	-	100

During the Period ended 31 March 2019, the Group entered into an option to acquire the shares or assets of Podmedics Limited, that consideration was £100,000. On 7 May 2019, Induction Healthcare Limited and Podmedics Limited entered into a share purchase agreement pursuant and acquired the entire issued share capital of Podmedics Limited. The consideration payable under the share purchase agreement was £399,999.90 which was satisfied following Admission by the issue of Ordinary Shares of the Induction Healthcare Group PLC. As a result of the acquisition Induction Healthcare Limited has intangible of £493,620.25 as at 30 September 2019, being consideration of cash and shares, stamp duty and assets acquired from Podmedics Limited which has been amortised until end of period 30 September 2019.

9. Other receivables

	30 September 2019 £000	31 March 2019 £000
Loans to director and employees	**-**	**10**
Other receivables	**41**	**102**
Prepayments	**20**	**16**
	61	**128**

Notes to the Condensed Consolidated Interim Financial Statements - continue

10. Cash and cash equivalents

	30 September 2019 £000	31 March 2019 £000
Cash and cash equivalents per consolidated balance sheet	**13,560**	**169**
Cash and cash equivalents per consolidated cash flow statement	**13,560**	**169**

11. Trade and other payables

	30 September 2019 £000	31 March 2019 £000
Trade payables	**112**	**107**
Non-trade payables and accrued expenses	**254**	**654**
	366	**761**

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

12. Loans and borrowings.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	30 September 2019 £000	31 March 2019 £000
Loan from Director	**£**	**0%**	**2019**	**-**	**2,500**
				-	**2,500**

This note provides information about the contractual terms of the Group's interest-bearing loan and borrowings, which are measured at amortised cost. The loan was settled on 4 June 2019, post Initial Public Offering ("IPO") 22nd May 2019.

Notes to the Condensed Consolidated Interim Financial Statements - continue

13. Investments in subsidiaries

The Group has the following investments in subsidiaries:

Company	Registered office address	Registered number	Class of shares held	Ownership 2019
Induction Healthcare Limited	12, Hammersmith Grove, London, United Kingdom, W6 7AP	11232772	Ordinary	100%
Induction Healthcare (UK) Limited	12, Hammersmith Grove, London, United Kingdom, W6 7AP	11237890	Ordinary	100%
Induction Healthcare Pty Ltd	23 Regent Street, Prahran, Victoria 3181, Australia	625119397	Ordinary	100%
Podmedics Limited	12, Hammersmith Grove, London, United Kingdom, W6 7AP	06840040	Ordinary	100%

14. Share-based payment

Long Term Incentive Plan

On the admission to the AIM market 22 May 2019, the Group established the Company Share Option Plan ("CSOP") that awarded executive directors, management and other employees share options. The award is granted in the form of share options over ordinary share of 0.5pence each with the intent of normal vesting after a minimum period of three years from the date of grant. Vesting is subject to the achievement of certain performance conditions and continued services of the participant.

As of 30 September 2019, the Company had awarded 405,821 stock options under CSOP to management and other employees.

Grant date	Number of share options	Vesting conditions	Contractual life of options
22-May-19	273,909	3 years' service of grant	10 years
01-Sep-19	119,147	3 years' service of grant	10 years
20-Sep-19	12,765	3 years' service of grant	10 years
	405,821		

Notes to the Condensed Consolidated Interim Financial Statements - continue

15. Subsequent Events

On 6th November 2019, Induction announced the acquisition of Horizon for total consideration of £2,500,000, comprising an initial payment of £1,000,000 and deferred contingent consideration of up to £1,500,000 which can be settled for cash and Induction shares determined by performance deliverables before 30 September 2020. 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.