30 April 2019

Inspiration Healthcare Group plc

("Inspiration Healthcare" or the "Group")

Preliminary Results for the year ended 31 January 2019

Inspiration Healthcare Group plc (AIM: IHC), the global medical device company, today announces its preliminary results for the twelve months ended 31 January 2019 ("FY2019").

Financial highlights:

- EBITDA[1] up 13% to £1.65m (FY2018: £1.45m)
- Revenue stable at £15.5m (FY2018: £15.5m), constrained by well publicised industry wide regulatory delays
- Operating Profit of £1.2m in line with expectations (FY2018: £1.2M)
- Record International sales up 12% to £5.4m (FY2018: £4.8m), with the strongest growth coming from the USA with sales up 71%
- New products launched generated revenues of £1.4m in FY2019, showcasing the Group's well-established product development pipeline
- Cash remains strong, ending the year at £2.5m (2018: £2.1m)

[1] Earnings before interest, taxation, depreciation, amortisation and share based payments ("EBITDA")
See Operating and Financial Review for reconciliation

Operational highlights:

- Launched the Alphacore[5] Patient Warming System, which provides safe and controlled warming to assist in the maintenance of normothermia
- The Group received its largest ever order for a Patient Warming System, with 500 Alphacore[5] systems being shipped to over 200 hospitals for treating newborn babies throughout Poland
- Strong product pipeline with a Licence Agreement signed with a major US university to allow us to develop a novel respiratory device ("Project Wave")
- Received certification to Medical Device Single Audit Programme in 4 countries (USA, Canada, Japan and Australia) and ISO 13485:2016, which reduces the need for external audits, positioning the Company well to increase sales in these territories
- Strengthened senior management team with Head of Operations appointment
- Won a Queens's Award for Enterprise

Neil Campbell, Chief Executive Officer, said today: "I am pleased that we have achieved our profit expectations for a year in which the regulatory issues that consume our industry provided us with many challenges and constrained our revenue growth. The investment we have made in key areas of our business has started to pay off with 9% of revenues coming from new products, including the recently launched Patient Warming System, and 12% growth in international revenues. We have strengthened our management team and passed two new major Quality Management System audits which will allow us to capitalise on recent international growth. With a strong order book at the beginning of the new year, I am confident that we are well placed to achieve our expectations for the year ahead."

Enquiries:

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About Inspiration Healthcare

Inspiration Healthcare (AIM: IHC) is a global supplier of medical technology for critical care, operating theatre and other medical applications. The Company provides high quality innovative products to patients and caregivers around the world that help to improve patient outcomes and efficiencies of healthcare organisations with patient focused customer service and technical support.

The Company's own brand of critical care solutions span non-invasive respiratory management, thermoregulation and diagnostics, and patient warming for newborns through to adults in intensive care and the operating theatre, whilst the distribution business supplies solutions to support specialised surgical procedures and infusion therapies.

Present in over 50 countries worldwide, Inspiration Healthcare's success has been built on continuous innovation, excellent customer service and an inherent commitment to improving the quality of life of patients, working in close collaboration with key opinion leaders and stakeholders in the clinical and medical community across the globe.

Further information on Inspiration Healthcare can be seen at www.inspiration-healthcare.com.

Chairman's Report

The Group is one full of energy and positivity and a desire to make a genuine difference to the outcome of some of the most fragile patients and therefore I am pleased to write to you again on another year of progress at Inspiration Healthcare Group plc.

For the year ended 31 January 2019 ("FY2019"), we met our operating profit expectations at £1.2 million (FY2018: £1.2 million) with EBITDA[1] improving by 13% from £1.45 million to £1.65 million. This was achieved through increasing gross margin from 44% in FY2018 to 45% in FY2019, prudent management of overheads and the timing of investment - trying to balance the impact on profits with the benefit for long term growth. Underlying diluted Earnings per Share ("EPS")[2] declined by 0.06 pence per share, due to a slightly higher tax charge.

The Group's revenue was flat at £15.5 million and although this is disappointing, it is the first time after 15 years of successive revenue growth and needs to be seen in the context of the wide changes taking place within our industry and the current global trade tensions and uncertainties. Despite these uncertainties it is notable that we increased our International revenue by 12%. Changing our distributor in the USA has had a positive impact at the end of the year and we expect this new relationship to have long term benefits for other products that we will seek market authorisation for.

The year has also been difficult due to the continuing regulatory hurdles that are engulfing the industry. It has been widely reported by many commentators that the regulations are changing rapidly and causing issues within the industry as a whole. As at end of March 2019, the number of Notified Bodies for Medical Devices was 58, falling from 75 in 2013, putting unprecedented strain on those that remain. It is therefore noteworthy that we have invested in our staff and systems and continue to do so. This has put us in a strong position to ensure compliance to these new regulations and also to minimise the impact that Brexit will have on our medical devices being placed on the market in the UK and in the EU.

We could not have estimated the true impact of the regulatory delays caused by these changes, the knock-on effect of registering products, supplying customers, and building the supply chain. Clearly these were greater than we first thought. However, we have new products launched and registered in most key markets and have been making plans as to how to maximise revenues with our distribution partners to make these products a success.

Our investment in our management team has continued this year to create a strong platform for growth. Our management team has been strengthened with the new position of Head of Operations, improving our efficiencies in this core area of our business as well as putting in place the building blocks for further expansion. We welcome Nigel Weston to the company in this new role.

[1] Earnings before interest, taxation, depreciation, amortisation and share based payments
[2] EPS before significant prior year tax amendments
See Operating and Financial Review for reconciliation

As an international business importing and exporting around the world, Brexit took up substantial time for contingency planning regardless of the outcome. As many others have noted, the continued lack of clarity on Brexit was unhelpful, stretching resources that could have been utilised elsewhere to the benefit of the business. We naturally increased our stock holding and worked through issues with suppliers, principals and distributors alike, and of course we worked closely with the Department of Health and Social Care ensuring that regardless of the outcome we would be able to supply the NHS with life-saving medical devices. We are confident that we have done everything we can to prepare the Group for any scenario and will continue to do so.

Last year we stated that we would continue to invest in R&D and we have continued to do so. Although overall spend declined from 6.2% of revenue in FY2018 to 4.1% in FY2019 due to capital spend being lower because of timing of certain projects, I can report that we increased our investment in in-house R&D staff resources by 39% in FY2019. Bringing more resources in house will mean we are more efficient in the future.

Employees

I am proud of the way our staff rose to the challenges during the year. They tenaciously chased opportunities, worked hard to realise those that were achievable and acted thoroughly professionally throughout the difficult times. We will continue to invest in our staff as our most valuable asset and create an environment they can be proud to work in. On behalf of the Board I thank them sincerely for their endeavours.

Outlook

We now have key new products registered in over 40 countries and our sales team are now working hard with our distributors to establish these products, further building on the current sales that have already achieved £1.4 million in the last financial year.

We will continue to implement our strategy to develop the Group into world leader in Neonatal Intensive Care through organic growth and acquisitions. The Group continues to look for acquisitions both of technology / products and companies, although it is difficult to predict the exact timing of any of these opportunities.

The opportunity from our recent licence agreement with a major US based university ("Project Wave") is extremely exciting. It reflects our approach to developing disruptive technologies in neonatal intensive care.

We have a strong R&D pipeline and with the strengthening of management and the accreditation to Medical Device Single Audit Program ("MDSAP") and ISO 13485:2016, we have positive times ahead. We expect to benefit from the improvement in higher margins from our new products. The new year has started with a very healthy order book and we look forward to maintaining this momentum to deliver double digit revenue growth.

Mark Abrahams
Chairman
30th April 2019

Going Concern

The Group has prepared a budget for the year ended 31 January 2019 and financial projections for the following two years. Having due consideration of these projections and available cash at 31 January 2019 of £2.5 million, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

Operating and Financial Review

Our revenue for the year ended 31 January 2019 ("FY2019") was £15.5 million, in line with FY2018 owing to the well-publicised regulatory delays for new products and their EC certification which have constrained revenue growth.

EBITDA[1] increased by 13% to £1.65 million (FY2018: £1.45 million). Operating profit was £1.2 million in line with FY2018 and our expectations. Operating margin for FY2019 was 7.8% (FY2018:7.8%). Profit after tax was £1.1 million, lower than FY2018 (£1.2 million) due to a higher year on year net taxation charge. Diluted EPS was 3.56p per share (FY2018: 3.98p). Underlying diluted EPS[2] decreased by 1.7% to 3.40p per share (FY2018: 3.46p).

Revenue

During the year our plans to launch new products were frustrated by significant delays experienced in obtaining an updated Quality Management System certificate and a CE Mark approval for our upgraded Patient Warming System, the AlphaCore5, which delayed product registrations. The AlphaCore5 patient warming system ("PWS") was consequently not launched until July meaning loss of momentum which hampered second half revenue growth. As in prior years, revenues were still weighted towards the second half ("H2") which accounted for £8.1 million (FY2018: £8.3 million) or 52% of full year revenues.

Our international revenue grew by 12.4% to £5.4 million, with particularly strong growth in North America (up 71%) due to increased sales of the Tecotherm product range. Domestic revenue declined by 5.6%, largely due to a reduction in capital sales of ventilators.

Products developed in-house and launched within the last 18 months include the Inspire rPAP driver, the PWS, the upgraded LifeStart and the Unique+ CFM. Revenues generated from these products in FY2019 amount to £1.4 million. These new products accounted for 9% of FY2019 revenue which, together with Tecotherm revenue growth, offset the decline in the variable capital element of our Distributed Products in Critical Care and the gradual decline of our older licenced products (including Inspire nCPAP).

Market Sectors

Critical Care £10.7 million, -5% year on year
Our Critical Care sector declined by 5%, largely due to the decline in capital sales of ventilators and Inspire nCPAP mentioned above. Domestically this is largely a replacement market, subject to capital budget constraints and can thus fluctuate significantly year-on-year. New business expected to replace this was not forthcoming due to delays in new product certification. The Inspire nCPAP is considered a generic product and hence subject to pricing pressures.

Operating Theatre £1.7 million, +4% year on year
Revenue in this sector came back to growth after two years of decline following our decision to upgrade the patient warming system, which can also be used to enhance the LifeStart. Even though we suffered significant delay in receiving the EC certification, revenue from the AlphaCore5 enabled this sector to achieve overall growth in H2.

Home Healthcare £3.1 million, +15% year on year
Our Distributed Product range of parenteral feeding products continues to grow strongly in line with our expectations.

Gross Profit
Gross Profit of £7.0 million (FY2018: £6.8 million) increased by 4% due to a year-on-year increase in gross margin from 43.9% to 45.5%. Revenue from Inspiration Branded products, which typically generate higher gross margins than our Distributed products, increased to 46% of revenue (FY2018: 45%) or £7.2 million, thus generating a higher gross margin blend.

Operating Expenses
Operating expenses amounted to £5.8 million (FY2018: £5.6 million) with year-on-year increases limited to 4.4%. We made additional investment in the management team, whilst sales commission and bonus expense reduced year-on-year as not all sales targets were achieved. Depreciation and amortisation have increased by £0.1 million with amortisation of capitalised product development costs having commenced from the date the products were released to market.

EBITDA[1]
EBITDA[1] amounted to £1.65 million, an increase of £0.19 million over the prior year due to increased gross profit and cash-based overheads being kept broadly flat. EBITDA margin improved from 9.4% to 10.7%.

[1] Earnings before interest, taxation, depreciation, amortisation and share based payments ("EBITDA")

Reconciliation from operating profit	FY2019	FY2018
	£000's	£000's
Operating Profit per Income Statement	1,213	1,204
Add back:		
Depreciation and amortisation	364	230
Share based payments	71	20
EBITDA	1,648	1,454

Operating Profit
At £1.2 million, Operating Profit was in line with the prior year with increased gross profit offsetting slightly higher overheads.

Taxation
The Group has recorded an income tax charge of £116,000 (FY2018: credit of £21,000). This is net of current tax credits for the previous year amounting to £104,000 (FY2018: £183,000) and a related additional deferred tax charge of £56,000 (FY2018: £nil) arising from revised computations for that year. The effective tax rate in FY2019, adjusted to exclude significant prior year amendments, was 13.5% (FY2018: 13.5%) For more detail see note 3 to this announcement.

Earnings Per Share
EPS (basic) was 3.6p per share (FY2018: 4.0p); diluted EPS (allowing for share options outstanding) was 3.6p per share (FY2018: 4.0p). Underlying diluted EPS[2] was 3.4p per share, down 2% on FY2018 (3.5p). The slight year on year declines were due to the higher net tax charge set out above.

[2] EPS (diluted) before significant prior year tax amendments

Reconciliation from Diluted EPS	FY2019	FY2018
	Pence	Pence
Diluted EPS as reported (see note 4)	3.56	3.98
Adjust for significant prior year tax amendments	(0.16)	(0.52)
Underlying Diluted EPS	3.40	3.46

Cash flow
Cash and cash equivalents as at 31 January 2019 amounted to £2.5 million, an increase of £0.45 million over the year. Net cash generated from operating activities was £0.8 million, £0.1 million lower than in FY2018. Before tax paid/recovered, cash generated from operations of £1.0 million was £0.1 million higher than FY2018. In FY2018 we received a prior year tax recovery of £0.2 million which was not repeated in FY2019. Investing activities totalled £0.4 million (FY2018: £1.0 million), primarily consisting of capitalised development expenditure of £0.3 million to complete the PWS, but lower than the £0.7 million spent in FY2018 on the same project and completing the three products that we launched towards the end of that year.

Net Assets
The value of Non-Current Assets as 31 January 2019 at £1.8 million was in line with FY2018 as amortisation and depreciation offset capital spend in the year. Our investment in Neuroprotexeon Ltd ("NPXe"), the drug device technology company, which represents 9.6% of the current issued share capital (8.6% fully diluted), remains unchanged and valued at cost of £111,000.

Inventory increased by £0.2 million to £0.7 million, primarily as a result of a depletion of inventory levels at 31 January 2018. Trade and other receivables of £3.1 million were broadly similar to the prior year, with minimal loss allowance in either year. Trade and other payables decreased by £0.5 million to £2.2 million reflecting a changed mix of products sold in January 2019 and related payment terms of the relevant suppliers, together with reduced sales commission and bonus accruals.

Net Assets increased by £1.2 million or 27% to £5.5 million.

Review of Business and Future Developments
On a Group basis the business review and future prospects are set out in the Chairman's Report above. The Board believes that overall the Annual Report and Consolidated Financial Statements are fair, balanced and understandable.

Share Price during the Year
The range of market prices during the year 1 February 2018 to 31 January 2019 was 47.0p to 76.0p and the mid-market price of the Company's shares at 31 January 2019 was 58.0p.

Mike Briant
Chief Financial Officer
30th April 2019

Consolidated Income Statement

for the year ended 31 January 2019

	Note	**2019 £'000**	2018 £'000
Revenue	2	**15,487**	15,495
Cost of sales		**(8,445)**	(8,709)
Gross profit		**7,042**	6,786
Operating expenses		**(5,829)**	(5,582)
Operating profit		**1,213**	1,204
Finance income		**6**	-
Finance costs		**-**	(2)
Profit before tax		**1,219**	1,202
Income tax	3	**(116)**	21
Profit for the year attributable to owners of the parent company		**1,103**	1,223
Earnings per share, attributable to owners of the parent company			
Basic expressed in pence per share	4	**3.60p**	3.99p
Diluted expressed in pence per share	4	**3.56p**	3.98p

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2019

	Note	**2019 £'000**	2018 £'000
Profit for the year		**1,103**	1,223
Other comprehensive expense			
Items that may be reclassified to profit or loss			
Cashflow hedges		**(6)**	(3)
Total other comprehensive expense for the year		**(6)**	(3)
Total comprehensive income for the year		**1,097**	1,220

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Company profit and loss account.

Consolidated and Company Statement of Financial Position

as at 31 January 2019
(Registered Number: 03587944)

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Assets					
Non-current assets					
Intangible assets		**1,293**	1,209	**-**	-
Property, plant and equipment		**408**	461	**-**	-
Investments		**111**	111	**7,156**	7,156
Deferred tax asset		**-**	-	**11**	-
		1,812	1,781	**7,167**	7,156
Current assets					
Inventories		**718**	560	**-**	3
Trade and other receivables		**3,107**	3,066	**37**	52
Cash and cash equivalents	**5**	**2,539**	2,086	**675**	668
		6,364	5,712	**712**	723
Total assets		**8,176**	7,493	**7,879**	7,879
Liabilities					
Current liabilities					
Trade and other payables		**(2,210)**	(2,756)	**(127)**	(959)
Financial liability		**(9)**	(3)	**-**	-
Contract liabilities		**(319)**	(328)	**-**	-
		(2,538)	(3,087)	**(127)**	(959)
Non-current liabilities					
Contract liabilities		**-**	(7)	**-**	-
Deferred tax liability		**(105)**	(34)	**-**	-
		(105)	(41)	**-**	-
Total liabilities		**(2,643)**	(3,128)	**(127)**	(959)
Net assets		**5,533**	4,365	**7,752**	6,920
Shareholders' equity					
Called up share capital		**3,067**	3,067	**3,067**	3,067
Reverse acquisition reserve		**(16,164)**	(16,164)	**-**	-
Share based payment reserve		**91**	20	**246**	175
Other reserves		**(9)**	(3)	**-**	-
Retained earnings		**18,548**	17,445	**4,439**	3,678
Total equity		**5,533**	4,365	**7,752**	6,920

The Company's profit for the year ended 31 January 2019 is £761,000 (2018: loss £530,000).

Consolidated Statement of Changes in Shareholders' Equity

Group	Issued share capital £'000	Share premium account £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Share based payment reserve £'000	Other Reserves £'000	Retained earnings £'000	Total £'000
At 1 February 2017	**3,067**	**9,929**	**4,600**	**(16,164)**	-	-	**1,693**	**3,125**
Profit for the year	-	-	-	-	-	-	1,223	**1,223**
Other comprehensive expense	-	-	-	-	-	(3)	-	**(3)**
Total comprehensive income/ (expense) for the year	**-**	**-**	**-**	**-**	-	**(3)**	**1,223**	**1,220**
Transactions with owners in their capacity of owners								
Employee share scheme expense	-	-	-	-	20	-	-	20
Capital reduction exercise:								
- Issue of B Shares to Capitalise Merger Reserve	4,600	-	(4,600)	-	-	-	-	-
- Cancellation of B Shares	(4,600)	-	-	-	-	-	4,600	-
- Cancellation of Share Premium Account	-	(9,929)	-	-	-	-	9,929	-
Total transactions with owners	-	**(9,929)**	**(4,600)**	**-**	**20**	**-**	**14,529**	**20**
At 31 January 2018	**3,067**	**-**	**-**	**(16,164)**	**20**	**(3)**	**17,445**	**4,365**
Profit for the year	-	-	-	-	-	-	1,103	**1,103**
Other comprehensive expense	-	-	-	-	-	(6)	-	**(6)**
Total comprehensive income/ (expense) for the year	**-**	**-**	**-**	**-**	-	**(6)**	**1,103**	**1,097**
Transactions with owners in their capacity of owners								
Employee share scheme expense	-	-	-	-	71	-	-	**71**
Total transactions with owners	-	**-**	**-**	**-**	**71**	**-**	**-**	**71**
At 31 January 2019	**3,067**	**-**	**-**	**(16,164)**	**91**	**(9)**	**18,548**	**5,533**

Consolidated Cash Flow Statement

for the year ended 31 January 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	6	**995**	919
Interest paid		**-**	(2)
Taxation received		**-**	161
Taxation paid		**(147)**	(126)
Net cash generated from operating activities		**848**	952
Cash flows from investing activities			
Interest received		**6**	-
Purchase of property, plant and equipment		**(101)**	(254)
Purchase of intangible assets		**(24)**	(68)
Capitalised development costs		**(276)**	(688)
Acquisition of investment		**-**	(5)
Net cash used in investing activities		**(395)**	(1,015)
Cash flows from financing activities			
Finance leases		**-**	(16)
Net cash used in financing activities		**-**	(16)
Net increase/(decrease) in cash and cash equivalents		**453**	(79)
Cash and cash equivalents at the beginning of the year		**2,086**	2,165
Cash and cash equivalents at the end of the year		**2,539**	2,086

1 Accounting Policies

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

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

Basis of preparation

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

There is no ultimate controlling party.

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

The group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. No material impact to the accounts was noted.

Going concern basis

On the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and, therefore, consider it appropriate to prepare the financial statements on the going concern basis. Further information on the group's cash resources is given in note 5 to this announcement.

Alternative financial measures

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

2 Revenue

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

Geographical analysis of revenue for the years ended 31 January 2019 and 31 January 2018 is as follows:

	2019	2018
	£'000	£'000
Domestic		
- UK	**9,772**	10,338
- Ireland	**351**	384
International		
- Europe	**2,853**	2,759
- Asia Pacific	**320**	352
- Middle East & Africa	**782**	795
- Americas	**1,409**	867
Total	**15,487**	15,495

Significant categories of revenue

	2019 £'000	2018 £'000
Revenue recognised at a Point in Time		
- Own Branded Products	**7,180**	6,949
- Distributor Products	**6,341**	6,500
- Other	**272**	212
Revenue recognised Over Time		
- Technical Support	**1,694**	1,834
	15,487	15,495

No single customer accounted for more than 10% of revenue.

The Group recognises revenue at a point in time where there is a distinct obligation to transfer goods to the customer. The Group recognises revenue over time where there is an obligation to transfer a service to the customer.

3 Income tax

(a) Analysis of tax charge for the year

	2019 £'000	2018 £'000
Domestic current year tax *		
UK corporation tax –		
current year	**150**	145
prior year adjustment	**(104)**	(187)
Total current tax expense/(credit)	**46**	(42)
Deferred tax		
origination and reversal of temporary timing differences	14	17
prior year adjustment	**56**	4
Total deferred tax	**70**	21
Tax expense/(credit) on profit on ordinary activities	**116**	(21)

* All tax in both 2019 and 2018 arose in the UK.

(b) Analysis of current tax assets and liabilities

	2019 £'000	2018 £'000
Net liability at the beginning of the year	**(70)**	(77)
Tax payments		
Final payments relating to prior year	**70**	50
Payments on account relating to current year	**77**	76
Total tax payments made during the year	**147**	126
Tax receipts in relation to prior year	**-**	(161)
Current year UK corporation tax charge	**(149)**	(145)
Other	**(2)**	-
Prior year adjustment	**104**	187
Net asset/(liability) at the end of the year	**30**	(70)

(c) Factors affecting tax charge for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK 19.00% (2018: 19.16%) as explained below:

	2019 £'000	2018 £'000	**Effective Tax Rate 2019 %**	**Effective Tax Rate** 2018 %
Profit on ordinary activities before taxation	**1,219**	1,202		
Tax using the effective UK corporation tax rate of 19.00% (2018: 19.16%)	**232**	230	19.0	19.2
Effects of:				
Fixed asset differences	**(5)**	-	(0.4)	-
Non-deductible expenses	**14**	9	1.2	0.7
Timing differences	**(14)**	-	(1.2)	-
Additional deduction for research and development	**(63)**	(77)	(5.1)	(6.4)
Adjustments to tax charge in respect of prior years	**(48)**	(183)	(4.0)	(15.2)
Total tax expense/(credit)	**116**	(21)		
Effective tax rate			9.52	(1.7)
Effective tax rate adjusted for significant prior year amendments			13.5	13.5

The effective tax rate excluding significant prior year amendments are similar for both FY2019 and FY2018. The largest factor impacting the adjusted effective tax rate is the value of R&D tax credits. This depends upon the level of expenditure incurred in research and development on qualifying projects, which may vary from year to year. Amendments in respect of prior years largely reflect the difference between the tax calculation for accounts purposes and the final tax returns. The main differences relate to claims for qualifying R&D tax credits.

The Research and Development Expenditure Credit (RDEC) scheme for large companies became compulsory from 1 April 2016. The RDEC provides relief against the corporation tax liability for the company of 11% on the amount of qualifying R&D expenditure.

Changes to the UK corporation tax rates were announced as part of the Chancellor's Budget on 16 March 2016. The change announced was to reduce the main rate of corporation tax to 17% from 1 April 2020.

As the change to 17% had been substantively enacted by the balance sheet date, deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

(d) Factors that may affect future tax charges

The group has gross unused losses estimated at £7,596,000. Brought forward losses transferred to the Group due to the reverse acquisition amount to £7,596,000 and are potentially available for relief against future trading profits generated from the same trade.

4 Earnings per ordinary share

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

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

	2019 **£'000**	2018 £'000
Profit		
Profit attributable to equity holders of the company	1,103	1,223
Numerator for adjusted earnings per share calculation	1,103	1,223

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

	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**30,667,548**	30,667,548
Dilutive effect of potential Ordinary shares: share options	**316,520**	66,449
Diluted weighted average number of shares in issue during the year for the purposes of diluted earnings per share	**30,984,068**	30,733,997

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

	Basic	**Diluted**	Basic	Diluted
	2019 pence	**2019 pence**	2018 pence	2018 pence
Earnings per share	**3.60**	**3.56**	3.99	3.98
Adjust for:				
Significant prior year tax recoveries	**(0.16)**	**(0.16)**	(0.52)	(0.52)
Underlying earnings per share	**3.44**	**3.40**	3.47	3.46

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

5 Cash and cash equivalents

Cash and cash equivalents comprise solely of cash at bank and cash in hand held by the Group.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Pounds sterling	**1,946**	1,567	**664**	659
Euro	**328**	280	**6**	5
US Dollars	**259**	236	**5**	4
JPY	**6**	3	**-**	–
Balances per statement of cashflows	**2,539**	2,086	**675**	668

6 Note to the Consolidated Statement of Cash Flows

	2019	2018
	£'000	£'000
Profit before taxation	**1,219**	1,202
Adjustments for:		
Net finance (Income)/Expense	**(6)**	2
Depreciation and amortisation	**364**	230
Employee share scheme expense	**71**	20
Loss on disposal of tangible asset	**3**	10
Loss on disposal of intangible asset	**3**	-
(Increase)/Decrease in inventories	**(158)**	218
Increase in trade and other receivables	**(11)**	(575)
Decrease in trade and other payables	**(474)**	(130)
Decrease in deferred income	**(16)**	(58)
Cash generated from operations	**995**	919

7 Related party transactions

Neuroprotexeon Limited

At the year-end date the Group held 9.6% (2018: 10.0%) of the issued ordinary share capital of Neuroprotexeon Limited (8.6% fully diluted (2018: 8.6%)).

Neil Campbell resigned as a Non-Executive Director of Neuroprotexeon Limited on 21 June 2018.

Key management

Directors control 28% of the voting shares of the legal parent company. Key management comprise the Group's Executive and Non-executive Directors.

Forward looking statements

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

Annual Report

A further announcement will be made when the 2019 Annual Report and Financial Statements are available on the Company's website (www.inspiration-healthcare.com) and copies are sent to shareholders.