

2 December 2021

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

Unaudited Interim Results
for the six months ended 30 September 2021

Induction Healthcare (AIM: INHC), a leading flexible care company, announces its unaudited interim results for the six months ended 30 September 2021, a period of substantial revenue growth driven by the Company’s buy-and-build strategy and the ongoing digital transformation of healthcare systems worldwide.

Induction provides innovative technology solutions for providers across the secondary and community healthcare markets to enhance communications and connectivity for staff and patients while ensuring the highest standards of clinical safety and information security. Post-period end, Induction solutions have been contracted in other public sector environments, further diversifying the Company’s revenue base.

Outlook

- Inline with market expectations on revenue for FY22
- Expect to be ahead of market expectations for adjusted EBITDA, reaching an adjusted EBITDA breakeven position for the full year ending March 2022 (FY21 : adjusted EBITDA loss £4.8m)

Financial Highlights

- Acquisition of Attend Anywhere Pty Ltd (“Induction Attend Anywhere”) in June
- Revenues of £4.6m (H1 FY21: £582K)
 - Strong organic growth across all products
 - Induction Attend Anywhere revenues of £3.6m (since acquisition 9 June 2021)
 - Induction Zesty revenue £617K (H1 FY21: £306K)
 - Induction Guidance revenue £322K (H1 FY21: £274K)
- Adjusted LBITDA of £0.7m (H1 FY21: £2.4m) (“Operating loss before highlighted items”)
- 929% Increase in annual recurring revenue (“ARR”) to £14.4m (H1 FY21: £1.4m)
- Cash position at 30 September of £12.8m (H1 FY21: £5.0m)
 - Successful £25.0m fundraise completed in June

Operational Highlights

- Three hospitals in South East England selected Induction Zesty to deliver digital patient portals in contracts with a total value of £440K
- Induction Zesty selected as preferred supplier to South West London integrated care system (“ICS”), one of the first ICS led procurements for digital patient services in England
- Renewed contract for Induction Attend Anywhere with NHS Wales worth £1.64m ARR, an increase of £400K on the prior year
- Continued strengthening of the senior management team
 - Appointment of James Balmain as sole CEO (previously joint CEO with Hugo Stephenson)
 - Appointment of Dave Williams as Chief Technology Officer (in September 2021)
 - Appointment of Guy Mitchell as Chief Financial Officer (in November 2021)

Post-period end Highlights

- Signed first non-healthcare contract with the Department for Work and Pensions (“DWP”), in November 2021, which will deliver up to £1.3m in ARR over a potential 4 year term
- £6.8m contracted revenue already secured for the final six months of FY22

James Balmain, CEO of Induction, said: *“We are delighted to have reported such strong revenue growth, alongside a significant improvement in our underlying profitability. We’ve seen strong user growth across our range of products and are continuing to integrate and reduce costs at Attend Anywhere which we bought after a successful fundraising in June. We’ve delivered a record level of ARR at the period end which puts us on track to exceed market expectations for EBITDA in FY22.*

“A key focus for the Group is the renewal of Induction Attend Anywhere contracts in England. The majority of these are one year contracts expiring in March 2022. We currently expect to renew a very high proportion of all existing Induction Attend Anywhere contracts in England, and with many for a longer term of two years or more, although likely at a slightly lower contract value than under the previous one year terms.

“We continue to build our management team, welcoming Dave Williams as group CTO and Guy Mitchell as Chief Financial Officer. Their knowledge and expertise will enhance our business greatly going forward.”

Analyst Briefing

A briefing for equity analysts will take place today at 09:30 GMT. For further details analysts should email induction@walbrookpr.com or call +44 (0)20 7933 8780.

Investor Briefing

James Balmain, Chief Executive Officer and Guy Mitchell, Chief Financial Officer will be hosting a live online presentation relating to the interim results via the Investor Meet Company platform at 15:00 GMT today. The presentation is open to all existing and potential shareholders.

Investors can sign up to Investor Meet Company free and register for the presentation here:

<https://www.investormeetcompany.com/induction-healthcare-group-plc/register-investor>

A recording of the presentation, a PDF of the slides used, and responses to the Q&A session will be available on the Investor Meet Company platform and the Company’s investor website afterwards.

ENQUIRIES

Induction

James Balmain, Chief Executive Officer

Via Walbrook PR Ltd:

induction@walbrookpr.com

Singer Capital Markets (Nominated Adviser and Broker)

Philip Davies / Kailey Aliyar

+44 (0) 20 7496 3000

Walbrook PR Ltd

Paul McManus / Alice Woodings / Megan Boxall

induction@walbrookpr.com

Mob: +44(0)7980 541 893 / +44 (0)7407

804 654 / +44 (0)7788 151 967

About Induction - www.inductionhealthcare.com

Induction (AIM: INHC) is a leading flexible care platform driving digital transformation of healthcare systems worldwide. Induction solutions enhance the investments hospitals have made and lay the foundation for their future. Our products can enable information sharing between busy doctors, alleviate operational burdens on hospitals or put patients in better control of their care, all while ensuring the highest standards of clinical safety and information security. We unchain staff and patients from the limitations of paper-based and desktop systems, creating substantial time and cost efficiencies.

More than 225,000 hospital doctors across multiple territories, including the UK, Ireland, Australia and South Africa, as well as a rapidly growing number of more than 300,000 UK patients, choose Induction solutions.

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

Induction Guidance provides medical organisations, including most hospital trusts within the NHS, with the ability to collaboratively create, edit, and publish their own local medical guidelines in a secure and locally administrated environment. This increases knowledge of, and adherence to, guidance.

Induction Zesty is a market-leading digital platform for patients visiting hospitals. The platform allows patients to book and access their appointments, read their clinical letters, store a copy of their clinical record and provide data to their care teams remotely. It is not just a compelling patient experience, but also delivers significant cost benefits to hospitals.

Induction Attend Anywhere is the UK market leader in secondary care video consultations. It helps hospitals, health systems and other customers offer video consultations to patients and service users as a normal part of day-to-day clinical activity. Our vision is for video consultations to improve lives and help address social, access, equity and sustainability challenges by allowing healthcare providers to determine how and when they see a patient based on each individual case: in-person, via video or on the telephone.

Induction HealthStream is a proprietary data integration platform that reads and writes patient demographic, appointment and clinical record data between a growing number of hospital EHR systems and the Induction platforms. This connectivity between stakeholders and legacy IT systems adds substantial value to pre-existing health IT investment and allows large-scale adoption of Induction app-based services.

CEO REVIEW

Overview

On the heels of a successful fund raise of £25 million and the acquisition of Induction Attend Anywhere in June, Induction has experienced a transformational leap in ARR. This puts the Company firmly on the path towards an adjusted EBITDA breakeven position and cash generation before the end of FY23. As health systems around the world engage in their post-pandemic recovery, digital platforms are playing a vital role and with Induction Attend Anywhere, Induction is operating at scale on the ground floor of this opportunity.

Our vision of a 'flexible care' platform – comprising a comprehensive and integrated suite of telehealth applications - is rapidly becoming reality, allowing health providers to capture data from patients remotely, provide video consultations at scale, empower patients to self-manage their hospital appointments, and distribute information to patients quickly and cost effectively. As the NHS focuses on elective recovery, Induction's tried and tested technologies come into their own.

The Induction Attend Anywhere platform was nationally contracted in multiple markets before the outbreak of COVID19, however the pandemic has acted as a 'super-catalyst' to adoption, leading to delivery of more than 4.5 million secondary care video consultations, covering more than 2,031,009 hours of care.

A recent report by Edge Health, commissioned by NHS England and NHS Improvement, found outpatient appointments delivered via video, using the Induction Attend Anywhere platform, saved 4.64 million hours in patient travel and wait times and £40 million in patient travel costs and parking charges over the course of a year. Induction Attend Anywhere is now the embedded system of choice across the British Isles, creating a compelling case for upsell with our other Induction applications.

In the English market, where the focus lies on the formation of Integrated Care Systems ("ICS"), Induction is strongly positioned in this evolving landscape, having achieved preferred supplier status with the South West London ICS for the Induction Zesty platform, alongside our partner the Cerner Corporation, with whom we have a value-added reseller agreement.

NHS Wales renewed their contract with Induction Attend Anywhere in June, increasing the annual value from £1.2 million to £1.6 million. More recently, Induction won a landmark contract with the Department of Work and Pensions, who will use Induction Attend Anywhere to selectively virtualise the English benefits system. This is the first step to expanding Group revenue generation beyond the NHS while taking our offer beyond secondary care.

Users continue to engage with the Company's other digital health tools with another period of record user growth, up 68% year on year, with growth to more than 250,000 clinical users on Induction Switch and 360,000 registered patients on Induction Zesty. There continues to be significant user interest in interoperability between Induction applications, creating an opportunity for cross-selling within our existing client base, as well as expanding the Company's presence outside the UK's secondary care market.

Financial Review

For the period ended 30 September 2021, reported revenues increased in line with management expectations to £4.59 million (H1 FY21: £582K).

Reported revenue from Induction Guidance grew to £322K (H1 FY21: £274K) in its first full period post-acquisition. Induction Zesty revenue more than doubled to £617K (H1 FY21: £306K), reflecting the contracts signed with three South East England hospitals worth £440K.

Induction Attend Anywhere delivered a total of £10.4 million in revenue and £4.5 million in EBITDA in the full year to 30 June 2021. £3.6 million of revenue was delivered from the date of its acquisition.

Induction Switch is in strong demand from its users but struggled to monetise during the COVID19 pandemic. In the six months to September 2021, Switch delivered £16K of revenues. Whilst the Board continues to focus the majority of the Company's attention on more immediately valuable revenue streams, monetisation efforts are currently underway within the English secondary care market.

At the period end, the Group was reporting £14.4 million of annual recurring revenue, up 929% year-on-year. Recurring revenue for the period accounted for 95% of the total revenue.

Costs have unsurprisingly increased alongside the enlarged customer base, but management are working hard to keep administrative expenses in check while directing expenditure into the continued growth of the business. Development expenses rose to £2.71 million in the period (H1 FY21: £990K). As a result of the higher expenditure following the acquisition of Induction Attend Anywhere, operating losses rose to £5.59 million (H1 FY21: £3.19 million). The adjusted loss before tax for the Group was £2.3 million (H1 FY21: £2.9 million). The adjustments relate to the unwinding of acquisition date fair value adjustments to the contract liabilities of Induction Attend Anywhere (made as part of the purchase price allocation calculations) of £1.7 million (H1 FY21: nil); and acquisition costs of £1.6 million (H1 FY21: £0.3 million). The Group also capitalised software development expenditure of £1.2 million (H1 FY21: £0.7 million) during the period.

The Group ended the first half of FY22 in a strong cash position with £12.8 million on the balance sheet.

Board Committees

Andy Williams, non-executive Director, is joining each of the Group's board committees (Audit, Remuneration and Nomination) with immediate effect and will chair the Nomination Committee.

Outlook

When the Group joined AIM in May 2019, management set out its intention to deliver care more effectively through a portfolio of digital applications brought together through a buy-and-build strategy. At the time, the Group had 76,000 registered users, predominately in the UK, and no revenues. In less than two years, strategic acquisitions and investment in organic growth have resulted in a Group with four key digital applications providing healthcare connectivity and communications in multiple geographies.

Induction ended the first half of the year with £11.4 million of contracted revenue for the full year FY22. Since the period end, the Group has added its first non-healthcare contract with the DWP. This contract is worth up to £2.6 million to the Group for the initial two years. There is also the potential to deliver up to £5.2 million, in aggregate, if the contract is extended across four years. The scope for further public sector contracts outside of the healthcare space is an exciting new potential area of revenue growth.

A key focus for the Group is the renewal of Induction Attend Anywhere contracts in England. The majority of these are one year contracts expiring in March 2022. We currently expect to renew a very high proportion of all existing Induction Attend Anywhere contracts in England, and with many for a longer term of two years or more, although likely at a slightly lower contract value than under the previous one year terms.

With £12.8million of cash on the balance sheet at 30 September 2021, Induction is well placed to continue to deliver on its buy-and-build strategy while maintaining investment in its existing businesses to drive organic growth. The Group continues to have strong sales momentum, recurring revenues, and a pipeline of orders with multi-year contracts. The Board intends to maintain tight control of costs and is confident of exceeding market expectations on EBITDA for the year ending 31 March 2022.

The Board continues to be very positive about the Group's prospects for significant growth in the next 3-5 years as Induction expands its offering globally and beyond secondary care.

James Balmain
Chief Executive Officer

Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the six months ended 30 September 2021

		30 September 2021	30 September 2020
		Unaudited	Unaudited
	Note	£'000	£'000
Revenue from contracts with customers	2	4,593	582
Cost of sales		(997)	(304)
Gross Profit		3,596	278
Sales and marketing expenses	3	(514)	(296)
Development expenses	3	(2,711)	(991)
Administrative expenses	3	(5,959)	(2,087)
Other operating expenses	3	-	(91)
Operating loss before highlighted items		(660)	(2,408)
Highlighted items	4	(4,928)	(779)
Operating loss		(5,588)	(3,187)
Finance Costs		(12)	(4)
Finance Income		-	2
Loss before tax and highlighted items		(672)	(2,410)
Highlighted items	4	(4,928)	(779)
Loss before tax		(5,600)	(3,189)
Taxation		(404)	7
Loss for the financial period		(6,004)	(3,182)
Attributable to:			
Equity holders of the parent		(6,004)	(3,182)
		(6,004)	(3,182)
Loss per share from operations			
- Basic	5	(0.08)	(0.09)
- Diluted	5	(0.08)	(0.09)

Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the six months ended 30 September 2021

		30 September 2021	30 September 2020
		Unaudited £'000	Unaudited £'000
	Note		
Loss for the period		(6,004)	(3,182)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		(59)	(4)
Reclassified to profit and loss during the period		9	(7)
Other comprehensive income for the financial period		50	(11)
Total comprehensive loss for the financial period		(6,054)	(3,193)
Attributable to:			
Equity holders of the parent		(6,054)	(3,193)
		(6,054)	(3,193)
Loss per share:			
Basic loss per share (£)	5	(0.08)	(0.09)
Diluted loss per share (£)	5	(0.08)	(0.09)

Condensed Consolidated Statement of Financial Position
As at 30 September 2021

		30 September 2021	31 March 2021
	Note	Unaudited £'000	Audited £'000
Non-current assets			
Goodwill	8	18,603	9,373
Intangible Assets	8	20,298	5,884
Property, Plant and Equipment		11	15
Deferred tax assets		880	880
		39,792	16,152
Current assets			
Trade and other receivables	9	1,697	896
Contract Assets	2	399	155
Other current financial assets		239	447
Cash and cash equivalents	10	12,842	2,472
		15,177	3,970
Total assets		54,969	20,122
Non-current liabilities			
Contract liabilities	2	(147)	(187)
Deferred tax liabilities		(4,753)	(1,048)
		(4,900)	(1,235)
Current liabilities			
Trade and other payables	11	(2,816)	(1,396)
Contract liabilities	2	(2,510)	(1,027)
		(5,326)	(2,421)
Total liabilities		(10,226)	(3,656)
Net assets/(liabilities)		44,743	16,466
Equity attributable to equity holders of the parent			
Share capital	12	460	210
Share premium	12	43,253	18,432
Translation reserve	12	(59)	(9)
Other reserves	12	1,124	792
Merger reserve	12	19,807	10,879
Accumulated deficit		(19,842)	(13,838)
Total equity		44,743	16,466

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2021

	Share Capital £'000	Share Premium £'000	Translation reserve £'000	Other reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 April 2021	210	18,432	(9)	792	10,879	(13,838)	16,466
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(6,004)	(6,004)
Other comprehensive loss for the period	-	-	(50)	-	-	-	37
Total comprehensive loss for the period	-	-	(50)	-	-	(6,004)	(6,004)
Transactions with owners, in their capacity as owners							
Issue of ordinary shares	179	24,821	-	-	-	-	25,000
Issue of ordinary shares as consideration for a business combination	71	-	-	-	8,928	-	9,000
Equity-settled share-based payments	-	-	-	332	-	-	332
Total contributions by and distributions to owners	250	28,821	-	332	8,928	-	34,332
Balance at 30 September 2021	460	43,253	(59)	1,124	19,807	(19,842)	44,747

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2020

	Share Capital	Share Premium	Translation reserve	Other reserve	Merger reserve	Accumulated deficit	Total equity
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	148	18,432	7	94	(10)	(6,224)	12,447
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(3,182)	(3,182)
Other comprehensive loss for the period	-	-	(11)	-	-	-	(11)
Total comprehensive loss for the period	-	-	(11)	-	-	(3,182)	(3,193)
Transactions with owners, in their capacity as owners							
Issue of ordinary shares as consideration for a business combination	62	10,953	-	-	-	-	11,015
Share-issue costs	-	(64)	-	-	-	-	(64)
Equity-settled share-based payments	-	-	-	262	-	-	262
Total contributions by and distributions to owners	62	10,889	-	262	-	-	11,213
Balance at 30 September 2020	210	29,321	(4)	356	(10)	(9,405)	20,468

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 September 2021

	For the period ended	For the period ended
Note	30 September 2021 £'000	30 September 2020 £'000
Cash flows from operating activities		
Loss for the financial period	(6,004)	(3,182)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	4	-
Amortisation and impairment of intangible assets	1,569	561
Finance costs	12	4
Finance income	-	(2)
Share-based payment expense	332	262
Net foreign exchange differences	49	(10)
Fair value adjustment of contingent consideration	-	91
Net loss arising on fair value adjustments of deferred income	1,742	-
Taxation	404	(7)
	(1,892)	(2,283)
Decrease / (Increase) in trade and other receivables and contract assets	3,911	(75)
(Decrease) / Increase in trade and other payables and contract liabilities	(1,491)	(79)
Interest received	-	2
Interest paid	(12)	(4)
Income taxes paid	(404)	-
Net cash generated from / (used in) operating activities	112	(2,439)
Cash flows from investing activities		
Payments for acquiring businesses, net of cash acquired	(13,486)	(1,987)
Payment of software development costs	(1,207)	(687)
Acquisitions of property, plant and equipment	-	(3)
Net cash from investing activities	(14,693)	(2,677)
Cash flow from financial activities		
Repayments of loans and borrowings	-	(514)
Share issue costs	-	(64)
Share issue proceeds	25,000	-
Net cash from financing activities	25,000	(578)
Net increase in cash equivalents	10,419	(5,694)
Cash and cash equivalents at the beginning of the financial period	2,472	10,718
Effects of exchange rate changes on cash and cash equivalents	(49)	(10)
Cash and cash equivalents at the end of the financial period	12,842	5,014

Notes to the Condensed Consolidated Interim Financial Statements

1. Accounting Policies

1.1. Reporting entity

Induction Healthcare Group PLC (“Induction”, the “Group” or the “Company”) is publicly quoted on the AIM market of the London Stock Exchange (“LSE”), and incorporated, domiciled and registered in the United Kingdom. The registered number is 11852026 and the registered address is 20 St. Dunstan’s Hill, London, United Kingdom, EC3R 8HL. Induction is a leading healthcare technology company helping to streamline delivery of care by providing software to healthcare professionals.

As of 30 September 2021, Induction Healthcare Group PLC comprised of nine 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 6.

1.2. Basis of preparation

These interim financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (“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 most recent annual consolidated financial information included in the annual report and accounts as of and for the year ended 31 March 2020.

The accounting policies applied are consistent with those applied in the most recent consolidated annual report and accounts for the year ended 31 March 2021, which are available on the Company’s website at www.inductionhealthcare.com under “Investors – Financial reports & publications”

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group 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 Group, 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 Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group 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 condensed consolidated financial statements are unaudited and were approved by the Board of Directors and authorised for issue on 1 December 2021 and are available on the Company’s website at www.inductionhealthcare.com under “Investors – Financial reports & publications”.

2. Revenue

2.1 Revenue by performance obligations

	Period to 30 September 2021 £'000	Period to 30 September 2020 £'000
Provision of software	4,382	582
Post-contract support and maintenance	76	-
Set-up services	3	-
Text message revenue	132	-
Total Revenue from contracts with customers	4,593	582

2.2 Revenue by geographical location

	Period to 30 September 2021 £'000	Period to 30 September 2020 £'000
United Kingdom	4,528	529
Europe	6	4
United States	8	13
Rest of World	51	37
Total Revenue from contracts with customers	4,593	582

2.3 Revenue by product line

	Period to 30 September 2021 £'000	Period to 30 September 2020 £'000
Induction Anywhere	3,638	-
Induction Zesty	617	306
Induction Guidance	322	274
Induction Switch	16	2
Total Revenue from contracts with customers	4,593	582

2.4 Timing of revenue recognition

	Period to 30 September 2021 £'000	Period to 30 September 2020 £'000
Services transferred over time	4,451	582
Services transferred at a point in time	142	-
Total Revenue from contracts with customers	4,593	582

2.5 Contract balances

	30 September 2021 £'000	31 March 2021 £'000
Trade receivables	1,039	723
Contract assets	399	155
Contract liabilities	(2,657)	(1,214)

2.6 Performance obligations

The following represents the performance obligations that are expected to be fulfilled within one year, and after more than one year. Performance obligations to be fulfilled within one year include performance obligations for which a contract is in existence, but where the full amount related to the contract has not yet been invoiced and therefore has not yet been recognised in contract liabilities.

	Period to 30 September 2021 £'000	Period to 30 September 2020 £'000
Within one year	6,146	298
More than one year	147	274
	6,292	572

3. Expenses by nature

	Period to 31 September 2021 £'000	Period to 30 September 2020 £'000
Employee benefit expense	3,444	1,963
Contractors	1,520	370
Fundraise and acquisition related transaction costs	1,613	218
Amortisation of intangible assets	1,568	557
Depreciation of property, plant and equipment	4	3
Professional and legal fees	56	234
Research and development expense capitalised	(1,207)	(687)
Remeasurement of contingent consideration	-	92
Fair value adjustments on contract liabilities	1,742	-

Fundraise and acquisition related transaction costs for the period ended 30 September 2021 include the legal, tax, accounting and other professional fees incurred as a result of the £25.0 million fundraiser (refer note 11), and the acquisition of Attend Anywhere (refer Note 5). Fundraise and acquisition related transaction costs for the period ended 30 September 2020 include amounts for the acquisition of Zesty Limited, as well as further costs related to the valuation of Horizon Strategic Partners Limited.

Fair value adjustments on contract liabilities represent the unwinding of the acquisition date fair value adjustment to the contract liabilities of Attend Anywhere, made as part of the purchase price allocation and valuation of identifiable net assets and liabilities. The fair value adjustment is reversed through profit and loss, in the same pattern as the derecognition of the contract liability (ie as the revenue is recognised).

4. Highlighted items

	30 September 2021 £'000	30 September 2020 £'000
Non-recurring fundraise & acquisition related transaction costs	1,613	218
Fair value adjustments on contract liabilities	1,742	-
Other highlighted items	3,355	218
Amortisation and depreciation	1,573	561
Total highlighted items	4,928	779

Highlighted items charge to operating profit comprise significant non-cash charges and major one-off costs, which are highlighted in the income statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance and future profitability of the business.

5. Earnings per share

Basic EPS 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 EPS 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 EPS calculations:

Loss attributable to ordinary shares (basic and diluted)

	30 September 2021 £'000	30 September 2020 £'000
Loss attributable to ordinary shares (basic and diluted)	(6,004)	(3,182)
	(6,004)	(3,182)

Weighted average number of ordinary shares (basic and diluted)

	Period to 30 September 2021	Period to 30 September 2020
Shares in issue on 1 April	42,050,728	29,626,201
Shares issued	35,714,285	-
Shares issued in a business combination	14,285,714	12,424,527
Issued ordinary shares as at the end of the period	92,050,727	42,050,728
Weighted-average number of ordinary shares (basic and diluted)	72,925,044	37,366,070

Basic loss per share	(0.08)	(0.09)
Diluted loss per share	(0.08)	(0.09)

6. Business Combinations *Subsidiaries acquired*

On 9 June 2021, Induction Healthcare Group plc acquired 83.5% of the share capital of Attend Anywhere Pty Limited (“AA”) and 100% of the share capital of A.C.N. 167 231 307 PTY Ltd (“A.C.N.”), which owns 16.5% of the share capital of Attend Anywhere, thereby obtaining 100% control over Attend Anywhere. Attend Anywhere Pty Limited owns 100% of the share capital of Attend Anywhere Limited, a UK subsidiary.

The consideration included payments of £838k in cash for the purchase of net assets at the completion date, cash consideration of £15,560k, plus the issue of 14,285,714 New Ordinary Shares which had a fair value of £9,000k. This brings the total consideration to £25,398k prior to transaction costs.

Attend Anywhere is a leading provider of video consultations in the UK secondary care market, holding national contracts with NHS Scotland, NHS Wales and the HSE in Ireland, alongside a number of regional contracts in England. Attend Anywhere’s proprietary technology, allows users to easily access and use the video service via a common browser, without the need for plug-ins or downloading a native app.

The Group’s strategy is to build a leading and future-forward integrated virtual care platform, incorporating patient onboarding, clinical guidelines, digital communications, online appointment management and, via the acquisition of Attend Anywhere, video consultations. While the current focus is on secondary care, there is scope to migrate into allied care settings, such as primary care, mental health and community care.

Attend Anywhere is a clear strategic fit with Induction and the acquisition will provide a number of commercial, operational and financial benefits, which are expected to create value for shareholders.

Name	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	Consideration transferred £000
Attend Anywhere Pty Limited	Provision of video consulting software	09/06/2021	83.5%	21,207
A.C.N. 167 231 307 PTY Ltd	Investment holding company	09/06/2021	100%	4,191
Attend Anywhere Limited	Provision of support services to group entities	09/06/2021	100%	-

The valuation of separately identifiable assets and liabilities acquired and the determination of goodwill recognised, as disclosed in this note, is presented on a provisional basis and is unaudited.

6.2 Consideration transferred

The following represents the consideration transferred to the owners of Attend Anywhere Pty Limited and A.C.N. 167 231 307 PTY Ltd.

Share consideration	<u>9,000</u>
Cash consideration	<u>16,398</u>
Total consideration transferred	<u>25,398</u>

The fair value of cash consideration equals its carrying value. The fair value of the equity consideration has been determined with references to the market value of the shares of Induction Healthcare Group plc immediately prior to the issue of the consideration shares, adjusted for the impact of a lack of marketability discount of 10%.

6.3 Assets acquired and liabilities recognised at the date of acquisition

The following represents assets acquired and liabilities recognised on acquisition.

	Note	Fair Value recognised on acquisition
		£'000
Non-current assets		
Intangible Assets	7	14,825
Current assets		
Cash and cash equivalents		2,912
Other current assets		4,751
Non-current liabilities		
Deferred tax liability		(3,706)
Other non-current liabilities		(85)
Current liabilities		
Deferred revenue		(1,782)
Other current liabilities		(746)
Total identifiable net assets at fair value		16,168

The separately identifiable intangible assets and valuation techniques used to measure the fair value of these material assets acquired were as follows:

Customer contracts and relationships	Income Approach: With and without method. This method estimates the value of customer related assets by quantifying the impact on cash flows under a scenario in which the customer-related assets must be replaced. The projected revenues, operating expenses, and cash flows are calculated in a "With" and "Without" scenario, and the differential between the cash flows from the two scenarios serve as the basis for estimating the fair value of the customer-related asset.
Technology	Excess Earnings Method: a stream of revenue and expenses are identified with a particular group of assets that are necessary to support the earnings associated with the subject intangible asset. By identifying and subtracting contributory assets, the residual earnings are estimated to be attributable to the subject intangible asset and are discounted to present value at an appropriate discount rate. Replacement cost method. This method establishes value based on the cost of reproducing or replacing the asset, less depreciation from functional or economic obsolescence. A corroborating analysis was performed using the multi-period excess earnings method. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

6.4 Goodwill arising on acquisition

	<u>£'000</u>
Consideration transferred	25,398
Total identifiable net assets at fair value	<u>16,168</u>
Goodwill arising on acquisition	<u>9,230</u>

6.5 Net cash outflow on acquisition

	<u>£'000</u>
Consideration paid in cash	(16,398)
Transaction costs of the acquisition (included in cash flows from operating activities)	(707)
Transaction costs attributable to the issuance of shares (included in cash flows from financing activities, net of tax)	-
Less: cash and cash equivalent balances acquired	2,912
Net cash flow on acquisition	<u>(14,193)</u>

6.6 Impact of acquisition on the results of the Group

From the date of acquisition, Attend Anywhere Pty Limited and A.C.N. 167 231 307 PTY Ltd contributed £3,638k to the revenue of the group and net profits of £1,993k to the 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 £5,886k and contribution of profits to loss before tax from continuing operations for the Group would have been £2,765k.

7. Investments in subsidiaries

Company	Registered number	Principal activities	Country of incorporation	Ownership	
				30 Sept 2021	31 March 2020
Induction Healthcare Limited	11232772	Investment Holding Company	United Kingdom	100%	-
Induction Healthcare (UK) Limited	11237890	Provision of software to healthcare providers	United Kingdom	100%	100%
Induction Healthcare Pty Ltd	625119397	Provision of software to healthcare providers	Australia	100%	100%
Podmedics Limited	6840040	Dormant	United Kingdom	100%	100%
Horizon Strategic Partners Limited	6285278	Provision of software to healthcare providers	United Kingdom	100%	100%
Zesty Limited	08294659	Provision of software to healthcare providers	United Kingdom	100%	100%
Attend Anywhere Pty Ltd	081211707	Provision of software to healthcare providers	Australia	100%	-
Attend Anywhere Limited	11883931	Provision of software to healthcare providers	United Kingdom	100%	-
A.C.N. 167 231 307 Pty Ltd	167231307	Investment Holding Company	Australia	100%	-

8. Goodwill and intangible assets

	Goodwill	Technology	Users	Tradenname	Development costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 31 March 2021	9,790	2,518	1,426	633	3,928	18,295
Recognised on acquisitions	9,230	5,835	6,618	-	2,373	24,056
Internally developed	-	-	-	-	1,207	1,207
Translation differences	-	-	-	-	(48)	(48)
At 30 September 2021	19,020	8,353	8,044	633	7,460	43,510
Amortisation						
Balance at 31 March 2021	417	283	265	83	1,990	3,038
Recognised on acquisitions	-	-	-	-	-	-
Provided during the year	-	494	433	31	611	1,569
Translation differences	-	-	-	-	2	2
At 30 September 2021	417	777	698	114	2,603	4,609
Net book value						
At 31 March 2021	9,373	2,234	1,161	550	1,939	15,257
At 30 September 2021	18,603	7,576	7,346	519	4,857	38,901

9. Trade and other receivables

	30 September 2021 £'000	31 March 2021 £'000
Receivables from third-party customers	1,038	723
Other receivables	20	22
Prepayments	224	151
Social security and other taxes receivable	415	0
	1,697	896
Allowance for credit losses	-	-
	1,697	896

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.

10. Cash and cash equivalents

	30 September 2021 £'000	31 March 2021 £'000
Cash at banks and on hand	8,242	872
Short-term deposits	4,600	1,600
Cash and cash equivalents per the statement of financial position and cash flow statement	12,842	2,472

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.

11. Trade and other payables

	30 September 2021 £'000	31 March 2021 £'000
Trade payables	1,217	289
Accruals	1,021	760
Social security and other taxes	193	277
Other payables	66	70
Current tax payable	319	-
	2,816	1,396

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.

12. Capital and Reserves

12.1 Share Capital

	2021		2020	
	No. of shares (‘000)	£'000	No. of shares (‘000)	£'000
In issue at 1 April	42,051	210	29,627	148
Issue of ordinary shares as consideration for a business combination	14,286	71	12,425	62
Issue of ordinary shares	35,714	179	-	-
In issue at 30 September	92,051	460	42,052	210

12.2 Share Premium

	2021 £'000	2020 £'000 (Restated)
At 1 April	18,432	18,432
Issue of ordinary shares as consideration for a business combination	24,821	-
At 30 September	43,253	18,432

12.3 Merger Reserve

	2021 £'000	2020 £'000 (Restated)
At 1 April	10,879	(10)
Issue of ordinary shares as consideration for a business combination	8,928	10,953
Transaction costs on issue of shares	-	(64)
At 30 September	19,807	10,879

During the completion of the annual report and accounts for 31 March 2021, amounts recognised in share premium that related to the issuance of ordinary shares as consideration for a business combination were reclassified to the merger reserve. Management have therefore restated the amounts presented for the merger reserve and for the share premium for the 6 months ended 30 September 2020 to reflect this.

13. Related Parties

Transactions with key management personnel

The compensation of key management personnel (directors) is as follows:

	30 September 2021 £'000	30 September 2020 £'000
Short-term employee benefits	384	431
Post-employment pension and other benefits	6	25
Termination benefits	-	-
Share based payment transactions	123	148
Key management remuneration including social security costs	513	605
Total compensation paid to key management personnel	513	605