

## **InHealth Group Limited**

### **Directors' Report and Financial Statements for the Year Ended 30 September 2021**



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## Company Information

|                    |                                                                                                |
|--------------------|------------------------------------------------------------------------------------------------|
| Directors:         | R J Bradford<br>S J Scott                                                                      |
| Registered Office: | Beechwood Hall<br>Kingsmead Road<br>High Wycombe<br>Buckinghamshire<br>HP11 1JL                |
| Registered Number: | 04620480 (England and Wales)                                                                   |
| Auditor:           | KPMG LLP<br>Statutory Auditor<br>Challenge House<br>Sherwood Drive<br>Milton Keynes<br>MK3 6DP |
| Bankers:           | Bank of Scotland<br>4th Floor<br>25 Gresham Street<br>London<br>EC2V 7HN                       |

## Strategic Report

Constantly increasing demand for healthcare is an ongoing challenge for the UK as well as the rest of the world, with a clear need for providers to increase efficiencies and introduce new models of care, whilst increasing focus towards prevention and early detection. This requires changes in operating systems, location, leadership, culture, capability and considerable capital investment. InHealth supports these requirements, working with patients, providers, commissioners and referrers. Our flexible and dynamic approach is helping to meet some of healthcare's most pressing challenges; by reducing waiting times, moving non-emergency care out of the hospital setting, speeding up diagnoses, saving money and improving the overall patient experience. We invest capital and design and adapt our solutions to meet changing demands from region to region. We work collaboratively with the NHS seeking to enhance and improve performance continuously.

The pace of change in healthcare also means that tailor-made, flexible solutions often need to be delivered quickly and InHealth can offer shorter term mobile services delivering operational and financial benefits. InHealth demonstrates efficiencies by investing in the best, most modern equipment, thus minimising downtime and maximising utilisation of assets and strives to improve speed, quality and value through productivity and innovation.

The continued prevalence of Covid-19 has created large waiting lists of patients seeking clinical assessments and procedures. This is apparent notably in Elective care, Cancer pathways as well as a number of other disease areas. It is clear that Diagnostic scans and tests are a key requirement in the reduction of waiting lists and that Prevention and assessments will be increasingly prevalent in the future. It is also clear that there is an increasing trend to deliver these tests, scans and assessments in out of hospital settings.

We provide tests, scans and examinations for more than 3 million patients per annum, from over 800 clinical locations across the UK. We have a clear vision across all our services; to make healthcare better; by providing a quick, easily accessible and accurate assessment of every patient's condition enabling the right treatment to be delivered swiftly and effectively.

### Covid-19

Covid-19 has remained a significant impact on the Group during the financial year. Clinical restrictions remain in place across a number of service areas reducing available clinical capacity. A number of service areas saw activity remaining below pre-pandemic levels throughout the period. Some service areas, for example our screening programmes, have had heightened pressure to recover programmes. The Group has also suffered from increased sickness, illness and isolation absence of staff due to the prevalence of Covid-19 during the year. As a result of careful management during this period the Group did not need to make redundancies or draw on furlough support, nor has it done since the beginning of the pandemic back in March 2020.

There remains an ongoing lack of appropriate capacity for certain diagnostic services in the UK. The pandemic has resulted in a change to operating practices, digital engagement and patient interactions, accelerated the separation of inpatient and outpatient environments and enabled clearer collaborations between providers; however, it is clear that the delays in screening and diagnostic tests have created increased waiting lists and there is pent up patient demand.

Against this backdrop it is disappointing that our planned capital investment to support our NHS partners by providing additional capacity has been lower than expected due to commissioning delays. The Group has historically invested large amounts of capital expenditure into services for NHS patients and this remains our intention and strategic direction.

Over the next 12 months services which have remained impacted by Covid-19 are expected to gradually recover as the backlog in diagnostic and screening tests is addressed and clinical restrictions can be eased. Government restrictions are expected to lift over time and while the economic impact may continue in the UK, the demand for healthcare services is anticipated to remain high. The Directors consider that the outlook for the Group remains strong and that it will continue to develop new and innovative patient services to make Healthcare better whilst remaining an essential partner for the NHS during this recovery period and beyond.

## **Strategic Report** *(continued)*

### **Covid-19** *(continued)*

The Directors have assessed forecasts for the next 12 month period from the date of the approval of the Financial Statements including the potential impact of a slower recovery of services and considers that sufficient funds are available to meet liabilities as they fall due and therefore prepared the Financial Statements on a going concern basis (see note 1.2 for further information on the going concern basis of preparation).

### **Key performance indicators**

Management monitors progress by reference to Key Performance Indicators (KPIs), which include clinical indicators, patient satisfaction, staff engagement, revenue, margin return on revenue and profit before tax.

The Group's revenue in the year for continuing operations was £218.0 million (2020: £176.6 million), generating a profit after tax for the year at £8.0 million (2020: loss after tax £1.6 million).

Despite the impact of the pandemic, patient satisfaction, measured using the Friends and Family Test, showed that over 98% (2020: 97%) of our patients actively recommend our services.

InHealth Group Limited has again not paid any dividends and instead has continued to reinvest cash generated back into the Group to support future growth.

### **Progress through the year**

Despite the impact of Covid-19 InHealth continues to look to strengthen its service offer to its customers.

We completed our radiology investment at Croydon Health Service NHS Trust, and have continued to invest in our mobile fleet capacity with additional MRI and CT scanners together with further endoscopy units added to the fleet. We are supporting 4 programmes in the first wave of pilots for Targeted Lung Health Checks.

The Group anticipates that as the impact of the pandemic reduces it will continue to have opportunities to grow where healthcare challenges meet with our skills and capabilities to offer clinical excellence, efficiency and productivity benefits to our patients and customers.

The Directors consider the strategic position of service lines provided by the Group on a regular basis and following a review, made the decision to sell InHealth Pain Management Services to Connect Health on 23 December 2020 as it was considered a non-core service for the Group.

### **Growing capacity and maintaining equipment to high standards**

Throughout the year and since the year end the Group has continued to invest in growing equipment capacity, often ahead of contracted demand. A rigorous policy is followed to keep all assets maintained to a high standard including regular upgrades to keep equipment current with technology developments. Movements in fixed assets during the year are set out in note 9 to the Financial Statements.

### **Principal risks and uncertainties**

#### **Financial risk management**

During the year the Group's operations exposed it to certain financial risks such as foreign currency risk, credit risk, liquidity risk, interest rate risk, political risk and economic risk as described below.

#### **Foreign currency risk**

The Group's transactions are predominantly in Sterling, but some transactions are in other currencies and the Group is therefore exposed to the movement in foreign currency exchange rates. The risk is considered low due to the volume and value of transactions that occur.

## **Strategic Report** *(continued)*

### **Credit risk**

The Group's principal financial assets are bank balances and trade debtors, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade debtors. The Directors provide robust guidelines to minimise credit risk however, given the nature of its customers, the Group does not have significant exposure in this area.

### **Liquidity risk**

The Group's policy has been to ensure continuity of funding for operations via additional credit facilities to aid short-term flexibility. The Group has a strong cash position, has cash generation ability and maintains overdraft facilities (that have yet to be drawn upon) to ensure that obligations associated with the financial liabilities of any subsidiary can be met. The Directors are satisfied that the Group can meet the obligations associated with its financial liabilities and believe there is no material risk of the Group not being able to do so.

### **Interest rate risk**

The interest rates on the Group's borrowings are at market rates. The Group's policy is to keep its borrowings within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The Directors monitor the overall level of cash, borrowings and interest cost to limit any adverse effect on financial performance of the Group overall.

### **Political risk**

The Group was impacted by Brexit and new procedures were put in place to mitigate further risks, particularly in relation to imports and exports from and to the European Union. The Directors continue to monitor any further potential impact of Brexit on the Group, have taken steps to minimise any associated risks and are satisfied that no material risk exists for the Group from the consequences of Brexit including through the establishment of appropriate supply chain arrangements and recruitment options for staff.

### **Economic risk**

The spread of Covid-19 has severely impacted many local economies around the globe and is creating considerable uncertainty for economies and markets. Measures taken to contain the spread of the virus include travel bans, quarantines, social distancing and closures of non-essential services which have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. The Directors believe that our business resilience is sufficient to deal with this, but the impact on economies and markets will be highly correlated with the effectiveness of containment measures.

### **Impairment of assets**

Assets are regularly reviewed for impairment and where there are indicators of impairment, assessment is made as to whether or not a loss is recognised.

## **Strategic Report** *(continued)*

### **S172 Statement: Directors' statement of compliance with duty to promote the success of the Group**

#### **Engaging with stakeholders**

The Directors have a duty to promote the success of the Group which is a key consideration when determining the Group's strategy. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term sustainable success.

The leadership teams of each service make decisions with a long-term view in mind and with the highest standards of conduct in line with Group policies. In order to fulfil their duties, the Directors of each service and the Group take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Where possible, decisions are carefully discussed with affected groups and are therefore fully understood and supported when taken. In instances when the Directors do not have all the information relevant to a decision, it is important to consider the expertise of others and care is taken to assess the source, quality and quantity of all information available.

Reports are regularly made to the Group Board by the operating units about the strategy, performance and key decisions taken which provides the Board with assurance that proper consideration is given to stakeholder interests in decision-making. At Group level, the Board is well informed about the views of stakeholders through regular reporting and it uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process. Details of the Group key stakeholders and how we engage with them are set out below.

#### **Shareholders**

As owners of our Group we rely on the support of shareholders and their opinions are important to us. Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook, governance and ethical practices. Shareholder feedback is regularly reported and discussed by the Board on a monthly basis and their views are considered as part of decision-making.

#### **Colleagues**

Our people are key to our success and we want them to be successful individually and as a team. The Directors aim to attract and retain talented employees from diverse backgrounds and industries by building a culture based on integrity, respect and inclusion in which people have opportunities to do purpose-driven work that impacts patients and our communities. There are many ways we engage with and listen to our people including colleague surveys, staff forums, listening groups, face-to-face briefings, internal communities, and newsletters. Key areas of focus include health and well-being, development opportunities, pay and benefits. Regular reports about what is important to our colleagues are made to the Directors ensuring consideration is given to colleague needs and members of the Executive Team attend staff partnership forums to hear feedback directly.

InHealth Group employs 2,528 dedicated and committed people, as at 30 September 2021, the majority working with patients every day in both hospital and community settings across the UK. We believe that investing in training is a key reason that staff are attracted to InHealth as an employer, subsequently enabling them to reach their full potential enabling the delivery of excellent care to all of our patients. InHealth achieved a 76% staff engagement score in the year and delivered over 8,000 training days.

## **Strategic Report** *(continued)*

### **S172 Statement: Directors' statement of compliance with duty to promote the success of the Group** *(continued)*

#### **Customers**

We have 462 separate NHS payor customer contracts, and an understanding of the requirements of working nationally, regionally and locally to serve and enhance patient needs. Last year, we served over 3 million patients. Our ambition is to ensure every patient receives their medical test, scan or examination quickly and delivered to the highest standard of care. We seek to understand their needs and views and listen to how we can improve our service for them through our patient feedback process. We use this knowledge to inform our decision-making, to tailor our offering to suit patient demands, providing greater accessibility, choice and efficiency of service.

#### **Suppliers**

We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships, continuously assessing the priorities of those with whom we work. Key areas of focus include innovation, product development, health and safety and sustainability. The Directors recognise that relationships with suppliers are important to the Group's long-term success and are briefed on supplier feedback and issues on a regular basis.

#### **Communities**

Delivering InHealth's purpose to make healthcare better requires strong mutually beneficial relationships with hospitals and commissioners across the NHS and independent sector. We engage with the communities in which we operate to build trust and understand the local issues that are important to them. We partner with local charities to raise awareness and funds. The key issues and themes across local communities are reported back to the Directors. The impact of decisions on the environment both locally and nationally is considered with initial concentration on fleet transport and generator emissions reduction.

#### **Government and regulators**

We engage with the government and regulators through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to healthcare organisations. Key areas of focus are compliance with laws and regulations, health and safety and product safety. The Directors are updated on legal and regulatory developments and take these into account when considering future actions.

#### **Corporate and social responsibility**

The Group is committed to transparency and ethical behaviour in all of its activities, as well as making a positive social, economic and environmental contribution to the community in which it operates. The Group strives to be open and honest in communicating its policies, strategies, targets, performance and governance to its stakeholders. The Group is proud of the way in which its employees demonstrate their commitment and integrity, both in their day to day work, but also through their work with charities, communities and environmental projects every year.

InHealth actively pursues a stance of zero tolerance for discrimination of any kind. All employees attend a course designed to highlight equality and diversity issues they may face in the workplace and to reinforce company strategy. This is refreshed on a regular basis as we continue to seek to develop and improve our approach. We have a number of mechanisms to allow employees to speak up including a team of Freedom to Speak up Guardians, and our staff partnership forum acts as a further mechanism to escalate issues and shape policy and practice.

The Group is committed to acting with integrity and transparency in all tax matters as part of its corporate responsibility.

## Strategic Report (continued)

### Climate change and sustainability

#### Streamlined Energy & Carbon Reporting (SECR)

The Group is committed to making all reasonable efforts to minimise the impact placed on the environment because of our business activities. We are seeking ways to become more environmentally friendly and find cleaner and greener ways to operate. The Group endeavours to continually improve its environmental performance and manage the impact of its operations through sustainable business practices and providing sustainable services.

The Board has continued to address a number of areas of the Group's approach to climate change and sustainability. The sustainability approach starts with establishing InHealth Group's emissions baseline position and setting out our net zero pathway. The Group completed and approved its Sustainability Strategy this year and has targeted being Carbon neutral by 2026. We continue to focus on and improve our part of the direct owned or controlled emission sources, while also considering indirect emissions from purchased and provided energy, and other emissions in InHealth's value chain. The approach to Corporate and Social Responsibility is reviewed on an annual basis in a continual commitment to sustainable and responsible development.

In the year ending 30 September 2021 we have reduced our total emissions through ongoing replacement of older scanners to reduce energy and helium usage, and continued replacement of our tractor fleet with Euro 6 emission standard compliant vehicles. In addition, we have undertaken feasibility studies for Hydrotreated Vegetable Oil (HVO) conversion of our generators and the Heyford Park Fuel Dump.

We recognise that climate change is a global issue that requires significant focus from both individuals and companies. It is a journey that we have embarked on and we understand that we need to focus our efforts in the short, medium and long term. The Board believes we have made good progress in 2021 and is pleased with the projects and initiatives we have undertaken.

The Group reports greenhouse gas emissions resulting from energy use in operating large medical devices, fleet transportation mileage, production processes of plant and equipment, facilities operations, and employees' business travel. The energy use and associated greenhouse gas (GHG) emissions by the Group's operations in the UK during the financial year ending 30 September 2021 are outlined below, as well as our key intensity KPI, emissions per average headcount.

|                                                        |            |
|--------------------------------------------------------|------------|
| Energy consumption used to calculate emissions (kWh)   | 48,857,400 |
| Total Gross Emissions (tonnes CO <sub>2</sub> e)       | 18,651     |
| Intensity Ratio (tonnes CO <sub>2</sub> e/average FTE) | 7.49       |

#### Methodology

Emissions are reported in terms of the metric tonne of carbon dioxide equivalent (tonnes CO<sub>2</sub>e), using the conversion factors as taken from the 2020 UK Government GHG Conversion Factors for UK based organisations.

Activity data covers the financial control boundary of reporting. Actual and assumed data for electricity usage at our fixed sites, offices and mobile units was provided, as well as gas and fuel usage for our generators and transport units. These were each multiplied by the appropriate kWh metric to calculate their associated GHG emissions. The Group has calculated intensity ratio based on the number of full-time employees averaged over the reporting year.



**R J Bradford**

Director

22 July 2022

## Directors' Report

The Directors present their report and audited Financial Statements of InHealth Group Limited for the year ended 30 September 2021.

### Principal activity

The principal activity of the Company is as a holding company for the InHealth Group. The principal activities of the InHealth Group are set out in the Strategic Report.

### Proposed dividend

The Directors do not recommend the payment of a dividend (2020: £nil).

### Directors

The Directors who held office during the year were as follows:

R J Bradford

S J Scott (appointed 7 February 2022)

Sir A D Chessells (resigned 30 April 2021)

D M Petrie (resigned 7 February 2022)

### Political donations

The Group made no political donations (2020: £nil).

### Employees

The Group's people are key to its success in both delivering existing business and winning new contracts. Investment in people and in building the right working environment will continue to be a priority. The Group employs 2,528 highly skilled and trained professionals, as at 30 September 2021, with many years of experience working within the health sector.

The Board remains grateful for the contributions made by all individuals, particularly so during the recent period.

### Employee involvement

The Group's policy is to consult with employees on matters likely to affect the employees' interests. Information on matters of concern to employees is given through information bulletins and reports, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

### Employment of disabled people

It is the Group's policy that disabled people are given the same consideration as other applicants for all job vacancies for which they offer themselves as suitable candidates. Similarly, the Group's policy is to continue to employ and train employees who have become disabled wherever possible.

Every effort has been made to ensure that line managers fully understand that disabled people must have the prospects and promotional opportunities that are available to other employees. The Group makes appropriate modification to procedures and equipment where it is practical and safe to do so.

### Financial instruments

During the year the Group's operations exposed it to certain financial risks such as foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group has a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of cash and controlling foreign currency transactions. The Group has implemented policies that require appropriate credit checks before a sale is made. The Group hedges its exposure to foreign currency fluctuations by using bank accounts denominated in foreign currencies and forward contracts.

## **Directors' Report** *(continued)*

### **Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

### **Events after the Balance Sheet date**

On 30 June 2022 InHealth Group completed a new partnership with C7 Health. TAC Healthcare Limited, the new organisation, will be part of the InHealth Group as a majority-owned subsidiary of InHealth Limited. It comprises the services that sit within C7 Health (Diagnostic World, TAC Healthcare and Private GP Services), and combines them with some of InHealth's services - Endoscopy, Pathology, Ultrasound, Physmed and Echo.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:



**R J Bradford**  
Director  
22 July 2022

## **Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial year. Under that law they have elected to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH GROUP LIMITED**

### **Opinion**

We have audited the financial statements of InHealth Group Limited ("the Company") for the year ended 30 September 2021 which comprise the Consolidated Statement of Profit and Loss and Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH GROUP LIMITED (CONTINUED)**

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management, and directors
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group management may be in a position to make inappropriate accounting entries; and
- the risk that revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, those posted to unusual pairings with revenue accounts and those posted to unusual pairings with cash accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors, legal team and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH GROUP LIMITED (CONTINUED)**

protection laws, employment and social security legislation, fraud, corruption and bribery, environmental protection legislation, public service procurement laws and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH GROUP LIMITED (CONTINUED)**

that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

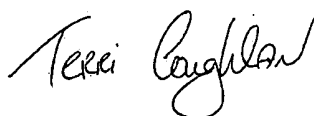
### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Terri Coughlan (Senior Statutory Auditor)**  
**for and on behalf of**  
**KPMG LLP**  
Statutory Auditor  
Challenge House  
Sherwood Drive  
Milton Keynes  
MK3 6DP

25 July 2022

**Consolidated Statement of Profit and Loss and Other Comprehensive Income**  
**For the year ended 30 September 2021**

|                                                                     | Note | 2021<br>£000     | 2020<br>£000 |
|---------------------------------------------------------------------|------|------------------|--------------|
| <b>Revenue</b>                                                      | 4    | <b>217,959</b>   | 176,647      |
| Cost of sales                                                       |      | <b>(139,615)</b> | (121,175)    |
| <b>Gross profit</b>                                                 |      | <b>78,344</b>    | 55,472       |
| Administrative expenses                                             | 5    | <b>(73,302)</b>  | (56,360)     |
| <b>Operating profit/(loss)</b>                                      |      | <b>5,042</b>     | (888)        |
| <b>Exceptional income</b>                                           |      | <b>2,956</b>     | -            |
| Financial income                                                    | 7    | <b>203</b>       | 586          |
| Financial expenses                                                  | 7    | <b>(976)</b>     | (1,043)      |
| <b>Net financing expense</b>                                        |      | <b>(773)</b>     | (457)        |
| <b>Profit/(loss) before tax</b>                                     |      | <b>7,225</b>     | (1,345)      |
| Taxation                                                            | 8    | <b>81</b>        | (515)        |
| <b>Profit/(loss) for the year from continuing operations</b>        |      | <b>7,306</b>     | (1,860)      |
| <b>Profit for the year from discontinued operation, net of tax</b>  | 3    | <b>669</b>       | 232          |
| <b>Profit/(loss) for the year</b>                                   |      | <b>7,975</b>     | (1,628)      |
| <b>Other comprehensive income/(loss)</b>                            |      |                  |              |
| Items that will not be reclassified to profit or loss:              |      |                  |              |
| Remeasurement of defined benefit liability                          |      | <b>103</b>       | (404)        |
| Income tax on items that will not be reclassified to profit or loss |      | <b>(26)</b>      | 77           |
| <b>Other comprehensive income/(loss) for the year</b>               |      | <b>77</b>        | (327)        |
| <b>Total comprehensive income/(loss) for the year</b>               |      | <b>8,052</b>     | (1,955)      |
| <b>Comprehensive income/(loss) attributable to:</b>                 |      |                  |              |
| Equity holders of the parent                                        |      | <b>7,912</b>     | (2,053)      |
| Non-controlling interest                                            |      | <b>140</b>       | 98           |

The accompanying notes form part of these financial statements.

## Consolidated Balance Sheet

At 30 September 2021

|                                                            | Note | 2021<br>£000     | 2020<br>£000    |
|------------------------------------------------------------|------|------------------|-----------------|
| <b>Non-current assets</b>                                  |      |                  |                 |
| Property, plant and equipment                              | 9    | 108,590          | 102,602         |
| Intangible assets                                          | 10   | 18,428           | 20,704          |
| Trade and other receivables                                | 14   | 3,126            | 3,253           |
|                                                            |      | <u>130,144</u>   | <u>126,559</u>  |
| <b>Current assets</b>                                      |      |                  |                 |
| Inventories                                                | 13   | 783              | 885             |
| Contract assets                                            | 4    | 2,202            | 2,359           |
| Trade and other receivables                                | 14   | 64,486           | 45,326          |
| Cash and cash equivalents                                  | 15   | 29,047           | 21,129          |
| Assets held for sale                                       | 3    | -                | 9,408           |
|                                                            |      | <u>96,518</u>    | <u>79,107</u>   |
| <b>Total assets</b>                                        |      | <u>226,662</u>   | <u>205,666</u>  |
| <b>Current liabilities</b>                                 |      |                  |                 |
| Trade and other payables                                   | 16   | (81,125)         | (64,185)        |
| Liabilities held for sale                                  | 3    | -                | (1,340)         |
|                                                            |      | <u>(81,125)</u>  | <u>(65,525)</u> |
| <b>Non-current liabilities</b>                             |      |                  |                 |
| Employee benefits                                          | 20   | (896)            | (1,056)         |
| Deferred tax liabilities                                   | 12   | (429)            | (2,276)         |
| Provisions                                                 | 17   | (8,349)          | (4,945)         |
| Trade and other payables                                   | 18   | (13,722)         | (17,848)        |
|                                                            |      | <u>(23,396)</u>  | <u>(26,125)</u> |
| <b>Total liabilities</b>                                   |      | <u>(104,521)</u> | <u>(91,650)</u> |
| <b>Net assets</b>                                          |      | <u>122,141</u>   | <u>114,016</u>  |
| <b>Equity attributable to equity holders of the parent</b> |      |                  |                 |
| Share capital                                              | 21   | 29               | 29              |
| Share premium                                              | 21   | 77,704           | 77,704          |
| Retained earnings                                          |      | 36,659           | 35,259          |
| Other reserves                                             |      | 7,208            | 696             |
|                                                            |      | <u>121,600</u>   | <u>113,688</u>  |
| <b>Non-controlling interest</b>                            |      | <u>541</u>       | <u>328</u>      |
| <b>Total equity</b>                                        |      | <u>122,141</u>   | <u>114,016</u>  |

**Consolidated Balance Sheet** *(continued)*

These Financial Statements were approved by the Board of Directors on 22 July 2022 and were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'R J Bradford', with several horizontal strokes extending from the bottom right.

**R J Bradford**

*Director*

Company registered number: 04620480

The accompanying notes form part of these Financial Statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

|                                                             | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Retained<br>earnings<br>£000 | Other<br>reserves<br>£000 | Total<br>parent<br>equity<br>£000 | Non-<br>controlling<br>interest<br>£000 | Total<br>equity<br>£000 |
|-------------------------------------------------------------|--------------------------|--------------------------|------------------------------|---------------------------|-----------------------------------|-----------------------------------------|-------------------------|
| <b>Balance at 1 October 2019</b>                            | <b>29</b>                | <b>77,704</b>            | <b>37,332</b>                | <b>696</b>                | <b>115,761</b>                    | <b>238</b>                              | <b>115,999</b>          |
| <b>Total comprehensive income for the year</b>              |                          |                          |                              |                           |                                   |                                         |                         |
| Loss/(Profit) for the year                                  | -                        | -                        | (1,729)                      | -                         | (1,729)                           | 101                                     | (1,628)                 |
| Other comprehensive loss                                    | -                        | -                        | (324)                        | -                         | (324)                             | (3)                                     | (327)                   |
| <b>Total comprehensive (loss)/income for the year</b>       | <b>-</b>                 | <b>-</b>                 | <b>(2,053)</b>               | <b>-</b>                  | <b>(2,053)</b>                    | <b>98</b>                               | <b>(1,955)</b>          |
| <b>Changes in ownership interests</b>                       |                          |                          |                              |                           |                                   |                                         |                         |
| Acquisition of additional shares in subsidiary undertakings | -                        | -                        | (20)                         | -                         | (20)                              | (8)                                     | (28)                    |
| <b>Balance at 30 September 2020 and 1 October 2020</b>      | <b>29</b>                | <b>77,704</b>            | <b>35,259</b>                | <b>696</b>                | <b>113,688</b>                    | <b>328</b>                              | <b>114,016</b>          |
| <b>Total comprehensive income for the year</b>              |                          |                          |                              |                           |                                   |                                         |                         |
| Profit for the year                                         | -                        | -                        | 7,835                        | -                         | 7,835                             | 140                                     | 7,975                   |
| Reserves distributed on disposal of subsidiary              | -                        | -                        | 696                          | (696)                     | -                                 | -                                       | -                       |
| Growth share plan settlement                                | -                        | -                        | (7,208)                      | 7,208                     | -                                 | -                                       | -                       |
| Other comprehensive income                                  | -                        | -                        | 77                           | -                         | 77                                | -                                       | 77                      |
| <b>Total comprehensive income for the year</b>              | <b>-</b>                 | <b>-</b>                 | <b>1,400</b>                 | <b>6,512</b>              | <b>7,912</b>                      | <b>140</b>                              | <b>8,052</b>            |
| <b>Changes in ownership interests</b>                       |                          |                          |                              |                           |                                   |                                         |                         |
| Acquisition of additional shares in subsidiary undertakings | -                        | -                        | -                            | -                         | -                                 | 73                                      | 73                      |
| <b>Balance at 30 September 2021</b>                         | <b>29</b>                | <b>77,704</b>            | <b>36,659</b>                | <b>7,208</b>              | <b>121,600</b>                    | <b>541</b>                              | <b>122,141</b>          |

The accompanying notes form part of these Financial Statements.

## Consolidated Cash Flow Statement

For year ended 30 September 2021

|                                                         | Note | 2021<br>£000    | 2020<br>£000    |
|---------------------------------------------------------|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>             |      |                 |                 |
| Profit/(loss) for the year                              |      | 7,975           | (1,628)         |
| Adjustments for:                                        |      |                 |                 |
| Depreciation, amortisation and impairment               | 5    | 25,387          | 24,126          |
| Financial income                                        | 7    | (203)           | (586)           |
| Financial expense                                       | 7    | 976             | 1,043           |
| Loss/(gain) on sale of property, plant and equipment    | 5    | (503)           | 298             |
| Gain on disposal of subsidiary                          | 3    | (2,956)         | -               |
| Disposal of goodwill                                    |      | (1,270)         | -               |
| Taxation                                                | 8    | (81)            | 515             |
|                                                         |      | <b>29,325</b>   | <b>23,768</b>   |
| (Increase)/decrease in trade and other receivables      |      | (19,033)        | 2,843           |
| Decrease in inventories                                 |      | 102             | 185             |
| Increase in trade and other payables                    |      | 17,699          | 8,688           |
| Increase/(decrease) in provisions and employee benefits |      | 3,333           | 882             |
| Taxation paid                                           |      | (3,379)         | (1,263)         |
| Interest paid                                           |      | (249)           | (223)           |
| <b>Net cash from operating activities</b>               |      | <b>27,798</b>   | <b>34,880</b>   |
| <b>Cash flows from investing activities</b>             |      |                 |                 |
| Proceeds from sale of property, plant and equipment     |      | 1,335           | 849             |
| Acquisition of property, plant and equipment            |      | (28,438)        | (13,326)        |
| Acquisition of other intangible assets                  |      | (588)           | (408)           |
| Interest received                                       | 7    | 153             | 516             |
| Disposal of subsidiary, net of cash disposed            |      | 12,569          | -               |
| <b>Net cash from investing activities</b>               |      | <b>(14,969)</b> | <b>(12,369)</b> |
| <b>Cash flows from financing activities</b>             |      |                 |                 |
| Proceeds from the issue of share capital                | 21   | -               | -               |
| Purchase of shares in subsidiary undertaking            |      | -               | (20)            |
| Payment of lease liabilities                            |      | (5,930)         | (4,360)         |
| Interest elements of lease liabilities                  |      | (641)           | (747)           |
| <b>Net cash from financing activities</b>               |      | <b>(6,571)</b>  | <b>(5,127)</b>  |
| Cash and cash equivalents at 1 October                  |      | 22,789          | 5,405           |
| Net increase/(decrease) in cash and cash equivalents    |      | 6,258           | 17,384          |
| <b>Cash and cash equivalents at 30 September</b>        | 15   | <b>29,047</b>   | <b>22,789</b>   |

## **Notes to the Financial Statements – Group** **(forming part of the Financial Statements)**

### **1 Accounting policies**

InHealth Group Limited (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is 04620480 and the registered address is Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL.

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in Joint Arrangements. The parent Company Financial Statements present information about the Company as a separate entity and not about its Group.

The Group Financial Statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent Company Financial Statements in accordance with FRS 101 *Reduced Disclosure Framework*; these are presented on pages 57-62.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group Financial Statements.

#### **1.1 Measurement convention**

The Financial Statements are prepared in accordance with applicable accounting standards and under the historical cost basis.

#### **1.2 Going concern**

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2.

The Financial Statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As at the 30 September 2021 the Group had net assets of £122.1 million, net current assets of £15.4 million and cash and cash equivalents of £29.0 million. As at 30 June 2022 Group working capital balances remain in a satisfactory position.

The Directors have assessed their prepared Group and Company profit and cashflow forecasts for a period of 12 months from the date of approval of these Financial Statements. This includes assumptions over the certainty of cash flows and includes the impact of reduced activity levels from October 2022 until March 2023 to reflect a potential reduction in activity as a result of additional Covid-19 restrictions; gradually recovering across the Group through this period. These forecasts indicate that, even when considering a severe but plausible downside, the Group and Company will continue to have sufficient funds to meet its liabilities as they fall due. The Group continues to be engaged in positive discussions with the NHS to provide support as the UK continues to work through the Covid-19 pandemic and considers the medium-term outlook to be strong due to the opportunity to support the NHS in addressing the backlog of diagnostic and screening tests.

After taking into consideration the Group and Company's positive net asset position, absence of debt and availability of cash as well as the current economic environment, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future (at least 12 months after the approval of these Financial Statements). Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.

## Notes to the Financial Statements – Group *(continued)*

### 1 Accounting policies *(continued)*

#### 1.3 Basis of consolidation

##### *Subsidiaries*

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

##### *Change in subsidiary ownership and loss of control*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent. Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### *Joint Arrangements*

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Where a Group company is party to a joint operation, which is not an entity that company accounts directly for its share of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated Financial Statements on the same line-by-line basis.

##### *Application of the equity method to associates and joint ventures*

Joint arrangements are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Notes to the Financial Statements – Group (continued)

### 1 Accounting policies (continued)

#### 1.4 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 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 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.

#### 1.5 Financial instruments

##### i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### ii) Classification and subsequent measurement

###### Financial assets

###### (a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets.

Investments in joint ventures, associates and subsidiaries are carried at cost less impairment.

## Notes to the Financial Statements – Group (continued)

### 1 Accounting policies (continued)

#### 1.5 Financial instruments (continued)

##### ii) Classification and subsequent measurement (continued)

###### **Financial assets (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 cash flow statement.

###### *(b) Subsequent measurement and gains and losses*

*Financial assets at FVPL* - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost* - These assets 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.

*Debt investments at FVOCI* - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVOCI* - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

###### **Financial liabilities and equity**

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 Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's 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 Group's own shares, the amounts presented in these Financial Statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. 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 Financial Statements – Group *(continued)*

### 1 Accounting policies *(continued)*

#### 1.5 Financial instruments *(continued)*

##### iii) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

##### iv) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

##### *Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

## Notes to the Financial Statements – Group *(continued)*

### 1 Accounting policies *(continued)*

#### 1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

In 2019, under IAS 17 leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

|                                   |                             |
|-----------------------------------|-----------------------------|
| Freehold property                 | 50 years straight line      |
| Short term leasehold improvements | Over the term of the lease  |
| Plant and machinery               | 4 to 10 years straight line |
| Fixtures and fittings             | 3 to 6 years straight line  |
| Motor vehicles                    | 2 to 6 years straight line  |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Assets under construction have no depreciation charged.

#### 1.7 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.

## Notes to the Financial Statements – Group (continued)

### 1 Accounting policies (continued)

#### 1.7 Business combinations (continued)

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.

#### 1.8 Intangible assets and goodwill

##### Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

##### Other intangible assets

Other intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Licences purchased by the Group are amortised to nil by equal instalments over their useful life.

Existing customer contracts are acquired through business combinations.

Expenditure on research activities is recognised in the 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. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

|                                                                 |                             |
|-----------------------------------------------------------------|-----------------------------|
| Licence and software costs                                      | 1 to 3 years straight line  |
| Existing contracts                                              | Over the contract term      |
| Development costs                                               | 5 to 10 years straight line |
| Other intangibles (including patents and intellectual property) | 10 years straight line      |

#### 1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

## Notes to the Financial Statements – Group *(continued)*

### 1 Accounting policies *(continued)*

#### 1.10 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group 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 income statement in the periods during which services are rendered by employees.

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling. The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

##### *Share-based payment transactions*

Members of the Group grant awards to Group employees that can be either cash or equity settled. Where the entity has a choice of settlement by way of equity or cash the arrangement is expected to be treated as cash settled or equity settled depending upon whether the entity has a present obligation to settle in cash.

Where the Group assesses a modification to the probable outcome, the Group accounts for any changes in fair value after the modification date under the revised method of settlement. Any change in fair value that occurred prior to the modification date is accounted for under the original method of settlement. For payments made to Group employees on cancellation or settlement of the grant awards this is deducted from equity, up to the fair value of the awards at the date of repurchase, and accounted for through the Retained Earnings reserve in equity, with the amount of any excess treated as an expense.

## Notes to the Financial Statements – Group (continued)

### 1 Accounting policies (continued)

#### 1.11 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, which 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.

#### 1.12 Revenue

Revenue, which is measured as the fair value of consideration received for the activity performed, represents the amounts invoiced for the provision of diagnostic services and healthcare solutions (excluding value added tax).

Revenue is recognised on the basis of the 5-step model under IFRS 15, which sets out the rules for revenue from contracts with customers based on the satisfaction of performance obligations. Management has undertaken a detailed assessment of all revenue streams using the 5-step approach specified by IFRS 15:

- Identify the contract(s) with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) a performance obligation is satisfied

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any transaction prices for the time value of money.

#### Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered and when performance obligations are satisfied. The Group typically satisfies its performance obligations as services are rendered on a "per procedure" or "per day" basis, depending upon the terms of the contract. Revenue is recognised when control over the services transfers to the end customer i.e. when the end customer has the ability to control the use of the transferred services provided and derive substantially their remaining benefits. Revenue is recognised when a contract with enforceable rights and obligations exists and the receipt of consideration is likely, taking into account the customer's credit quality. Payment terms are typically 30 days with no significant financing component or variable consideration. Revenue reflects all sales made by the Group, whether delivered directly or by sub-contractors as the Group remains the principal in all transactions.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the Group has transferred control over the product and the customer has accepted the good. There is no significant judgment in determining the transfer of control.

## Notes to the Financial Statements – Group (continued)

### 1 Accounting policies (continued)

#### 1.12 Revenue (continued)

##### Contract assets

Costs incurred to fulfil a contract are recognised as an asset if the costs relate directly to a contract, the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future and the costs are expected to be recovered.

Contract assets represent the right to consideration in exchange for goods that have been transferred to the customer. Costs to obtain contracts with customers are amortised on a systematic basis consistent with the pattern of transfer of services being when the related revenues are recognised.

#### 1.13 Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### The Group as a lessee

The Group recognises a right-of-use asset and a corresponding liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is included in Current and Non-current liabilities on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property, plant and equipment' and 'Investment property' lines, as applicable, in the Balance Sheet.

## **Notes to the Financial Statements – Group (continued)**

### **1.13 Leases (continued)**

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 1.5.

#### **Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **The Group as a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group does not currently have any lease lessor arrangements.

### **1.14 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

### **1.15 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **1.16 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the 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 year, 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.

## **Notes to the Financial Statements – Group (continued)**

### **1 Accounting policies (continued)**

#### **1.17 Assets held for sale and discontinued operations**

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Intangible assets and tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

#### **1.18 Impact of new international reporting standards, amendments and interpretations**

##### **Adopted IFRSs not yet applied**

The following Adopted IFRSs have been issued but have not been applied by the Group in these Financial Statements:

- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed); and
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date to be confirmed).

## Notes to the Financial Statements – Group *(continued)*

### 1 Accounting policies *(continued)*

#### 1.19 Audit exemption

The Company's subsidiaries listed below intend to claim an audit exemption under Section 479A of the Companies Act 2006 in respect of their own Financial Statements for the year ended 30 September 2021. As a condition of the audit exemption that they will claim, InHealth Group Limited intends to guarantee all outstanding liabilities of these companies as at 30 September 2021.

| <b>Company</b>                                  | <b>Company registration number</b> |
|-------------------------------------------------|------------------------------------|
| e-Locum Services Limited                        | 04785828                           |
| InHealth Echotech Limited                       | 04176884                           |
| InHealth Facilities Management Limited          | 03381546                           |
| InHealth (London) Limited                       | 05509197                           |
| InHealth Molecular Imaging Limited              | 06135533                           |
| InHealth Properties Limited                     | 05233645                           |
| InHealth Reporting Limited                      | 05974195                           |
| Medical Imaging Audit and Accreditation Limited | 05956590                           |
| United Open MRI Limited                         | 04376558                           |
| The London Upright MRI Company Limited          | 05801136                           |
| Yorkshire Upright MRI Centre Limited            | 07729331                           |
| London Centre for Advanced Diagnostics Limited  | 11210458                           |
| Vista Diagnostics Limited                       | 05611221                           |

## Notes to the Financial Statements – Group *(continued)*

### **2 Significant accounting estimates and judgements**

The preparation of the consolidated Financial Statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, revenues and expenses during the year.

Management periodically evaluates its estimates and judgements and bases them on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily available from other resources. Actual results may differ from these estimates.

The estimates and assumptions that have the most significant effect on the amount recognised in the Financial Statements are discussed below.

#### *Impairment of goodwill*

The Group annually tests whether goodwill has been impaired. The recoverable amount of the groups of CGUs to which goodwill has been allocated is determined based on value-in-use calculations. These calculations require assumptions to be made regarding projected cash flows and the choice of appropriate discount rate in order to calculate the value-in-use of those cash flows. These are disclosed in note 11 and actual outcomes could vary from estimates.

#### *Defined benefit pension schemes*

The present value of defined benefit pension scheme liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions, which are disclosed in note 20. Any changes in the assumptions could impact the carrying amounts of retirement benefit assets and liabilities.

### **3 Discontinued operation and asset held for sale**

On 23 December 2020, the Group sold its Pain Management Services division. Management was committed to a plan to sell in September 2020 and as such this was presented as a disposal group held for sale in the prior financial year. The related assets and liabilities were classified as held for sale at 30 September 2020 and no gain or loss arose on the measurement to fair value less cost to sell.

The division was sold for £14.0m cash and a pre-tax gain of £3.0m was recorded.

The divisional results have been recorded as 'Discontinued operation' within the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

## Notes to the Financial Statements - Group (continued)

### 3 Discontinued operation and asset held for sale (continued)

#### (A) Results of discontinued operation

|                                                                    | 2021<br>£000 | 2020<br>£000 |
|--------------------------------------------------------------------|--------------|--------------|
| Revenue                                                            | 2,958        | 8,936        |
| Cost of sales                                                      | (1,283)      | (5,367)      |
| Administrative expenses                                            | (889)        | (3,283)      |
| <b>Operating profit</b>                                            | <b>786</b>   | <b>286</b>   |
| Financial expenses                                                 | -            | (1)          |
| <b>Profit from discontinued operation</b>                          | <b>786</b>   | <b>285</b>   |
| Taxation                                                           | (117)        | (53)         |
| <b>Profit for the year from discontinued operation, net of tax</b> | <b>669</b>   | <b>232</b>   |
| Gain recognised on disposal of disposal group                      | 2,956        | -            |
| <b>Profit for the year</b>                                         | <b>3,625</b> | <b>232</b>   |

#### (B) Cash flows from (used in) discontinued operation

|                                       | 2021<br>£000   | 2020<br>£000 |
|---------------------------------------|----------------|--------------|
| Net cash from operating activities    | (1,575)        | (316)        |
| Net cash used in investing activities | -              | (570)        |
| <b>Net cash flows for the year</b>    | <b>(1,575)</b> | <b>(886)</b> |

#### (C) Asset held for sale

|                                                 | 2021<br>£000 | 2020<br>£000 |
|-------------------------------------------------|--------------|--------------|
| Goodwill                                        | -            | 5,523        |
| Property, plant and equipment                   | -            | 529          |
| Intangible assets                               | -            | 41           |
| Trade and other receivables                     | -            | 1,655        |
| Cash and cash equivalents                       | -            | 1,660        |
| <b>Assets classified as held for sale</b>       | <b>-</b>     | <b>9,408</b> |
| <b>Liabilities classified as held for sale:</b> |              |              |
| Trade and other payables                        | -            | (1,340)      |

## Notes to the Financial Statements - Group (continued)

### 4 Revenue

In the following table revenue is disaggregated by primary geographical market:

|                | 2021<br>£000   | 2020<br>£000   |
|----------------|----------------|----------------|
| United Kingdom | 217,817        | 175,645        |
| Europe         | 142            | 1,002          |
|                | <u>217,959</u> | <u>176,647</u> |

### Contract balances

|                 | 2021<br>£000 | 2020<br>£000 |
|-----------------|--------------|--------------|
| Contract assets | <u>2,202</u> | <u>2,359</u> |

The contract assets represent the right to consideration in exchange for goods that have been transferred to the customer.

### Contract costs

|                                          | 2021<br>£000 | 2020<br>£000 |
|------------------------------------------|--------------|--------------|
| Costs to obtain contracts with customers | <u>2,202</u> | <u>2,359</u> |

Contract costs are amortised when the related revenues are recognised. In the current period, the amount of amortisation was £157,000 (2020: £72,000) and the impairment loss recognised was £nil (2020: £nil).

### 5 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

|                                                                              | 2021<br>£000 | 2020<br>£000 |
|------------------------------------------------------------------------------|--------------|--------------|
| Depreciation and other amounts written off tangible assets:                  |              |              |
| Owned                                                                        | 16,483       | 16,897       |
| Right-of-use assets                                                          | 5,342        | 4,655        |
| Loss/(Profit) on disposal of property, plant and equipment                   | (503)        | 298          |
| Amortisation of intangibles                                                  | 1,316        | 1,445        |
| Amortisation of contract asset                                               | 157          | 72           |
| Impairment of tangible assets                                                | 2,089        | 1,057        |
| Interest expense on lease liabilities                                        | 641          | 522          |
| Expenses relating to short-term leases                                       | -            | 23           |
| Expenses relating to leases of low-value assets, excluding short-term leases | -            | 15           |
|                                                                              | <u></u>      | <u></u>      |

## Notes to the Financial Statements – Group (continued)

### 5 Expenses and auditor's remuneration (continued)

Amounts receivable by the Group's auditor and its associates in respect of:

|                                                                 | 2021<br>£000 | 2020<br>£000 |
|-----------------------------------------------------------------|--------------|--------------|
| Audit of these Financial Statements                             | 55           | 54           |
| Audit of the Financial Statements for all other Group companies | 194          | 202          |
| Taxation compliance services                                    | 88           | 88           |
| Other tax advisory services                                     | 41           | 50           |
| All other services                                              | 80           | 28           |

### 6 Staff numbers and costs

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

|                | Continuing operations | Discontinued operation | 2021<br>No.<br>Total | Continuing operations | Discontinued operation | 2020<br>No.<br>Total |
|----------------|-----------------------|------------------------|----------------------|-----------------------|------------------------|----------------------|
| Operations     | 2,265                 | -                      | 2,265                | 2,186                 | 83                     | 2,269                |
| Administrative | 222                   | -                      | 222                  | 208                   | 26                     | 234                  |
| Directors      | 2                     | -                      | 2                    | 2                     | -                      | 2                    |
|                | <b>2,489</b>          | <b>-</b>               | <b>2,489</b>         | <b>2,396</b>          | <b>109</b>             | <b>2,505</b>         |

Employee numbers in the current year have been calculated on headcount basis. The prior year comparatives have been restated to be shown on same basis, where previously it was calculated using WTE.

The aggregate payroll costs of these persons were as follows:

|                                             | 2021<br>£000  | 2020<br>£000  |
|---------------------------------------------|---------------|---------------|
| <b>Continuing operations</b>                |               |               |
| Wages and salaries                          | 73,762        | 68,972        |
| Social security costs                       | 7,458         | 6,821         |
| Contributions to defined contribution plans | 3,291         | 3,351         |
| Contributions to defined benefit plans      | 230           | 181           |
|                                             | <b>84,741</b> | <b>79,325</b> |
| <b>Discontinued operation</b>               |               |               |
| Wages and salaries                          | 639           | 3,296         |
| Social security costs                       | 57            | 286           |
| Contributions to defined contribution plans | 27            | 127           |
|                                             | <b>723</b>    | <b>3,709</b>  |

## Notes to the Financial Statements – Group (continued)

### 6 Staff Numbers and costs (continued)

Directors' remuneration is as follows:

|                                                         | 2021<br>£000 | 2020<br>£000 |
|---------------------------------------------------------|--------------|--------------|
| Directors' remuneration including social security costs | 887          | 728          |
| Contributions to money purchase pension scheme          | 20           | 20           |
|                                                         | <u>907</u>   | <u>748</u>   |

In addition to the emoluments disclosed above the group's long-term growth share plan realised in the financial year. This resulted in payments totalling £7,208,000 (2020: £300,000) to members of Group management.

The aggregate of emoluments of the highest paid Director which were paid during the year were inclusive of the above group long-term growth share plan which had accrued value since its establishment. This aggregate amount was £5,424,000 (2020: £485,000) and pension contributions of £nil (2020: £nil) were made to a money purchase scheme on their behalf.

### 7 Finance income and expense

#### Recognised in profit or loss

|                                                         | 2021<br>£000 | 2020<br>£000 |
|---------------------------------------------------------|--------------|--------------|
| <i>Interest receivable and similar income</i>           |              |              |
| Total interest receivable on financial assets           | 153          | 516          |
| Net interest on defined benefit pension plan assets     | 50           | 70           |
|                                                         | <u>203</u>   | <u>586</u>   |
| Total financial income                                  |              |              |
| <i>Interest payable and similar charges</i>             |              |              |
| Total interest payable on financial liabilities         | 912          | 962          |
| Net interest on defined benefit pension plan obligation | 64           | 81           |
|                                                         | <u>976</u>   | <u>1,043</u> |
| Total financial expenses                                |              |              |

## Notes to the Financial Statements – Group (continued)

### 8 Taxation

#### Recognised in the income statement

|                                                                                        | 2021<br>£000 | 2020<br>£000 |
|----------------------------------------------------------------------------------------|--------------|--------------|
| <i>Current tax expense</i>                                                             |              |              |
| UK corporation tax at 19% (2020: 19%)                                                  | 1,852        | 910          |
| Group relief payable                                                                   | 99           | -            |
| Adjustments for prior years                                                            | (160)        | (208)        |
|                                                                                        | <hr/>        | <hr/>        |
| Current tax expense                                                                    | 1,791        | 702          |
| <i>Deferred tax (credit)/expense</i>                                                   |              |              |
| Origination and reversal of timing differences                                         | (268)        | (257)        |
| Adjustments in respect of prior years                                                  | (1,619)      | 65           |
| Effect of tax rate change on opening balance                                           | 15           | 5            |
|                                                                                        | <hr/>        | <hr/>        |
| Deferred tax credit                                                                    | (1,872)      | (187)        |
|                                                                                        | <hr/>        | <hr/>        |
| Tax (credit)/expense in income statement (including tax on equity accounted investees) | (81)         | 515          |
|                                                                                        | <hr/>        | <hr/>        |
| <b>Income tax recognised in other comprehensive income</b>                             |              |              |
| Remeasurement of defined benefit liability credit/(expense)                            | 26           | (77)         |
|                                                                                        | <hr/>        | <hr/>        |

#### Reconciliation of tax expense

|                                                                          | 2021<br>£000 | 2020<br>£000 |
|--------------------------------------------------------------------------|--------------|--------------|
| Profit/(loss) for the year excluding taxation                            | 7,225        | (1,345)      |
|                                                                          | <hr/>        | <hr/>        |
| Using UK Corporation tax rate of 19% (2020: 19%)                         | 1,373        | (256)        |
| Capital allowances for year in excess of depreciation                    | -            | 17           |
| Group relief claimed                                                     | -            | (99)         |
| Income not taxable for tax purposes                                      | (590)        | (16)         |
| Non-deductible expenses                                                  | 473          | 343          |
| Fixed assets ineligible for depreciation                                 | 230          | 169          |
| Adjustments in respect of prior periods                                  | (1,779)      | (143)        |
| Other short term timing differences                                      | -            | 14           |
| Other tax adjustments, reliefs and transfers                             | -            | (3)          |
| Difference in tax rates                                                  | -            | 215          |
| Deferred tax not recognised                                              | 231          | 279          |
| Remeasurement of deferred tax for changes in tax rates                   | (19)         | (5)          |
|                                                                          | <hr/>        | <hr/>        |
| Total tax (credit)/expense (including tax on equity accounted investees) | (81)         | 515          |
|                                                                          | <hr/>        | <hr/>        |

## Notes to the Financial Statements – Group (continued)

### 8 Taxation (continued)

A change in the UK corporation tax rate, announced in the Spring Budget on 3 March 2021, was substantively enacted on 24 May 2021. The rate applicable from 1 April 2021 remained at 19%, with the future corporation tax rate increasing to 25% from 1 April 2023. The deferred tax liability at 30 September 2021 has been calculated based on these rates.

### 9 Property, plant and equipment

|                                               | Short term<br>leasehold<br>improvements<br>£000 | Freehold<br>property<br>£000 | Plant<br>and<br>machinery<br>£000 | Fixtures<br>and<br>fittings<br>£000 | Assets under<br>construction<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|-----------------------------------------------|-------------------------------------------------|------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|---------------------------|---------------|
| <b>Cost</b>                                   |                                                 |                              |                                   |                                     |                                      |                           |               |
| At 1 October 2020                             | 57,801                                          | 7,719                        | 145,745                           | 17,984                              | 4,679                                | 5,195                     | 239,123       |
| Additions                                     | 2,639                                           | -                            | 15,034                            | 553                                 | 10,140                               | 72                        | 28,438        |
| Additions – right-of-use assets               | 272                                             | -                            | 1,998                             | -                                   | -                                    | 157                       | 2,427         |
| Disposals                                     | (286)                                           | -                            | (2,798)                           | (45)                                | -                                    | (70)                      | (3,199)       |
| Transfer between classes                      | -                                               | -                            | (36)                              | 36                                  | -                                    | -                         | -             |
| Reclassification to intangible<br>assets      | -                                               | -                            | -                                 | -                                   | -                                    | -                         | -             |
| At 30 September 2020                          | 60,426                                          | 7,719                        | 159,943                           | 18,528                              | 14,819                               | 5,354                     | 266,789       |
| <b>Depreciation and<br/>impairment</b>        |                                                 |                              |                                   |                                     |                                      |                           |               |
| At 1 October 2020                             | 26,942                                          | 2,533                        | 90,373                            | 13,853                              | -                                    | 2,820                     | 136,521       |
| Charge for the year – owned<br>assets         | 3,296                                           | 188                          | 10,936                            | 1,750                               | -                                    | 313                       | 16,483        |
| Charge for the year – right-<br>of-use assets | 2,378                                           | -                            | 2,376                             | -                                   | -                                    | 588                       | 5,342         |
| Disposals                                     | (101)                                           | -                            | (2,021)                           | (44)                                | -                                    | (70)                      | (2,236)       |
| Impairment                                    | 2,089                                           | -                            | -                                 | -                                   | -                                    | -                         | 2,089         |
| Transfer between classes                      | -                                               | -                            | (3)                               | 3                                   | -                                    | -                         | -             |
| At 30 September 2021                          | 34,604                                          | 2,721                        | 101,661                           | 15,562                              | -                                    | 3,651                     | 158,199       |
| <b>Net book value</b>                         |                                                 |                              |                                   |                                     |                                      |                           |               |
| At 30 September 2020                          | 30,859                                          | 5,186                        | 55,372                            | 4,131                               | 4,679                                | 2,375                     | 102,602       |
| At 30 September 2021                          | 25,822                                          | 4,998                        | 58,282                            | 2,966                               | 14,819                               | 1,703                     | 108,590       |

## Notes to the Financial Statements – Group (continued)

### 9 Property, plant and equipment (continued)

#### Leased plant and machinery

The net book value of owned and leased asset included as "Property, plant and equipment" in the Balance Sheet is as follows:

|                                   | 2021<br>£000   | 2020<br>£000   |
|-----------------------------------|----------------|----------------|
| Tangible fixed assets owned       | 88,258         | 74,642         |
| Right-of-use tangible fixed asset | 20,332         | 27,960         |
|                                   | <b>108,590</b> | <b>102,602</b> |

Information about right-of-use assets is summarised below:

#### Net book value

|                     | 2021<br>£000  | 2020<br>£000  |
|---------------------|---------------|---------------|
| Property            | 10,221        | 12,864        |
| Plant and machinery | 9,141         | 13,696        |
| Motor vehicles      | 970           | 1,400         |
|                     | <b>20,332</b> | <b>27,960</b> |

#### Depreciation charge for the year ended

|                     | 2021<br>£000   | 2020<br>£000   |
|---------------------|----------------|----------------|
| Property            | (2,378)        | (2,386)        |
| Plant and machinery | (2,376)        | (1,601)        |
| Motor vehicles      | (588)          | (668)          |
|                     | <b>(5,342)</b> | <b>(4,655)</b> |

## Notes to the Financial Statements – Group (continued)

### 10 Intangible assets

#### Amortisation and impairment charge

|                                          | Goodwill<br>£000 | Licences<br>and<br>software<br>costs<br>£000 | Existing<br>contracts<br>£000 | Development<br>costs<br>£000 | Other<br>Intangibles<br>£000 | Assets in<br>progress<br>£000 | Total<br>£000 |
|------------------------------------------|------------------|----------------------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|---------------|
| <b>Cost</b>                              |                  |                                              |                               |                              |                              |                               |               |
| At 1 October 2020                        | 29,743           | 2,990                                        | 4,555                         | 1,891                        | 296                          | -                             | 39,475        |
| Additions                                | 20               | 425                                          | -                             | -                            | -                            | 163                           | 608           |
| Reclassification from tangible<br>assets | -                | -                                            | -                             | -                            | -                            | -                             | -             |
| Disposals                                | (1,188)          | -                                            | (2,175)                       | -                            | -                            | (143)                         | (3,506)       |
| Transfer between classes                 | -                | -                                            | -                             | (738)                        | -                            | 738                           | -             |
| At 30 September 2021                     | 28,575           | 3,415                                        | 2,380                         | 1,153                        | 296                          | 758                           | 36,577        |
| <b>Amortisation and impairment</b>       |                  |                                              |                               |                              |                              |                               |               |
| At 1 October 2020                        | 12,183           | 1,682                                        | 3,677                         | 1,052                        | 177                          | -                             | 18,771        |
| Amortisation for the year                | -                | 644                                          | 528                           | 40                           | 104                          | -                             | 1,316         |
| Disposals                                | -                | -                                            | (1,938)                       | -                            | -                            | -                             | (1,938)       |
| At 30 September 2021                     | 12,183           | 2,326                                        | 2,267                         | 1,092                        | 281                          | -                             | 18,149        |
| <b>Net book value</b>                    |                  |                                              |                               |                              |                              |                               |               |
| At 30 September 2020                     | 17,560           | 1,308                                        | 878                           | 839                          | 119                          | -                             | 20,704        |
| At 30 September 2021                     | 16,392           | 1,089                                        | 113                           | 61                           | 15                           | 758                           | 18,428        |

The amortisation charge of £1,316,000 (2020: £1,445,000) and impairment charge of £nil (2020: £nil) are recognised in administrative expenses in the statement of profit and loss and comprehensive income.

## Notes to the Financial Statements – Group (continued)

### 11 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities of the business subsidiary or associated undertaking at the date of acquisition. Goodwill has been allocated to the following cash generating units (CGUs):

| <b>Goodwill</b>                                       | <b>2021<br/>£000</b> | <b>2020<br/>£000</b> |
|-------------------------------------------------------|----------------------|----------------------|
| InHealth diagnostic and healthcare solutions          | <b>7,043</b>         | 7,043                |
| InHealth Intelligence                                 | <b>1,631</b>         | 1,631                |
| Echocardiography                                      | <b>2,349</b>         | 2,349                |
| Vista Diagnostics                                     | <b>1,085</b>         | 1,085                |
| Reporting business                                    | <b>1,113</b>         | 1,113                |
| Endoscopy business                                    | <b>1,654</b>         | 1,634                |
| Diagnostic Imaging and Clinical Care Pathway business | -                    | 1,188                |
| Open MRI business                                     | <b>1,517</b>         | 1,517                |
|                                                       | <b>16,392</b>        | 17,560               |

The carrying value of each CGU is compared to its recoverable amount, which is determined as being the higher of the net realisable value or value in use. Where a reliable estimate of the net realisable value is available and is higher than the carrying amount of the asset, the asset is not impaired and then no value in use is calculated.

For the purposes of goodwill impairment testing each CGU has been reviewed separately. This represents the lowest level at which goodwill is monitored by the Group and reflects its business model.

Where necessary all of the CGUs have been calculated with reference to their value in use. To determine the present value of the expected cash flows attributable to that CGU, the plan earnings before interest and taxation have been used along with the key assumptions of this calculation as shown below:

|                                                     |                |             |
|-----------------------------------------------------|----------------|-------------|
| <b>InHealth diagnostic and healthcare solutions</b> | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based   | <b>4 Years</b> | 4 Years     |
| Average growth rate applied over the plan period    | <b>11%</b>     | 5%          |
| Discount rate                                       | <b>7%</b>      | 8%          |
| <b>InHealth Intelligence</b>                        | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based   | <b>4 Years</b> | 4 Years     |
| Average growth rate applied over the plan period    | <b>4%</b>      | 9%          |
| Discount rate                                       | <b>7%</b>      | 8%          |

## Notes to the Financial Statements – Group (continued)

### 11 Goodwill (continued)

|                                                              |                |             |
|--------------------------------------------------------------|----------------|-------------|
| <b>Echocardiography</b>                                      | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based            | <b>4 Years</b> | 4 Years     |
| Average growth rate applied over the plan period             | <b>5%</b>      | 8%          |
| Discount rate                                                | <b>7%</b>      | 8%          |
| <b>Vista Diagnostics</b>                                     | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based            | <b>4 Years</b> | 4 Years     |
| Average growth rate applied over the plan period             | <b>5%</b>      | 3%          |
| Discount rate                                                | <b>7%</b>      | 8%          |
| <b>Reporting business</b>                                    | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based            | <b>4 Years</b> | 4 Years     |
| Average growth rate applied over the plan period             | <b>18%</b>     | 1%          |
| Discount rate                                                | <b>7%</b>      | 8%          |
| <b>Endoscopy business</b>                                    | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based            | <b>4 Years</b> | 4 Years     |
| Average growth rate applied over the plan period             | <b>11%</b>     | 26%         |
| Discount rate                                                | <b>7%</b>      | 8%          |
| <b>Diagnostic Imaging and Clinical Care Pathway business</b> | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based            | -              | 4 Years     |
| Average growth rate applied over the plan period             | -              | 5%          |
| Discount rate                                                | -              | 8%          |
| <b>Open MRI business</b>                                     | <b>2021</b>    | <b>2020</b> |
| Period on which management approved plan is based            | <b>4 Years</b> | 4 years     |
| Average growth rate applied over the plan period             | <b>18%</b>     | 2%          |
| Discount rate                                                | <b>7%</b>      | 8%          |

Management have estimated the discount rate by reference to a weighted average cost of capital as adjusted for appropriate risk factors reflecting current economic conditions and the risk profile of the CGUs.

The Group's estimate of impairments is most sensitive to changes in the discount rate and plan cashflows. Sensitivity analysis has been carried out by reference to both of these assumptions. This demonstrated that neither a 5% reduction in the growth rate, nor a 1.5% increase in the discount rate would lead to an impairment of goodwill.

Based on the above the Group considers that its goodwill impairment calculations are not sensitive to any reasonable change in the key assumptions.

## Notes to the Financial Statements – Group *(continued)*

### 12 Deferred tax assets and liabilities

#### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

|                                                                                                      | <b>Assets</b> |             | <b>Liabilities</b> |             | <b>Net</b>   |             |
|------------------------------------------------------------------------------------------------------|---------------|-------------|--------------------|-------------|--------------|-------------|
|                                                                                                      | <b>2021</b>   | <b>2020</b> | <b>2021</b>        | <b>2020</b> | <b>2021</b>  | <b>2020</b> |
|                                                                                                      | <b>£000</b>   | <b>£000</b> | <b>£000</b>        | <b>£000</b> | <b>£000</b>  | <b>£000</b> |
| Non-current assets including: Property, plant and equipment and intangible assets timing differences | <b>349</b>    | 213         | <b>(1,319)</b>     | (2,931)     | <b>(970)</b> | (2,718)     |
| Pension and post-retirement benefits                                                                 | <b>303</b>    | 209         | -                  | (12)        | <b>303</b>   | 197         |
| Provisions                                                                                           | <b>238</b>    | 245         | -                  | -           | <b>238</b>   | 245         |
| Deferred tax assets/(liabilities)                                                                    | <b>890</b>    | 667         | <b>(1,319)</b>     | (2,943)     | <b>(429)</b> | (2,276)     |

Deferred tax assets of £890,000 (2020: £667,000) are only recognised to the extent that the Directors consider it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

## Notes to the Financial Statements – Group (continued)

### 13 Inventories

|             | 2021<br>£000 | 2020<br>£000 |
|-------------|--------------|--------------|
| Consumables | 783          | 885          |

The Group recognised £8,851,000 (2020: £6,548,000) of consumables as cost of sales in the year.

### 14 Trade and other receivables

|                                                 | 2021<br>£000 | 2020<br>£000 |
|-------------------------------------------------|--------------|--------------|
| Trade receivables                               | 21,026       | 24,679       |
| Amounts owing from group undertakings           | 32,290       | 10,770       |
| Other receivables                               | 410          | 282          |
| Prepayments                                     | 10,760       | 9,595        |
|                                                 | <hr/>        | <hr/>        |
| All amounts due within one year                 | 64,486       | 45,326       |
|                                                 | <hr/>        | <hr/>        |
| Non-current assets due after more than one year |              |              |
| Other receivables                               | 3,056        | 3,083        |
| Prepayments                                     | 70           | 170          |
|                                                 | <hr/>        | <hr/>        |
|                                                 | 3,126        | 3,253        |
|                                                 | <hr/>        | <hr/>        |

### 15 Cash and cash equivalents

|                                                                              | 2021<br>£000 | 2020<br>£000 |
|------------------------------------------------------------------------------|--------------|--------------|
| Cash and cash equivalents per balance sheet                                  | 29,047       | 21,129       |
| Cash and cash equivalents included within assets classified as held for sale | -            | 1,660        |
|                                                                              | <hr/>        | <hr/>        |
| Cash and cash equivalents per cash flow statement                            | 29,047       | 22,789       |
|                                                                              | <hr/>        | <hr/>        |

## Notes to the Financial Statements – Group (continued)

### 16 Trade and other payables

|                                                       | 2021<br>£000  | 2020<br>£000  |
|-------------------------------------------------------|---------------|---------------|
| <b>Current</b>                                        |               |               |
| Lease liabilities                                     | 6,184         | 5,421         |
| Trade payables                                        | 14,664        | 9,552         |
| Tax payable                                           | 4,552         | 9,829         |
| Contingent consideration due to business combinations | 555           | 350           |
| Amounts owed to group undertakings                    | 199           | -             |
| Non-trade payables and accrued expenses               | 54,971        | 39,033        |
|                                                       | <b>81,125</b> | <b>64,185</b> |

During the year management identified a VAT error in relation to the current and preceding periods and has recognised an obligation of £7.5m in relation to this in the current year.

### 17 Provisions

|                                 | Onerous contract<br>£000 | Pension provision<br>£000 | Dismantlement provision<br>£000 | Dilapidation provision<br>£000 | Total<br>£000 |
|---------------------------------|--------------------------|---------------------------|---------------------------------|--------------------------------|---------------|
| At 1 October 2020               | 826                      | 405                       | 793                             | 2,921                          | 4,945         |
| Provisions made during the year | 1,991                    | -                         | -                               | 1,386                          | 3,377         |
| Unwinding of discounted amount  | -                        | -                         | 27                              | -                              | 27            |
| <b>At 30 September 2021</b>     | <b>2,817</b>             | <b>405</b>                | <b>820</b>                      | <b>4,307</b>                   | <b>8,349</b>  |

A provision was created in 2017 for the Federated Pension Plan defined benefit pension scheme to cover the uncertainties in finalising the fair value of the liability.

The dismantlement provision relates to the expected cost of restoring the leasehold properties based on estimates of the likely cash out flow at the end of the lease, discounted using an appropriate discount rate. This provision will be utilised over the remaining lease terms of between 10 and 15 years.

Onerous contract provisions have been created for loss-making contracts where no potential contractual or operational improvement is possible. The onerous contract provision includes items that are subject to commercial and/or contractual disputes and may be subject to early termination, penalty clauses, or other contractual penalties. Management believes that the current level of provision is balanced, whilst the outcome of such contracts is inherently uncertain, and that any significant potential downside from possible changes to key assumptions could be offset by potential profit improvement plans. The provision will be utilised over the remaining contract terms.

The dilapidation provision relates to the estimate of exit costs at the end of the lease term on leasehold properties entered into without significant asset removal. The provision is being increased until the end of the lease term at which point it will be utilised.

## Notes to the Financial Statements – Group *(continued)*

### 18 Trade and other payables: non-current

|                    | 2021<br>£000 | 2020<br>£000 |
|--------------------|--------------|--------------|
| <b>Non-current</b> |              |              |
| Lease liabilities  | 12,858       | 17,124       |
| Other creditors    | 864          | 724          |
|                    | <hr/>        | <hr/>        |
|                    | 13,722       | 17,848       |
|                    | <hr/>        | <hr/>        |

### 19 Lease liabilities

|                                | 2021<br>£000 | 2020<br>£000 |
|--------------------------------|--------------|--------------|
| <b>Current liabilities</b>     |              |              |
| Lease liabilities              | 6,184        | 5,421        |
| <b>Non-current liabilities</b> |              |              |
| Lease liabilities              | 12,858       | 17,124       |

For more information about the Group's exposure to interest rate and foreign currency risk, see note 22.

Lease liabilities are due as follows:

|                            | 2021<br>£000 | 2020<br>£000 |
|----------------------------|--------------|--------------|
| Less than one year         | 6,185        | 5,422        |
| Between one and five years | 9,577        | 12,790       |
| More than five years       | 3,280        | 4,334        |
|                            | <hr/>        | <hr/>        |
|                            | 19,042       | 22,546       |
|                            | <hr/>        | <hr/>        |

Contractual undiscounted cash flows in respect of these leases are due as follows:

|                            | 2021<br>£000 | 2020<br>£000 |
|----------------------------|--------------|--------------|
| Less than one year         | 5,849        | 5,360        |
| Between one and five years | 10,703       | 13,305       |
| More than five years       | 3,860        | 4,919        |
|                            | <hr/>        | <hr/>        |
|                            | 20,412       | 23,584       |
|                            | <hr/>        | <hr/>        |

## Notes to the Financial Statements – Group (continued)

### 20 Employee benefits

The pension cost charged to the profit and loss account for the year represents contributions payable by the Group to all pension schemes accounted for as defined contribution schemes and amounts to £3,291,000 (2020: £3,478,000).

Contributions amounting to £305,000 (2020: £877,000) were payable to the defined contribution schemes at the end of the year relating to the final month and are included in creditors.

#### Defined contribution pension schemes

The Group operates three defined contribution pension schemes.

#### Defined benefit pension schemes

The Group operates three pension schemes providing benefits based on final pensionable pay. The latest actuarial valuation for the InHealth Defined Benefit Pension scheme was carried out at 1 October 2019, for The Federated Pension Plan – InHealth Intelligence Limited the latest actuarial valuation was carried out on 5 April 2019 and for the Prudential Platinum Pension – InHealth Limited Scheme the latest actuarial valuation was carried out at 31 December 2019. These have been agreed between the Trustees and the relevant Group companies. GMP equalisation does not impact any of the pension schemes in the Group.

The information disclosed below is in respect of the whole of the Group for the periods shown:

|                                                                       | 2021<br>£000 | 2020<br>£000 |
|-----------------------------------------------------------------------|--------------|--------------|
| <b>Defined benefit pension scheme assets</b>                          |              |              |
| Scheme 1 – InHealth Defined Benefit Pension Scheme                    | 2,648        | 2,442        |
| Scheme 2 – The Federated Pension Plan – InHealth Intelligence Limited | 338          | 344          |
| Scheme 3 – Prudential Platinum Pension – InHealth Limited             | 724          | 569          |
|                                                                       | <hr/>        | <hr/>        |
| Total defined benefit assets                                          | 3,710        | 3,355        |
|                                                                       | <hr/>        | <hr/>        |
| <b>Defined benefit pension scheme liabilities</b>                     |              |              |
| Scheme 1 – InHealth Defined Benefit Pension Scheme                    | (3,473)      | (3,354)      |
| Scheme 2 – The Federated Pension Plan – InHealth Intelligence Limited | (338)        | (344)        |
| Scheme 3 – Prudential Platinum Pension – InHealth Limited             | (795)        | (713)        |
|                                                                       | <hr/>        | <hr/>        |
| Total defined benefit liabilities                                     | (4,606)      | (4,411)      |
|                                                                       | <hr/>        | <hr/>        |
| Total defined benefit pension scheme net liability                    | (896)        | (1,056)      |
|                                                                       | <hr/>        | <hr/>        |

## Notes to the Financial Statements – Group (continued)

### 20 Employee benefits (continued)

#### Defined benefit pension schemes (continued)

Movements in net defined benefit pension liability

|                                                             | Defined benefit obligation |              | Fair value of plan assets |              | Net defined benefit liability |              |
|-------------------------------------------------------------|----------------------------|--------------|---------------------------|--------------|-------------------------------|--------------|
|                                                             | 2021<br>£000               | 2020<br>£000 | 2021<br>£000              | 2020<br>£000 | 2021<br>£000                  | 2020<br>£000 |
| <b>Balance at 1 October</b>                                 | <b>(4,411)</b>             | (4,596)      | <b>3,355</b>              | 3,873        | <b>(1,056)</b>                | (723)        |
| <b>Included in profit or loss</b>                           |                            |              |                           |              |                               |              |
| Current service cost                                        | (122)                      | (120)        | -                         | -            | (122)                         | (120)        |
| Interest cost                                               | (69)                       | (81)         | 60                        | 70           | (9)                           | (11)         |
| Administration services                                     | (4)                        | -            | (38)                      | (20)         | (42)                          | (20)         |
| Gain/loss on settlement                                     | -                          | 443          | -                         | (420)        | -                             | 23           |
|                                                             | <b>(195)</b>               | 242          | <b>22</b>                 | (370)        | <b>(173)</b>                  | (128)        |
| <b>Included in OCI</b>                                      |                            |              |                           |              |                               |              |
| Actuarial gain arising from change in financial assumptions | (65)                       | (59)         | 222                       | (85)         | 157                           | (144)        |
| Restriction on recognisable surplus                         | -                          | -            | (54)                      | (260)        | (54)                          | (260)        |
|                                                             | <b>(65)</b>                | (59)         | <b>168</b>                | (345)        | <b>103</b>                    | (404)        |
| <b>Other</b>                                                |                            |              |                           |              |                               |              |
| Contributions paid by the employer                          | (0)                        | (0)          | 230                       | 199          | 230                           | 181          |
| Contributions paid by the employee                          | (26)                       | (24)         | 26                        | 24           | -                             | 18           |
| Benefits paid                                               | 91                         | 26           | (91)                      | (26)         | -                             | -            |
|                                                             | <b>65</b>                  | 2            | <b>165</b>                | 197          | <b>230</b>                    | 199          |
| <b>Balance at 30 September</b>                              | <b>(4,606)</b>             | (4,411)      | <b>3,710</b>              | 3,355        | <b>(896)</b>                  | (1,056)      |

## Notes to the Financial Statements – Group (continued)

### 20 Employee benefits (continued)

#### Defined benefit pension schemes (continued)

The major categories of scheme assets are as follows:

|                                                                   | Scheme | 2021<br>£000 | 2020<br>£000 |
|-------------------------------------------------------------------|--------|--------------|--------------|
| <b>InHealth Defined Benefit Pension Scheme</b>                    |        |              |              |
| Investment funds                                                  | 1      | 2,589        | 2,337        |
| Other (including cash and cash equivalents)                       | 1      | 59           | 105          |
|                                                                   |        | <b>2,648</b> | <b>2,442</b> |
| <b>The Federated Pension Plan – InHealth Intelligence Limited</b> |        |              |              |
| Equity instruments                                                | 2      | 289          | 267          |
| Bonds                                                             | 2      | 217          | 200          |
| Diversified growth funds                                          | 2      | 145          | 133          |
| Other (including cash and cash equivalents)                       | 2      | 1            | 4            |
| Restriction on recognisable surplus                               | 2      | (314)        | (260)        |
|                                                                   |        | <b>338</b>   | <b>344</b>   |
| <b>Prudential Platinum Pension – InHealth Limited</b>             |        |              |              |
| Debt Instruments                                                  | 3      | 216          | 158          |
| Investment funds                                                  | 3      | 508          | 411          |
|                                                                   |        | <b>724</b>   | <b>569</b>   |
| <b>Total</b>                                                      |        | <b>3,710</b> | <b>3,355</b> |

The Federated Pension Plan is part of a multi-employer scheme, therefore the Group does not have an unconditional right of return to the schemes assets were the scheme to be wound up and as such would not be paid out a share of any remaining assets. There is a restriction on recognisable surplus of £314,000 for the year ended 30 September 2021 (2020: £260,000).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

|                                                |             |             |
|------------------------------------------------|-------------|-------------|
| <b>InHealth Defined Benefit Pension Scheme</b> | <b>2021</b> | <b>2020</b> |
| Discount rate at 30 September                  | 2.0%        | 1.6%        |
| Future salary increases                        | 2.5%        | 2.0%        |
| Inflation (CPI)                                | 2.7%        | 2.2%        |
| Future pension increases                       | 3.4%        | 2.9%        |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

|                      |                                |
|----------------------|--------------------------------|
|                      | <b>As at 30 September 2021</b> |
| Retiring today       |                                |
| Males                | 26.6 years                     |
| Females              | 29.1 years                     |
| Retiring in 20 years |                                |
| Males                | 28.1 years                     |
| Females              | 30.6 years                     |

## Notes to the Financial Statements – Group (continued)

### 20 Employee benefits (continued)

#### Defined benefit pension schemes (continued)

##### InHealth Defined Benefit Pension Scheme (continued)

The Group expects to pay £120,000 in contributions to this defined benefit plan in 2022.

| <b>The Federated Pension Plan – InHealth Intelligence Limited</b> | <b>2021</b> | <b>2020</b> |
|-------------------------------------------------------------------|-------------|-------------|
| Discount rate at 30 September                                     | <b>2.0%</b> | 1.6%        |
| Future salary increases                                           | <b>2.5%</b> | 2.0%        |
| Inflation (RPI)                                                   | <b>2.7%</b> | 2.2%        |
| Future pension increases                                          | <b>3.4%</b> | 3.0%        |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

#### As at 30 September 2021

|                      |                   |
|----------------------|-------------------|
| Retiring today       |                   |
| Males                | <b>21.4 years</b> |
| Females              | <b>23.7 years</b> |
| Retiring in 20 years |                   |
| Males                | <b>22.7 years</b> |
| Females              | <b>25.1 years</b> |

The Group expects to pay £nil in contributions to this defined benefit plan in 2022.

| <b>Prudential Platinum Pension – InHealth Limited</b> | <b>2021</b> | <b>2020</b> |
|-------------------------------------------------------|-------------|-------------|
| Discount rate at 30 September                         | <b>2.0%</b> | 1.6%        |
| Future salary increases                               | <b>2.5%</b> | 2.0%        |
| Inflation rate (CPI)                                  | <b>2.7%</b> | 2.2%        |
| Future pension increases                              | <b>3.5%</b> | 3.0%        |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

#### As at 30 September 2021

|                      |                   |
|----------------------|-------------------|
| Retiring today       |                   |
| Males                | <b>22.5 years</b> |
| Females              | <b>24.5 years</b> |
| Retiring in 20 years |                   |
| Males                | <b>23.5 years</b> |
| Females              | <b>25.9 years</b> |

The Group expects to pay £87,000 in contributions to the Prudential Platinum Pension scheme plan in 2022.

## Notes to the Financial Statements – Group (continued)

### 20 Employee benefits (continued)

#### Defined benefit pension schemes (continued)

##### Sensitivity analysis

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation is set out below:

| <b>InHealth Defined Benefit Pension Scheme</b> | <b>Change in assumptions</b> | <b>Change in liabilities</b> |
|------------------------------------------------|------------------------------|------------------------------|
| Discount rate                                  | Decrease by 0.5%             | Increase by 12%              |
| Rate of inflation                              | Increase by 0.5%             | Increase by 6%               |
| Rate of salary growth                          | Increase by 0.5%             | Increase by 1%               |
| Life expectancy                                | Increase by 1 year           | Increase by 3%               |

| <b>The Federated Pension Plan – InHealth Intelligence Limited</b> | <b>Change in assumptions</b> | <b>Change in liabilities</b> |
|-------------------------------------------------------------------|------------------------------|------------------------------|
| Discount rate                                                     | Decrease by 0.3%             | Increase by 4%               |
| Rate of inflation                                                 | Increase by 0.3%             | Increase by 4%               |
| Rate of salary growth                                             | Increase by 0.3%             | Increase by 4%               |
| Life expectancy                                                   | Increase by 1 year           | Increase by 3%               |

| <b>Prudential Platinum Pension – InHealth Limited</b> | <b>Change in assumptions</b> | <b>Change in liabilities</b> |
|-------------------------------------------------------|------------------------------|------------------------------|
| Discount rate                                         | Decrease by 0.1%             | Decrease by 3%               |
| Rate of inflation                                     | Increase by 0.1%             | Increase by 3%               |
| Rate of salary growth                                 | Increase by 0.1%             | Increase by 2%               |
| Life expectancy                                       | Increase by 1 year           | Increase by 5%               |

The sensitivities shown above are approximate and each sensitivity considers one change in isolation. The sensitivity of the schemes obligations to significant actuarial assumptions has been estimated, based on the average age within the pension schemes and the normal retirement age of members and the duration of the liabilities of the schemes, which as at 30 September 2020 is approximately 24 years (InHealth Defined Benefit Scheme), 16 years (The Federated Pension Plan – InHealth Intelligence Limited) and 36 years (Prudential Platinum Pension – InHealth Limited).

All plans typically expose the Group to actuarial risks such as investment risk, interest rate risk and mortality risk. The discount rate used to calculate the defined benefit pension obligation reflects the yield available on a high quality corporate bond of equivalent currency and term to the liabilities at the date of the valuation. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to all three schemes' liabilities, which means movements in the schemes' assets may well not correspond to changes in the value of the liabilities over time leading to volatility in the results from year to year.

If pensions are not bought out and members live longer than expected, the benefits will be payable for longer than allowed for in the calculation of the liabilities leading to an experience loss on the plan liabilities.

##### Funding

The plans are fully funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plans. The funding of the plans are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

## Notes to the Financial Statements – Group (continued)

### 20 Employee benefits (continued)

#### Share-based payments

The Group held a long-term growth share plan in which certain members of Group management had been invited to purchase shares in InHealth Group Limited. The plan realised in 2021 resulting in payments totalling £7,208,000 (2020: £300,000).

The Group has accounted for the plan as equity settled in prior years as this was management's view of the most probable method of settlement. On this basis the plan was measured at fair value at the date of the grant.

The plan was cash settled in the financial year through the repurchase of InHealth Group Limited shares (held by the plan members) by InHealth Group Holdings Plc.

The modification to a cash settled plan was triggered by the annual review, included in the plan rules and undertaken in June 2021, where the conditions to enable a repurchase of shares by the Group for a cash settlement were met and exercised.

The settlement of the plan has been reflected in the financial statements as equity settled at a modification date of June 2021 as the increase in fair value was delivered before the annual review date. Fair value attributable to the plan post modification date, if any, is in management's view immaterial.

The settlement of the plan is therefore recorded in the Financial Statements as a change in equity through retained earnings in accordance with accounting policy 1.10.

There were no share-based payment plans in operation at the end of the period.

### 21 Capital and reserves

| Called up share capital                                                                                                                                                                                     | Share premium<br>£000 | Called up share capital<br>£000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|
| <b>Allotted, called up and fully paid</b>                                                                                                                                                                   |                       |                                 |
| In issue at 1 October 2020 (1,096,057 Ordinary shares of £0.01 each, 102,860 "A" Ordinary Shares of £0.10 each, 70,503 "B1" Ordinary shares of £0.10 each and 72,621 "B2" Ordinary shares of £0.01 each)    | <b>77,704</b>         | <b>29</b>                       |
| 14,101 "B2" Ordinary shares of £0.01 each issued for cash                                                                                                                                                   | -                     | -                               |
| In issue at 30 September 2021 (1,096,057 Ordinary shares of £0.01 each, 102,860 "A" Ordinary Shares of £0.10 each, 70,503 "B1" Ordinary shares of £0.10 each and 86,722 "B2" Ordinary shares of £0.01 each) | <b>77,704</b>         | <b>29</b>                       |

On 29 October 2020, the Company issued 14,101 "B2" Ordinary shares for £0.01 each.

### 22 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Directors. The Directors provide principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

## Notes to the Financial Statements – Group (continued)

### 22 Financial instruments (continued)

#### Capital risk management

The Group's capital structure is comprised entirely of shareholders' equity.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

#### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade and other receivables. The concentration of the Group's credit risk is considered by counterparty, geography and currency.

The Group gives careful consideration to the organisations it uses for its banking services in order to minimise credit risk. The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. An allowance for impairment is made where there is an identified loss event.

Management considers the above measures to be sufficient to control the credit risk exposure. No collateral is held by the Group as security in relation to its financial assets.

The aging of trade receivables at the balance sheet date, net of the doubtful debt provision is as follows:

|                            | 2021<br>£000 | 2020<br>£000 |
|----------------------------|--------------|--------------|
| Not past due               | 14,809       | 17,116       |
| Past due 0 - 30 days       | 1,869        | 3,468        |
| Past due 31-120 days       | 3,787        | 3,803        |
| More than 120 days overdue | 561          | 292          |
|                            | <hr/>        | <hr/>        |
| Net trade receivables      | 21,026       | 24,679       |
|                            | <hr/>        | <hr/>        |

The doubtful debt provision included within the table above is £1,550,000 (2020: £27,000), which is attributable to the debt greater than 120 days.

#### Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Directors who manage liquidity risk by regularly reviewing the Group's cash requirements by reference to short term cash flow forecasts and medium-term working capital projections prepared by management.

At 30 September 2021 the Group had £29.0 million (2020: £21.1 million) of cash reserves.

For the contractual maturities of hire purchase liabilities, including estimated interest payments and excluding the effect of netting agreements see note 19. For trade and other payables, which are due within 1 year see note 16.

## Notes to the Financial Statements – Group (continued)

### 22 Financial instruments (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

#### Market risk - Foreign currency risk

The Group exposure is limited as all of its invoicing and the majority of its payments are in sterling and foreign currency fluctuations are mitigated by the Group having cash balances in those currencies. Management have not presented any sensitivity analysis in this area as any movement in foreign exchange rates is deemed unlikely to have a material impact on the Group.

#### Interest rate risk management

The Group has minimal exposure to interest rate risk. It is exposed to interest rate risk on some of its financial assets being its cash at bank balances, as well as on hire purchase financial liabilities. The interest rates on these balances were at a level that any risk of movements in interest rates would not materially affect the profit and loss of the Group. The Directors currently believe that interest rate risk is at an acceptable level. Due to its minimum exposure to interest rate risk, the Group has not prepared any sensitivity analysis.

The interest rate profile of the Group's interest-bearing financial instruments was as follows:

|                                  | 2021<br>£000  | 2020<br>£000   |
|----------------------------------|---------------|----------------|
| <b>Fixed rate instruments</b>    |               |                |
| Current lease liabilities        | (6,184)       | (5,421)        |
| Non-current lease liabilities    | (12,858)      | (16,980)       |
| <b>Variable rate instruments</b> |               |                |
| Cash and cash equivalents        | 29,047        | 21,129         |
|                                  | <b>10,005</b> | <b>(1,272)</b> |

#### Fair values of financial instruments

Management believe the fair values of all other financial assets and financial liabilities are in line with their carrying amounts shown in the balance sheet. The following assumptions were used to estimate the fair values:

Trade and other receivables: these are carried at amortised cost using effective interest method and fair value is deemed to be the same.

Cash and cash equivalents: this will equal the carrying amounts shown in the balance sheet.

## **Notes to the Financial Statements – Group** *(continued)*

### **23 Commitments**

#### *Capital commitments*

During the year ended 30 September 2021, the Group entered into contracts to purchase MRI equipment and CT scanners for £18,010,000 (2020: £8,754,000). These commitments are expected to be settled in the following financial year.

### **24 Related parties**

The amount owed to InHealth Intelligence Limited, which the Group holds a 94% (2020: 94%) shareholding in, at the 30 September 2021 was £412,000 (2020: 1,830,000).

The amount due from InHealth Pathology Limited, which the Group held a 88% shareholding in, at 30 September 2020 was £1,101,000. The shareholding at 30 September 2021 is 100%.

### **25 Events after the balance sheet date**

On 30 June 2022 InHealth Group completed a new partnership with C7 Health. TAC Healthcare Limited, the new organisation, will be part of the InHealth Group as a majority-owned subsidiary of InHealth Limited. It comprises the services that sit within C7 Health (Diagnostic World, TAC Healthcare and Private GP Services), and combines them with some of InHealth's services - Endoscopy, Pathology, Ultrasound, Physmed and Echo.

### **26 Ultimate parent company and parent company of larger group**

The ultimate parent undertaking and controlling party is The Damask Trust, the Trustees of which are I H Bradbury and The Embleton Trust Corporation Limited.

The largest Group in which the Company will be consolidated is InHealth UK Holdings Limited. The smallest Group in which the Company is consolidated is InHealth Group Holdings PLC. These two Group companies are incorporated in England and Wales. The consolidated financial statements of these Groups are available to the public and may be obtained from Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL.

## Company Balance Sheet

At 30 September 2021

|                                                       | Note | 2021<br>£000    | 2021<br>£000   | 2020<br>£000   | 2020<br>£000  |
|-------------------------------------------------------|------|-----------------|----------------|----------------|---------------|
| <b>Fixed assets</b>                                   |      |                 |                |                |               |
| Investments                                           | 2    |                 | 63,428         |                | 56,220        |
|                                                       |      |                 | <u>63,428</u>  |                | <u>56,220</u> |
| <b>Current assets</b>                                 |      |                 |                |                |               |
| Debtors: amounts falling due within one year          | 3    | 32,327          |                | 21,396         |               |
| Debtors: amounts falling due after more than one year | 3    | 22,146          |                | 21,447         |               |
| Cash at bank and in hand                              |      | 52              |                | 148            |               |
|                                                       |      | <u>54,525</u>   |                | <u>42,991</u>  |               |
| <b>Creditors: amounts falling due within one year</b> | 4    | <u>(15,017)</u> |                | <u>(3,814)</u> |               |
| <b>Net current assets</b>                             |      |                 | <u>39,508</u>  |                | <u>39,177</u> |
| <b>Net assets</b>                                     |      |                 | <u>102,936</u> |                | <u>95,397</u> |
| <b>Capital and reserves</b>                           |      |                 |                |                |               |
| Called up share capital                               | 5    |                 | 29             |                | 29            |
| Share premium account                                 | 6    |                 | 77,704         |                | 77,704        |
| Capital contribution reserve                          | 6    |                 | 7,208          |                | -             |
| Profit and loss account                               | 6    |                 | 17,995         |                | 17,664        |
| <b>Shareholders' funds</b>                            |      |                 | <u>102,936</u> |                | <u>95,397</u> |

These Financial Statements were approved by the Board of Directors on 22 July 2022 and were signed on its behalf by:



**R J Bradford**  
 Director

Company registration number: 04620480

The accompanying notes form part of these Financial Statements.

## **Notes to the Financial Statements – Company** **(forming part of the Financial Statements)**

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the Financial Statements, except as noted below.

#### ***Basis of preparation***

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and intangible assets; and
- Disclosures in respect of transactions with wholly owned subsidiaries.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2 in the Group's notes.

#### **1.1 Measurement convention**

The Financial Statements are prepared on the historical cost basis.

#### **1.2 Going concern**

The Directors have considered the factors that impact the Company's future development, performance, cash flows and financial position along with the Company's current liquidity in forming their opinion on the going concern basis. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements. Refer to policy 1.2 in the Group's notes for full analysis performed by the Directors.

## Notes to the Financial Statements – Company (continued)

### 1 Accounting policies (continued)

#### 1.3 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### Investments

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

### 2 Fixed asset investments

|                                         | Shares in group<br>undertakings<br>£000 |
|-----------------------------------------|-----------------------------------------|
| <b>Cost</b>                             |                                         |
| At 1 October 2020                       | 56,220                                  |
| Growth share plan settlement            | 7,208                                   |
|                                         | <hr/>                                   |
| At 30 September 2021                    | 63,428                                  |
|                                         | <hr/>                                   |
| <b>Provisions</b>                       |                                         |
| At 1 October 2020 and 30 September 2021 | -                                       |
|                                         | <hr/>                                   |
| <b>Net book value</b>                   |                                         |
| At 30 September 2020                    | 56,220                                  |
|                                         | <hr/>                                   |
| <b>At 30 September 2021</b>             | <b>63,428</b>                           |
|                                         | <hr/>                                   |

The Group held a long-term growth share plan in which certain members of Group management had been invited to purchase shares in InHealth Group Limited. The plan realised in 2021 resulting in payments totalling £7,208,000. The plan was cash settled in the financial year through the repurchase of InHealth Group Limited shares (held by the plan members) by InHealth Group Holdings Plc. The Company had the obligation to settle the scheme, and its direct subsidiary, InHealth Limited, is the employer of the plan members.

The Company has recognised an increase in investment for services provided by its subsidiary and a capital contribution reserve from its parent who settled on its behalf.

## Notes to the Financial Statements – Company (continued)

### 2 Fixed asset investments (continued)

The Company has the following investments in subsidiaries:

|                                                                       | Class of<br>shares<br>held | Ownership |      |
|-----------------------------------------------------------------------|----------------------------|-----------|------|
|                                                                       |                            | 2021      | 2020 |
| <b>Direct Subsidiaries</b>                                            |                            |           |      |
| InHealth Limited                                                      | £1                         | 100%      | 100% |
| InHealth Properties Limited                                           | £1                         | 100%      | 100% |
| InHealth Facilities Management Limited                                | £1                         | 100%      | 100% |
| InHealth (London) Limited                                             | £1                         | 100%      | 100% |
| <b>Subsidiary undertakings of InHealth Limited</b>                    |                            |           |      |
| InHealth Molecular Imaging Limited                                    | £1                         | 100%      | 100% |
| Vista Diagnostics Limited                                             | £1                         | 100%      | 100% |
| Preventicum UK Limited                                                | 10p                        | 100%      | 100% |
| InHealth Reporting Limited                                            | £1                         | 100%      | 100% |
| InHealth Endoscopy Limited                                            | £1                         | 100%      | 100% |
| InHealth Echotech Limited                                             | £1                         | 100%      | 100% |
| Lister InHealth Limited                                               | £1                         | 100%      | 100% |
| Cardinal InHealth Limited                                             | 1p                         | 100%      | 100% |
| InHealth Diagnostics and Healthcare Solutions Limited                 | €1                         | 100%      | 100% |
| InHealth Community Solutions Limited                                  | £1                         | 0%        | 100% |
| InHealth Pathology Limited                                            | 1p                         | 100%      | 88%  |
| InHealth Intelligence Limited                                         | £1                         | 94%       | 94%  |
| InHealth CATS Limited                                                 | £1                         | 100%      | 100% |
| London Centre for Advanced Diagnostics Limited                        | £1                         | 100%      | 100% |
| United Open MRI Limited                                               | £1                         | 100%      | 100% |
| <b>Subsidiary undertaking of InHealth Community Solutions Limited</b> |                            |           |      |
| InHealth Pain Management Solutions Limited                            | £1                         | 0%        | 100% |
| <b>Subsidiary undertaking of Preventicum UK Limited</b>               |                            |           |      |
| Euroclinics (UK) Limited                                              | £1                         | 100%      | 100% |
| <b>Subsidiary undertakings of InHealth Reporting Limited</b>          |                            |           |      |
| e-Locum Services Limited                                              | £1                         | 100%      | 100% |
| Medical Imaging Audit and Accreditation Limited                       | £1                         | 100%      | 100% |
| <b>Subsidiary undertaking of InHealth Endoscopy Limited</b>           |                            |           |      |
| Prime Endoscopy (Bristol) Limited                                     | £1                         | 100%      | 100% |
| <b>Subsidiary undertaking of InHealth Properties Limited</b>          |                            |           |      |
| InHealth Diagnostic and Imaging Limited                               | £1                         | 100%      | 100% |
| <b>Subsidiary undertakings of United Open MRI Limited</b>             |                            |           |      |
| The London Upright MRI Company Limited                                | £1                         | 100%      | 100% |
| Yorkshire Upright MRI Centre Limited                                  | £1                         | 100%      | 100% |

The registered office address of all subsidiary undertakings is Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL, with the exception of InHealth Diagnostics and Healthcare Solutions Limited, which has a registered office address at 1 Stokes Place, St Stephen's Green, Dublin, Republic of Ireland.

## Notes to the Financial Statements – Company (continued)

### 3 Debtors

|                                              | 2021<br>£000 | 2020<br>£000 |
|----------------------------------------------|--------------|--------------|
| Amounts owed by group undertakings           | 32,291       | 21,360       |
| Other debtors                                | 20           | 20           |
| Deferred tax asset                           | 16           | 16           |
|                                              | <hr/>        | <hr/>        |
| All amounts due within one year              | 32,327       | 21,396       |
|                                              | <hr/>        | <hr/>        |
| Debtors falling due after more than one year |              |              |
| Amounts owed by group undertakings           | 22,146       | 21,447       |
|                                              | <hr/>        | <hr/>        |

The amounts owed by group undertakings are repayable 2 years from the balance sheet date. The face value of the loans is £21,384,000 (2020: £21,384,000) at interest rate of 3.5% (2020: 3.5%). These loans are held at fair value of £19,962,000 (2020: £19,962,000). The amounts owed by group undertakings due after more than one year includes the interest on the loans that is due after more than one year.

### 4 Creditors: amounts falling due within one year

|                                    | 2021<br>£000 | 2020<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 14,914       | 3,711        |
| Accruals and deferred income       | 103          | 103          |
|                                    | <hr/>        | <hr/>        |
|                                    | 15,017       | 3,814        |
|                                    | <hr/>        | <hr/>        |

### 5 Called up share capital

|                                                                                                                                                                                                             | Share<br>premium<br>£000 | Called up<br>share capital<br>£000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------|
| <b>Allotted, called up and fully paid</b>                                                                                                                                                                   |                          |                                    |
| In issue at 1 October 2020 (1,096,057 Ordinary shares of £0.01 each, 102,860 "A" Ordinary Shares of £0.10 each, 70,503 "B1" Ordinary shares of £0.10 each and 72,621 "B2" Ordinary shares of £0.01 each)    | 77,704                   | 29                                 |
| 14,101 "B2" Ordinary shares of £0.01 each issued for cash                                                                                                                                                   | -                        | -                                  |
|                                                                                                                                                                                                             | <hr/>                    | <hr/>                              |
| In issue at 30 September 2021 (1,096,057 Ordinary shares of £0.01 each, 102,860 "A" Ordinary Shares of £0.10 each, 70,503 "B1" Ordinary shares of £0.10 each and 86,722 "B2" Ordinary shares of £0.01 each) | 77,704                   | 29                                 |

On 29 October 2020, the Company issued 14,101 "B2" Ordinary shares for £0.01 each.

## Notes to the Financial Statements – Company *(continued)*

### 6 Reserves

|                                 | Note | Called up<br>share<br>capital | Share<br>premium | Capital<br>contribution<br>reserve | Profit and<br>loss<br>account | Total          |
|---------------------------------|------|-------------------------------|------------------|------------------------------------|-------------------------------|----------------|
|                                 |      | £000                          | £000             | £000                               | £000                          | £000           |
| At 1 October 2020               |      | 29                            | 77,704           | -                                  | 17,664                        | 95,397         |
| Profit for the year             |      | -                             | -                | -                                  | 331                           | 331            |
| Growth share plan<br>settlement | 2    | -                             | -                | 7,208                              | -                             | 7,208          |
| At 30 September 2021            |      | <b>29</b>                     | <b>77,704</b>    | <b>7,208</b>                       | <b>17,995</b>                 | <b>102,936</b> |