Amending

Registered number: 05578428

InHealth Group Holdings PLC

Directors' Report and Financial Statements for the Year Ended 30 September 2020

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Company Information

Directors:	I H Bradbury R J Bradford Sir A D Chessells D M Petrie
Registered Office:	Beechwood Hall Kingsmead Road High Wycombe Buckinghamshire HP11 1JL
Registered Number:	05578428 (England and Wales)
Auditor:	KPMG LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1BP
Bankers:	Bank of Scotland 4th Floor 25 Gresham Street London EC2V 7HN

Strategic Report

The year will always be remembered as one in which the Covid-19 pandemic materially impacted the UK from March 2020. InHealth reacted quickly, repurposing assets and staff to support the short-term requirements, whilst maintaining strategic intent.

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.

We provide tests, scans and examinations for more than 3 million patients per annum, from over 300 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.

Healthcare is also changing, with technology underpinning and driving productivity changes from online delivery of services through to deploying the latest artificial intelligence developments. This evolution has accelerated with the challenges to healthcare service delivery presented by Covid-19. InHealth is actively supporting these changes and manages a Ventures fund that invests in early stage digital health companies, with 11 minority investments made to date as we look to champion the next wave of technology driven improvements to healthcare.

Covid-19

Following the outbreak of the Covid-19 global pandemic in early 2020, Healthcare systems across the world have worked to dedicate resources to fight the virus. In the UK the NHS focussed its attention on dealing with the pandemic which for some services led to a suspension or reduction in diagnostic and screening tests. InHealth has worked to support and partner with the NHS wherever possible during this period, dedicating resources including its entire CT fleet, retraining staff as well as mobilising specific and innovative Covid-19 responses utilising its people and assets across the UK. Throughout this period InHealth made over 1,000 of its team available to the NHS to be redeployed in the Covid-19 response while maintaining services where required. As a result of careful cash management during this period the Group did not need to make redundancies or draw on furlough support.

The Group has seen reduced activity levels as a result of Covid-19 during the year, particularly during the initial wave from March through to July, which has impacted our finances and as a result planned capital expenditure programs were reduced or deferred into 2020/21 in order to manage cashflow (2019/20 £17.6m capital expenditure; 2018/19 £28.6m). During the 'second wave' of the pandemic in late 2020 our services have continued in most areas (although at reduced levels) as the NHS has sought to maintain normal services where possible. However the ability to operate efficiently remains restricted by the need to adopt Covid-19 safety protocols while managing staff absences.

Strategic Report *(continued)*

Covid-19 *(continued)*

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.

Over the next 12 months services are expected to gradually recover as the backlog in diagnostic and screening tests is addressed and the rollout of appropriate vaccines is implemented. 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 therefore 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.

Following the outbreak of the virus the Directors have reassessed 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 trading activity in the second half of 2020 has been impacted by the global pandemic and, whilst costs were reduced and resources redeployed, our infrastructure and staff levels were maintained. As a result, the Group recorded a loss for the year whilst preserving cash for future investment in areas of likely pent up demand.

The Group's revenue in the year for continuing operations was £176.5 million (2019: £177.7 million), with a loss after tax for the year at £2.2 million (2019: profit after tax £2.1 million).

Despite the impact of the pandemic patient satisfaction, measured using the Friends and Family Test, showed that over 97% (2019: 98%) of our patients actively recommend our services.

InHealth Group Holdings PLC has again not paid any dividends and instead has continued to reinvest cashflow 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. Many services and staff were repurposed, with new services deployed for national 24-hour CT scanning, 111 support services, Nightingale Hospitals support, and conversion of existing fixed and mobile spaces and staff to Covid and non-Covid temporary patient facing new services.

In June 2020 we received an 'Outstanding' rating from the CQC following an inspection of our mobile and peripatetic services which employ over 700 staff across over 200 locations.

Although capital investment was restricted in the second half of the year we completed our radiology investments at Frimley, Norwich, Hexham and Kingston and have continued to invest in our mobile fleet capacity with further MRI and CT scanners added to the fleet.

Significant growth has been achieved through expansion of our Diabetic Eye Screening Programmes, as we mobilised a new contract at Bristol. The number of patients with diabetes we are responsible for now stands at over 1,050,000.

Strategic Report *(continued)*

Progress through the year *(continued)*

During the year, our early stage digital health investments continued with InHealth Ventures investing in new AI driven companies Agamon, Suki and Imvaria for a total consideration of £2.5 million. In addition, follow on investments were made in Nye Health and Heydoc for £0.5m. Details of these investments are included in note 12 of the Financial Statements.

The Group anticipates that as the impact of the pandemic reduces it will continue to have many 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, as noted in the Post Balance Sheet Review within the Directors' Report.

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, investment 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.

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.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Investment risk

InHealth Ventures Limited, an indirect subsidiary, makes early stage digital health investments in unlisted early stage companies, which means that the results of the Group are exposed to investment risks, where performance can increase or decrease. The Directors are satisfied that these minority stake investments do not expose the Group to any material risk.

Political risk

The effects of Brexit are subject to uncertainty in terms of economic and social impact. The Directors continue to monitor the situation following the 31 December 2020 leave date and have taken steps to minimise any associated risks, including through the establishment of appropriate supply chain arrangements and recruitment options for staff, and are satisfied that no material risk exists for the Group from the consequences of Brexit.

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.

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.

The Group endeavours to continually improve its environmental performance and manage the impact of its operations. Our initial work is focussed on transport and our mobile fleet as we look to reduce emissions across the Group and move towards a goal of carbon neutrality. We regularly review our environmental policy to ensure that it reflects changes in regulations and best practice. The approach to Corporate and Social Responsibility is reviewed on an annual basis in a continual commitment to sustainable and responsible development.

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)*

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 2,200 dedicated and committed people, 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 74% staff engagement score in the year and delivered over 8,000 training days.

Strategic Report *(continued)*

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.

R J Bradford
Director
25 March 2021

Directors' Report

The Directors present their report and audited Financial Statements of InHealth Group Holdings PLC for the year ended 30 September 2020.

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 (2019: £nil).

Directors

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

I H Bradbury
R J Bradford
Sir A D Chessells
D M Petrie

Political donations

The Group made no political donations (2019: £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 2,200 highly skilled and trained professionals 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 12 December 2020 InHealth Ventures Limited has acquired minority shareholdings in one company registered within the United States for total consideration of US$0.4 million.

On 23 December 2020, the Group sold its Pain Management Services division for £14.0 million.

On 5 February 2021 InHealth ventures Limited has acquired minority shareholdings in one additional company registered within the UK for total consideration of £3.3 million.

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
25 March 2021

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 HOLDINGS PLC

Opinion

We have audited the Financial Statements of InHealth Group Holdings PLC ("the Company") for the year ended 30 September 2020 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 2020 and of the Group's loss 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH GROUP HOLDINGS PLC *(continued)*

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, 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 8, 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH GROUP HOLDINGS PLC *(continued)*

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.

C. Anderson

Charlotte Anderson (Senior Statutory Auditor)
for and on behalf of
KPMG LLP
Statutory Auditor
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP
Date: 29 March 2021

Consolidated Statement of Profit and Loss and Comprehensive Income

For the year ended 30 September 2020

	Note	2020 £000	2019 £000
Revenue	4	**176,647**	177,684
Cost of sales		**(121,526)**	(113,141)
Gross profit		**55,121**	64,543
Administrative expenses	5	**(56,562)**	(61,039)
Operating (loss)/profit		**(1,441)**	3,504
Financial income	7	**586**	107
Financial expenses	7	**(1,050)**	(493)
Net financing (expense)		**(464)**	(386)
(Loss)/profit before tax		**(1,905)**	3,118
Taxation	8	**(515)**	(999)
(Loss)/profit for the year from continuing operations		**(2,420)**	2,119
Profit/(loss) for the year from discontinued operation, net of tax	3	**232**	(16)
(Loss)/profit for the year		**(2,188)**	2,113
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Re-measurement of defined benefit liability		**(404)**	(479)
Gains on remeasuring financial assets		**-**	842
Income tax on items that will not be reclassified to profit or loss		**77**	(62)
Other comprehensive (loss)/income for the year		**(327)**	301
Total comprehensive (loss)/income for the year		**(2,515)**	2,404
Comprehensive (loss)/income attributable to:			
Equity holders of the parent		**(2,613)**	2,207
Non-controlling interest		**98**	197

The accompanying notes form part of these Financial Statements.

Consolidated Balance Sheet
At 30 September 2020

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant & equipment	9	**102,602**	92,480
Intangible assets	10	**24,369**	30,511
Other financial assets	12	**11,374**	8,340
Trade and other receivables	15	**3,253**	3,617
		141,598	134,948
Current assets			
Inventories	14	**885**	1,070
Contract assets	4	**2,359**	2,431
Trade and other receivables	15	**34,555**	42,630
Cash and cash equivalents	16	**31,733**	5,428
Assets held for sale	3	**9,408**	-
		78,940	51,559
Total assets		**220,538**	186,507
Current liabilities			
Trade and other payables	17	**(64,422)**	(44,201)
Liabilities held for sale	3	**(1,340)**	-
		(65,762)	(44,201)
Non-current liabilities			
Employee benefits	21	**(1,056)**	(723)
Deferred tax liability	13	**(2,419)**	(2,675)
Provisions	18	**(4,945)**	(1,448)
Trade and other payables	19	**(17,917)**	(6,478)
		(26,337)	(11,324)
Total liabilities		**(92,099)**	(55,525)
Net assets		**128,439**	130,982
Equity attributable to equity holders			
Share capital	22	**1,309**	1,309
Share premium	22	**96,740**	96,740
Other reserves		**(1,404)**	(1,404)
Retained earnings		**31,466**	34,099
		128,111	130,744
Non-controlling interest		**328**	238
Total equity		**128,439**	130,982

Balance Sheet *(continued)*

These Financial Statements were approved by the Board of Directors on 25 March 2021 and were signed on its behalf by:

R J Bradford
Director
Company registration number: 05578428

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2020

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total parent equity £000	Non-controlling interest £000	Total equity £000
Balance at 1 October 2018	1,251	86,798	(1,404)	36,204	122,849	478	123,327
Total comprehensive income for the year							
Profit for the year	-	-	-	1,912	1,912	191	2,103
Other comprehensive income	-	-	-	295	295	6	301
Total comprehensive income for the year	-	-	-	2,207	2,207	197	2,404
Transactions with owners, recorded in equity							
Issue of shares	58	9,942	-	-	10,000	-	10,000
Changes in ownership interests							
Acquisition of additional shares in subsidiary	-	-	-	(4,312)	(4,312)	(437)	(4,749)
Balance at 30 September 2019 and 1 October 2019	**1,309**	**96,740**	**(1,404)**	**34,099**	**130,744**	**238**	**130,982**
Total comprehensive loss for the year							
Loss for the year	-	-	-	(2,289)	(2,289)	101	(2,188)
Other comprehensive loss	-	-	-	(324)	(324)	(3)	(327)
Total comprehensive income for the year	-	-	-	(2,613)	(2,613)	98	(2,515)
Changes in ownership interests							
Acquisition of additional shares in subsidiary undertakings	-	-	-	(20)	(20)	(8)	(28)
Balance at 30 September 2019	**1,309**	**96,740**	**(1,404)**	**31,466**	**128,111**	**328**	**128,439**

The accompanying notes form part of these Financial Statements.

Consolidated Cash Flow Statement

For year ended 30 September 2020

	Note	**2020**	2019
		£000	£000
Cash flows from operating activities			
(Loss)/profit for the year		**(2,188)**	2,103
Adjustments for:			
Depreciation, amortisation and impairment	5	**24,126**	18,013
Financial income	7	**(586)**	(107)
Financial expense	7	**1,050**	495
Change in value of investments		**-**	(842)
(Loss)/gain on sale of property, plant and equipment	5	**298**	(551)
Taxation	8	**515**	995
		23,215	20,106
Decrease/(increase) in trade and other receivables		**5,877**	(9,240)
(Increase) in contract assets		**-**	(2,500)
Decrease/(increase) in inventories		**185**	(245)
Increase in trade and other payables		**20,172**	-
Increase/(decrease) in provisions and employee benefits		**882**	(587)
Taxation paid		**(1,298)**	(622)
Interest paid		**(239)**	(388)
Net cash from operating activities		**48,794**	6,524
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**849**	1,648
Acquisition of property, plant and equipment		**(13,326)**	(20,205)
Acquisition of subsidiaries and businesses, net of cash acquired		**-**	(1,532)
Acquisition of other intangible assets		**(408)**	(663)
Interest received	7	**516**	107
Net cash from investing activities		**(12,369)**	(20,645)
Cash flows from financing activities			
Proceeds from the issue of share capital	22	**-**	10,000
Purchase of shares in subsidiary undertaking		**(320)**	(4,499)
Purchase of shares in investments		**(3,034)**	(3,111)
Payment of lease liabilities (2019: hire purchase liabilities)		**(4,359)**	(2,149)
Interest elements of lease liabilities (2019: hire purchase liabilities)		**(747)**	(160)
Net cash from financing activities		**(8,460)**	81
Cash and cash equivalents at 1 October		**5,428**	19,468
Net increase/(decrease) in cash and cash equivalents		**27,965**	(14,040)
Cash and cash equivalents at 30 September	16	**33,393**	5,428

Notes to the Financial Statements
(forming part of the Financial Statements)

1 Accounting policies

InHealth Group Holdings PLC (the "Company") is a Company incorporated, domiciled and registered in the UK. The registered number is 05578428 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 61-65.

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 Principal activity section of the Directors' Report on page 8.

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

As at 30 September 2020 the Group had net assets of £128m, net current assets of £13m and cash and cash equivalents of £32m. As at 28 February 2021 working capital balances remain in a satisfactory position. The Group has seen reduced activity levels as a result of Covid-19 but continues to support the NHS through this time.

Since the outbreak of the global pandemic Covid-19, the Directors have reassessed their prepared Group 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 the impact of reduced activity levels from February 2021 until August 2021, gradually recovering across the Group through this period. These forecasts indicate that, even when considering a severe but plausible downside, the Group 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 principal risks and uncertainties described in the Strategic Report on page 2, the Group's positive net asset position, absence of debt and availability of cash after considering the above impact of Covid-19, the Directors have a reasonable expectation that the Group has 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 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 arrangements

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.

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

1 Accounting policies *(continued)*

1.5 Financial instruments

ii) Classification and subsequent measurement *(continued)*

Financial assets *(continued)*

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.

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.

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

1 Accounting policies *(continued)*

1.5 Financial instruments *(continued)*

ii) Classification and subsequent measurement *(continued)*

Financial liabilities and equity *(continued)*

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.

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.

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

1 Accounting policies *(continued)*

1.5 Financial instruments *(continued)*

iv) Impairment *(continued)*

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.

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.

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

1 Accounting policies *(continued)*

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.

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.

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

1 Accounting policies *(continued)*

1.8 Intangible assets and goodwill *(continued)*

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 life
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.

1.10 Impairment excluding inventories and deferred tax assets and financial assets

Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

1 Accounting policies *(continued)*

1.11 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

Where a member of the Group grants equity settled awards to Group employees, and the Group has no obligation to settle the award, these are accounted for as share based payments as equity settled. In the event of any modification to terms of any share schemes the Group elects to maintain the original treatment of the scheme (i.e. either equity settled or cash settled).

1.12 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.

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

1 Accounting policies *(continued)*

1.13 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.

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.

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

1 Accounting policies *(continued)*

1.14 Expenses

Operating lease payments (policy applicable prior to 1 October 2019)

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

Finance lease payments (policy applicable prior to 1 October 2019)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.15 Leases (policy applicable from 1 October 2019)

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

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)*

1.15 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.

1.16 Interest income

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

1.17 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.

1.18 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)*

1.19 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.

1.20 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach, and as a result the comparatives have not been restated and reported under IAS 17.

On transition to IFRS 16, the Group elected to apply the following practical expedients:

- The Group has not reassessed contracts that were not identified as leases under IAS 17 and IFRIC 4 to determine whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after 1 October 2019.
- For leases previously classified as operating leases under IAS 17:

  - The Group has applied a single discount rate to a portfolio of leases with similar characteristics;

  - The Group has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application; and

  - The Group has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 October 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

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

1.20 Impact of new international reporting standards, amendments and interpretations *(continued)*

The following table summarises the quantitative impact of adopting new reporting standards on the Group's Financial Statements on transition to IFRS 16 on 1 October 2019.

Balance Sheet

	30 September 2019	IFRS 16	1 October 2019
	As reported		Adjusted balance
	£000	£000	£000
Non-current assets			
Tangible assets	92,480	16,563	109,043
Trade and other receivables	3,617	(535)	3,082
Other non-current assets	38,851	-	38,851
	134,948	**16,028**	**150,976**
Current assets			
Trade and other receivables	42,630	(372)	42,258
Other current assets	8,929	-	8,929
	51,559	**(372)**	**51,187**
Total assets	**186,507**	**15,656**	**202,163**
Current liabilities			
Trade and other payables	(44,201)	(2,491)	(46,692)
	(44,201)	**(2,491)**	**(46,692)**
Non-current liabilities			
Trade and other payables	(6,478)	(13,165)	(19,643)
Other non-current liabilities	(4,846)	-	(4,846)
	(11,324)	**(13,165)**	**(24,489)**
Total liabilities	**(55,525)**	**(15,656)**	**(71,181)**
Net assets	**130,982**	**-**	**130,982**

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

1.20 Impact of new international reporting standards, amendments and interpretations *(continued)*

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).

1.21 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 2020. As a condition of the audit exemption that they will claim, InHealth Group Limited, a direct subsidiary of the Company, intends to guarantee all outstanding liabilities of these companies as at 30 September 2020.

Company	Company registration number
e-Locum Services Limited	04785828
InHealth Community Solutions Limited	08302092
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
InHealth Ventures Limited	10056423
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

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 all 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 10 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 21. Any changes in the assumptions could impact the carrying amounts of retirement benefit assets and liabilities.

Valuation of unlisted investments

The Group holds a number of unlisted investments which are held at fair value. Their fair value is assessed based on the latest round of investment funding and with reference to the current market conditions.

3 Discontinued operation and asset held for sale

In September 2020 management committed to a plan to sell its Pain Management Services division and as such this is presented as a disposal group held for sale. Efforts to sell the disposal group had started prior to year end and on 23 December 2020 the sale was completed.

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 divisional results for the year 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

	2020 £000	2019 £000
Revenue	**8,936**	6,410
Cost of sales	**(5,367)**	(4,931)
Administrative expenses	**(3,283)**	(1,497)
Operating profit	**286**	(18)
Financial expenses	**(1)**	(2)
Profit/(loss) from discontinued operation	**285**	(20)
Taxation	**(53)**	4
Profit/(loss) for the year from discontinued operation, net of tax	**232**	(16)

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

	2020 £000	2019 £000
Net cash from operating activities	**(315)**	-
Net cash used in investing activities	**(570)**	-
Net cash flows for the year	**(885)**	-

(C) Asset held for sale

	2020 £000	2019 £000
Goodwill	**5,523**	-
Property, plant and equipment	**529**	-
Intangible assets	**41**	-
Trade and other receivables	**1,655**	-
Cash and cash equivalents	**1,660**	-
Assets classified as held for sale	**9,408**	-
Liabilities classified as held for sale:		
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:

	2020 £000	2019 £000
United Kingdom	**175,645**	176,042
Europe	**1,002**	1,642
	176,647	177,684

Contract balances

	2020 £000	2019 £000
Contract assets	**2,359**	2,431

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

Contract costs

	2020 £000	2019 £000
Costs to obtain contracts with customers	**2,359**	2,431

Contract costs are amortised when the related revenues are recognised. In the current period, the amount of amortisation was £72,000 (2019: £69,000) and the impairment loss recognised was £nil (2019: £nil).

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

5 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2020 £000	2019 £000
Depreciation and other amounts written off tangible assets:		
Owned	**16,897**	14,059
Leased and hire purchased (under IAS 17)	**-**	2,082
Right-of-use assets (under IFRS 16)	**4,655**	-
Loss/(profit) on disposal of property, plant and equipment	**298**	(551)
Amortisation of intangibles	**1,445**	1,464
Amortisation of contract assets	**72**	69
Impairment of tangible assets	**1,057**	339
Hire of plant and machinery – operating leases (under IAS 17)	**-**	730
Hire of other assets – operating leases (under IAS 17)	**-**	6,636
Interest expense on lease liabilities (under IFRS 16)	**522**	-
Expenses relating to short-term leases (under IFRS 16)	**23**	-
Expenses relating to leases of low-value assets, excluding short-term leases (under IFRS 16)	**15**	-

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these Financial Statements	**11**	11
Audit of the Financial Statements for all other Group companies	**245**	239
Taxation compliance services	**88**	95
Other tax advisory services	**50**	72
All other services	**28**	3

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**	**2020 No. Total**	Continuing operations	Discontinued operation	2019 No. Total
Sales	**2**	**-**	**2**	1	-	1
Operations	**1,789**	**50**	**1,839**	1,747	54	1,801
Administrative	**187**	**30**	**217**	191	31	222
Directors	**2**	**-**	**2**	2	-	2
	1,980	**80**	**2,060**	1,941	85	2,026

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

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Continuing operations		
Wages and salaries	**69,209**	67,721
Social security costs	**6,851**	7,179
Contributions to defined contribution plans	**3,431**	2,506
Contributions to defined benefit plans	**181**	192
	79,672	77,598
Discontinued operation		
Wages and salaries	**3,296**	2,713
Social security costs	**286**	227
Contributions to defined contribution plans	**127**	108
	3,710	3,048

Directors' remuneration is as follows:

	2020 £000	2019 £000
Directors' remuneration including social security costs	**728**	638
Contributions to money purchase pension scheme	**20**	6
	748	644

The aggregate of emoluments of the highest paid Director was £485,000 (2019: £395,000), and pension contributions of £nil (2019: £nil) were made to a money purchase scheme on his behalf.

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

7 Finance income and expense

Recognised in profit and loss account

	2020 £000	2019 £000
Interest receivable and similar income		
Total interest receivable on financial assets	**516**	11
Net interest on net defined benefit pension plan assets	**70**	96
Total financial income	**586**	107
Interest payable and similar charges		
Total interest payable on financial liabilities	**969**	388
Net interest on net defined benefit pension plan obligation	**81**	105
Total financial expenses	**1,050**	493

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

8 Taxation

Recognised in the income statement

	2020 £000	2019 £000
Current tax expense		
Current year	**910**	942
Adjustments for prior years	**(208)**	(99)
Current tax expense	**702**	843
Deferred tax expense		
Origination and reversal of timing differences	**(257)**	505
Adjustments in respect of prior years	**65**	(349)
Effect of tax rate change on opening balance	**5**	-
Deferred tax expense	**(187)**	156
Tax expense in income statement (including tax on equity accounted investees)	**515**	999
Income tax recognised in other comprehensive income		
Remeasurement of defined benefit liability credit/(expense)	**77**	81
Remeasurement of financial assets	**-**	(143)
Total income tax recognised in other comprehensive income	**77**	(62)

Reconciliation of tax expense

	2020 £000	2019 £000
Loss/(profit) for the year excluding taxation	**(1,905)**	3,118
Using UK Corporation tax rate of 19% (2019: 19%)	**(362)**	592
Capital allowances for year in excess of depreciation	**17**	1
Group relief claimed	**(2)**	(6)
Income not taxable for tax purposes	**(16)**	-
Non-deductible expenses	**352**	137
Fixed assets ineligible for depreciation	**169**	646
Adjustments in respect of prior periods	**(143)**	(448)
Other short term timing differences	**14**	70
Utilisation of brought forward losses	**-**	(83)
Other tax adjustments, reliefs and transfers	**(3)**	90
Difference in tax rates	**215**	-
Deferred tax not recognised	**279**	-
Remeasurement of deferred tax for changes in tax rates	**(5)**	-
Total tax expense (including tax on equity accounted investees)	**515**	999

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

8 Taxation *(continued)*

A change in the UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 remained at 19%, rather than the previously enacted reduction to 17%. The deferred tax liability at 30 September 2020 has been calculated based on these rates. An additional change in the UK corporation tax rate was announced in the Budget on 3 March 2021, increasing the rate from 19% to 25% from 1 April 2023. This could have an impact of up to £760,000 on the deferred tax liability in future periods.

9 Property, plant and equipment

	Short term leasehold improvements £000	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Motor vehicles £000	Total £000
Cost							
At 1 October 2019	37,970	8,726	135,087	23,801	5,021	1,240	211,845
Recognition of right-of-use assets on initial application of IFRS 16	14,859	-	-	-	-	1,704	16,563
At 1 October 2019 (adjusted balances)	52,829	8,726	135,087	23,801	5,021	2,944	228,408
Additions	2,586	-	5,389	1,035	4,316	-	13,326
Additions – right-of-use assets	390	-	3,923	-	-	364	4,677
Disposals	(1,573)	-	(2,848)	(1,273)	(7)	(74)	(5,775)
Reclassification to asset held for sale	(177)		(598)	(574)	(5)	-	(1,354)
Transfer between classes	3,746	(1,007)	4,792	(5,005)	(4,487)	1,961	-
Reclassification to intangible assets	-	-	-	-	(159)	-	(159)
At 30 September 2020	57,801	7,719	145,745	17,984	4,679	5,195	239,123
Depreciation and impairment							
At 1 October 2019	17,957	2,800	79,444	18,852	-	312	119,365
Charge for the year – owned assets	4,287	178	10,328	1,909	-	195	16,897
Charge for the year – right-of-use assets	2,386	-	1,601	-	-	668	4,655
Disposals	(884)	-	(2,478)	(1,218)	-	(48)	(4,628)
Reclassification to asset held for sale	(127)	-	(188)	(510)	-	-	(825)
Impairment	687	-	359	11	-	-	1,057
Transfer between classes	2,636	(445)	1,307	(5,191)	-	1,693	-
At 30 September 2020	26,942	2,533	90,373	13,853	-	2,820	136,521
Net book value							
At 30 September 2019	20,013	5,926	55,643	4,949	5,021	928	92,480
At 30 September 2020	**30,859**	**5,186**	**55,372**	**4,131**	**4,679**	**2,375**	**102,602**

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

9 Property, plant and equipment *(continued)*

Leased plant and machinery (classified as finance lease under IAS 17)
At 30 September 2019 the net carrying amount of leased plant and machinery was £10,591,000.

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

	2020 £000	2019 £000
Tangible fixed assets owned	**74,642**	81,889
Right-of-use tangible fixed asset	**27,960**	-
Leased plant and machinery (finance lease under IAS 17)	**-**	10,591
	102,602	92,480

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

Net book value

	2020 £000	2019 £000
Property	**12,864**	-
Plant and machinery	**13,696**	-
Motor vehicles	**1,400**	-
	27,960	-

Depreciation charge for the year ended

	2020 £000	2019 £000
Property	**(2,386)**	-
Plant and machinery	**(1,601)**	-
Motor vehicles	**(668)**	-
	(4,655)	-

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

10 Intangible assets

Amortisation and impairment charge

	Goodwill £000	Licence and software costs £000	Existing contracts £000	Development costs £000	Other intangibles £000	Total £000
Cost						
At 1 October 2019	37,630	2,572	4,555	1,944	152	46,853
Additions	300	199	-	209	-	708
Reclassification from tangible assets	-	159	-	-	-	159
Transfer between classes	-	118	-	(262)	144	-
Assets held for sale	(5,523)	(58)	-	-	-	(5,581)
At 30 September 2020	32,407	2,990	4,555	1,891	296	42,139
Amortisation and impairment						
At 1 October 2019	11,182	1,170	2,766	1,088	136	16,342
Amortisation for the year	-	418	911	84	32	1,445
Transfer between classes	-	111	-	(120)	9	-
Assets held for sale	-	(17)	-	-	-	(17)
At 30 September 2020	11,182	1,682	3,677	1,052	177	17,770
Net book value						
At 30 September 2019	26,448	1,402	1,789	856	16	30,511
At 30 September 2020	**21,225**	**1,308**	**878**	**839**	**119**	**24,369**

The amortisation charge of £1,445,000 (2019: £1,464,000) and impairment charge of £nil (2019: £nil) are recognised in administrative expenses in the statement of profit and loss and comprehensive income.

On 2 January 2020 the Company purchased 14,101 B2 ordinary shares in its direct subsidiary undertaking InHealth Group Limited for £300,000.

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

10 Intangible assets *(continued)*

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):

Goodwill	2020 £000	2019 £000
InHealth diagnostic and healthcare solutions	**10,708**	10,408
Pain Management	**-**	5,523
Health Intelligence	**1,631**	1,631
Echocardiography	**2,349**	2,349
Vista Diagnostics	**1,085**	1,085
Reporting business	**1,113**	1,113
Endoscopy business	**1,634**	1,634
Diagnostic imaging and clinical care pathways business	**1,188**	1,188
Open MRI business	**1,517**	1,517
	21,225	26,448

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:

InHealth diagnostic and healthcare solutions	2020	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**5%**	3%
Discount rate	**8%**	8%

Pain Management	2020	2019
Period on which management approved plan is based	**-**	4 Years
Average growth rate applied over the plan period	**-**	9%
Discount rate	**-**	8%

Health Intelligence	2020	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**9%**	16%
Discount rate	**8%**	8%

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

10 Intangible assets *(continued)*

Goodwill *(continued)*

Echocardiography	**2020**	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**8%**	5%
Discount rate	**8%**	8%

Vista Diagnostics	**2020**	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**3%**	4%
Discount rate	**8%**	8%

Reporting business	**2020**	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**1%**	11%
Discount rate	**8%**	8%

Endoscopy business	**2020**	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**26%**	10%
Discount rate	**8%**	8%

Diagnostic imaging and clinical care pathways business	**2020**	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**5%**	3%
Discount rate	**8%**	8%

Open MRI business	**2020**	2019
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**2%**	0%
Discount rate	**8%**	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)*

11 Investments

Investments in joint operations

The Group has the following investments in joint operations:

Name of joint operations	Nature of business	2020 Proportion of joint operations	2019 Proportion of joint operations
Lincoln MRI Unit	Provision of MRI services	-	60%

Joint operations are recognised within these Financial Statements using the equity accounting method. The joint operation ceased on 31 December 2019.

12 Other financial assets

	2020 £000	2019 £000
Non-current		
Financial assets designated as fair value through other comprehensive income	**11,374**	8,340

During the year InHealth Ventures Limited, a direct subsidiary of the Company, made three new minority interest investments:

- US$500,000 in Agamon in December 2019, which is an AI platform to drive insights from unstructured medical reports to manage patient adherence and follow up. The initial investment is for equity shares;
- US$1,900,000 in Suki AI in April 2020, which is voice-activated digital assistant software in clinical environment. The initial investment is for equity shares; and
- US$750,000 in Imvaria Inc in May 2020, which is developing algorithm biomarkers to build digital biopsies as a non-invasive tool. The initial investment is for equity shares.

Further investments were made in Heydoc, Transformative AI and Nye Health for £150,000, £30,000 and £300,000 respectively.

InHealth has taken the option available under IFRS 9 to classify these investments as fair value through other comprehensive income.

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

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Non-current assets including: Property, plant and equipment and intangible assets timing differences	**193**	232	**(2,911)**	(3,076)	**(2,718)**	(2,844)
Pension and post-retirement benefits	**209**	138	**(155)**	(165)	**54**	(27)
Provisions	**245**	196	**-**	-	**245**	296
Deferred tax assets/(liabilities)	**647**	566	**(3,066)**	(3,241)	**(2,419)**	(2,675)

Deferred tax assets of £647,000 (2019: £566,000) 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.

14 Inventories

	2020	2019
	£000	£000
Consumables	**885**	1,070

The Group recognised £6,548,000 (2019: £7,804,000) of consumables as cost of sales in the year.

15 Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	**24,680**	31,437
Other receivables	**279**	558
Prepayments	**9,596**	10,635
All amounts falling due within one year	**34,555**	42,630
Non-current assets falling due after more than one year		
Other receivables	**3,083**	2,916
Prepayments	**170**	701
	3,253	3,617

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

16 Cash and cash equivalents

	2020 £000	2019 £000
Cash and cash equivalents per balance sheet	**31,733**	5,428
Cash and cash equivalents included within assets classified as held for sale	**1,660**	-
Cash and cash equivalents per cash flow statement	**33,393**	5,428

17 Trade and other payables

	2020 £000	2019 £000
Current		
Lease liabilities (2019: hire purchase contracts)	**5,421**	2,048
Trade payables	**9,558**	12,042
Tax payable	**9,829**	4,599
Contingent consideration due to business combinations	**350**	350
Amounts owed to group undertakings	**1**	11
Non-trade payables and accrued expenses	**39,263**	25,151
	64,566	44,201

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

18 Provisions

	Onerous contract £000	Pension provision £000	Dismantlement provision £000	Dilapidation provision £000	Total £000
At 1 October 2019	277	405	766	-	1,448
Reclassified from current trade and other payables	-	-	-	2,533	2,533
Provisions made during the year	585	-	-	388	585
Provision utilised during the year	(36)	-	-	-	(36)
Unwinding of discounted amount	-	-	27	-	27
At 30 September 2020	**826**	**405**	**793**	**2,921**	**4,945**

A provision has been created for a loss-making contract where no potential contractual or operational improvement is possible. The provision will be utilised over the remaining contract term.

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.

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.

19 Trade and other payables: non-current

	2020 £000	2019 £000
Non-current		
Lease liabilities (2019: hire purchase contracts)	**17,124**	4,567
Other creditors	**793**	1,060
Non-trade payables and accrued expenses	**-**	851
	17,917	6,478

Notes to the Financial Statements – Group *(continued*

20 Lease liabilities

	2020 £000	2019 £000
Current liabilities		
Lease liabilities (2019: hire purchase liabilities)	**5,421**	2,048
Non-current liabilities		
Lease liabilities (2019: hire purchase liabilities)	**17,124**	4,567

For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

Lease liabilities are due as follows:

	2020 £000
Less than one year	**5,421**
Between one and five years	**12,790**
More than five years	**4,334**
	22,545

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

	2020 £000
Less than one year	**5,360**
Between one and five years	**13,305**
More than five years	**4,919**
	23,584

The 2019 non-cancellable operating lease rentals under IAS 17 were payable as follows:

	2019 £000
Less than one year	3,476
Between one and five years	9,706
More than five years	6,699
	19,881

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

21 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 £3,558,000 (2019: £2,614,000).

Contributions amounting to £877,000 (2019: £379,000) 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 – Health 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:

	2020 £000	2019 £000
Defined benefit pension scheme assets		
Scheme 1 – InHealth Defined Benefit Pension Scheme	**2,442**	2,334
Scheme 2 – The Federated Pension Plan – Health Intelligence Limited	**344**	1,046
Scheme 3 – Prudential Platinum Pension – InHealth Limited	**569**	493
Total defined benefit assets	**3,355**	3,873
Defined benefit pension scheme liabilities		
Scheme 1 – InHealth Defined Benefit Pension Scheme	**(3,354)**	(2,970)
Scheme 2 – The Federated Pension Plan – Health Intelligence Limited	**(344)**	(1,033)
Scheme 3 – Prudential Platinum Pension – InHealth Limited	**(713)**	(593)
Total defined benefit liabilities	**(4,411)**	(4,596)
Total defined benefit pension scheme net liability	**(1,056)**	(723)

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

21 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	
	2020 **£000**	2019 £000	**2020** **£000**	2019 £000	**2020** **£000**	2019 £000
Balance at 1 October	**(4,596)**	(3,846)	**3,873**	3,466	**(723)**	(380)
Included in profit or loss						
Current service cost	**(120)**	(93)	**-**	-	**(120)**	(93)
Interest cost	**(81)**	(105)	**70**	96	**(11)**	(9)
Administration services	**-**	-	**(20)**	(12)	**(20)**	(12)
Gain/loss on settlement	**443**	109	**(420)**	(68)	**23**	41
	242	(89)	**(370)**	16	**(128)**	(73)
Included in OCI						
Actuarial loss arising from change in financial assumptions	**(59)**	(674)	**(85)**	195	**(144)**	(479)
Restriction on recognisable surplus	**-**	-	**(260)**	-	**(260)**	-
	(59)	(674)	**(345)**	195	**(404)**	(479)
Other						
Contributions paid by the employer	**(18)**	(17)	**199**	209	**181**	192
Contributions paid by the employee	**(6)**	(7)	**24**	24	**18**	17
Benefits paid	**26**	37	**(26)**	(37)	**-**	-
	2	13	**197**	196	**199**	209
Balance at 30 September	**(4,411)**	(4,596)	**3,355**	3,873	**(1,056)**	(723)

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 £260,000 for the year ended 30 September 2020 (2019: £nil).

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

21 Employee benefits *(continued)*

Defined benefit pension schemes (continued)

The major categories of scheme assets are as follows:

	Scheme	2020 £000	2019 £000
InHealth Defined Benefit Pension Scheme			
Investment funds	1	**2,337**	2,230
Other (including cash and cash equivalents)	1	**105**	104
		2,442	2,334
The Federated Pension Plan – Health Intelligence Limited			
Equity instruments	2	**267**	457
Bonds	2	**200**	343
Diversified growth funds	2	**133**	229
Other (including cash and cash equivalents)	2	**4**	17
Restriction of pension surplus	2	**(260)**	-
		344	1,046
Prudential Platinum Pension – InHealth Limited			
Debt Instruments	3	**158**	130
Investment funds	3	**411**	363
		569	493
Total		**3,355**	3,873

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

InHealth Defined Benefit Pension Scheme	**2020**	2019
Discount rate at 30 September	**1.6%**	1.9%
Future salary increases	**2.0%**	2.0%
Inflation (CPI)	**2.2%**	2.2%
Future pension increases	**2.9%**	3.1%

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:

	As at 30 September 2020
Retiring today	
Males	**26.6 years**
Females	**29.1 years**
Retiring in 20 years	
Males	**28.1 years**
Females	**30.6 years**

The Group expects to pay £120,000 in contributions to this defined benefit plan in 2021.

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

21 Employee benefits *(continued)*

Defined benefit pension scheme *(continued)*

The Federated Pension Plan – Health Intelligence Limited	**2020**	2019
Discount rate at 30 September	**1.6%**	1.9%
Future salary increases	**2.0%**	2.0%
Inflation (RPI)	**2.2%**	2.2%
Future pension increases	**3.0%**	3.2%

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 2020
Retiring today	
Males	**21.4 years**
Females	**23.7 years**
Retiring in 20 years	
Males	**22.7 years**
Females	**25.1 years**

The Group expects to pay £nil in contributions to this defined benefit plan in 2021.

Prudential Platinum Pension – InHealth Limited	**2020**	2019
Discount rate at 30 September	**1.6%**	1.8%
Future salary increases	**2.0%**	2.0%
Inflation rate (CPI)	**2.2%**	2.2%
Future pension increases	**3.0%**	3.2%

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 2020
Retiring today	
Males	**22.0 years**
Females	**24.3 years**
Retiring in 20 years	
Males	**23.7 years**
Females	**26.0 years**

The Group expects to pay £85,000 in contributions to the Prudential Platinum Pension scheme plan in 2021.

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

21 Employee benefits *(continued)*

Defined benefit pension scheme (continued)

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

InHealth Defined Benefit Pension Scheme	Change in assumptions	Change in liabilities
Discount rate	Decrease by 0.5%	Increase by 12%
Rate of inflation	Increase by 0.5%	Increase by 7%
Rate of salary growth	Increase by 0.5%	Increase by 1%
Life expectancy	Increase by 1 year	Increase by 3%

The Federated Pension Plan – Health Intelligence Limited	Change in assumptions	Change in liabilities
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%

Prudential Platinum Pension – InHealth Limited	Change in assumptions	Change in liabilities
Discount rate	Decrease by 0.1%	Decrease by 4%
Rate of inflation	Increase by 0.1%	Increase by 4%
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 – Health Intelligence Limited) and 37 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 plans 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 plan. 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)*

21 Employee benefits *(continued)*

Share-based payments
The Group's growth share plan allows certain members of senior management to be invited to purchase shares in InHealth Group Limited. In the year to 30 September 2020 no shares (2019: no shares) were issued as part of this share scheme. The total expense recognised for the year and the total liabilities recognised at the end of the year arising from share based payments was nil (2019: £nil) as the consideration received for these shares was equal to their fair value.

22 Capital and reserves

Called up share capital	Share premium £000	Called up share capital £000
Allotted, called up and fully paid		
In issue at 1 October 2019 and 30 September 2020 (1,309,597 Ordinary shares of £1 each)	**96,740**	**1,309**

All shares are classified in shareholders' funds.

23 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.

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.

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

23 Financial instruments *(continued)*

Credit risk

Credit risk refers to the risk that a 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 which 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:

	2020 **£000**	2019 £000
Not past due	**17,117**	17,976
Past due 0 to 30 days	**3,468**	7,997
Past due 31 to 120 days	**3,803**	4,059
More than 120 days overdue	**292**	1,405
Net trade receivables	**24,680**	31,437

The doubtful debt provision included within the table above is £27,000 (2019: £39,000), 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 2020, the Group had £31.7 million (2019: £5.4 million) of cash reserves.

For the contractual maturities of lease liabilities (2019: hire purchase liabilities), including estimated interest payments and excluding the effect of netting agreements see note 20. For trade and other payables, which are due within 1 year see note 17.

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

23 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:

	2020 £000	2019 £000
Fixed rate instruments		
Current lease liabilities	**(5,421)**	(2,048)
Non-current lease liabilities	**(16,980)**	(4,567)
Variable rate instruments		
Cash and cash equivalents	**31,733**	5,428
	9,332	(1,187)

Fair values of financial instruments

The table on the next page analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value:

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

All financial instruments carried at fair value have been measured by a Level 2 valuation method.

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

23 Financial instruments *(continued)*

Fair values of financial instruments *(continued)*

	Carrying value	Carrying value	**Fair value**	Fair value
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Financial assets designated as fair value through other comprehensive income (note 12)				
Convertible preferred equity	**2,901**	2,601	**2,901**	2,601
Equity shares	**8,473**	5,739	**8,473**	5,739

InHealth has taken the option available under IFRS 9 to classify these investments as fair value through other comprehensive income.

To determine the fair value of the instruments management used a valuation technique in which all significant inputs were based on observable market data to indirectly derive a price. There have been no transfers from Level 2 to Level 1 in the year (2019: no transfers in either direction).

It is the Group's policy to recognise all the transfers into the levels and transfers out of the levels at the date of the event or change in circumstances that caused the transfer. Transfers into each level shall be disclosed and discussed separately from transfers out of each level.

At 30 September 2020 the Group did not have any assets classified at Level 3 of the fair value hierarchy (2019: none).

Financial instruments measured at fair value	**Valuation technique**
Convertible preferred equity and convertible equity	Valuation technique for valuing unlisted securities by indirectly obtaining an indicative price on conversion to equity
Equity shares	Held at the latest round of funding

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)*

25 Commitments

Capital commitments

During the year ended 30 September 2020, the Group entered into contracts to purchase MRI equipment and CT scanners for £8,754,000 (2019: £8,071,000). These commitments are expected to be settled in the following financial year.

26 Related parties

The amount owed to Health Intelligence Limited, which the Group holds a 94% (2019: 94%) shareholding in, at 30 September 2020 was £1,830,000 (2019: £1,474,000).

The amount due from InHealth Pathology Limited, which the Group holds a 88% (2019: 88%) shareholding in, at 30 September 2020 was £1,101,000 (2019: £1,146,000).

The amount due from Prime Endoscopy (Bristol) Limited, which the Group held a 99% shareholding in, at 30 September 2019 was £963,000. At 30 September 2020 the shareholding was 100%.

The amount owed to Lincoln MRI Unit, which the Group controls 0% (2019: 60%) of the joint operations, at 30 September 2020 was £nil (2019: £177,000).

27 Events after the balance sheet date

On 12 December 2020 InHealth Ventures Limited has acquired minority shareholdings in one company registered within the United States for total consideration of US$0.4 million.

On 23 December 2020, the Group sold its Pain Management Services division for £14.0 million.

On 5 February 2021 InHealth ventures Limited has acquired minority shareholdings in one additional company registered within the UK for total consideration of £3.3 million.

28 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.

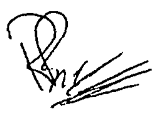
The Group in which the Company is consolidated is InHealth UK Holdings Limited. This company is incorporated in England and Wales. The consolidated financial statements of this Group are available to the public and may be obtained from Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL.

Company Balance Sheet

At 30 September 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Investments	2		**84,755**		84,455
			84,755		84,455
Current assets					
Debtors: amounts falling due within one year	3	**10,580**		11,370	
Cash and cash equivalents		**453**		1	
		11,033		11,371	
Creditors: amounts falling due within one year	4	**(10)**		(22)	
Net current assets			**11,023**		11,349
Net assets			**95,778**		95,804
Capital and reserves					
Called up share capital	5		**1,309**		1,309
Share premium account	6		**96,740**		96,740
Profit and loss account	6		**(2,271)**		(2,245)
Shareholders' funds			**95,778**		95,804

These Financial Statements were approved by the Board of Directors on 25 March 2021 and were signed on its behalf by:



R J Bradford
Director
Company registered number: 05578428

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
- 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.

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.

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

2 Fixed assets investments

	Shares in group undertakings £000
Cost	
At 1 October 2019	84,455
Purchase of shares in a subsidiary undertaking	300
At 30 September 2020	84,755
Provisions	
At 1 October 2019 and 30 September 2020	-
Net book value	
At 30 September 2019	84,455
At 30 September 2020	**84,755**

On 2 January 2020 the Company purchased 14,101 B2 ordinary shares in its direct subsidiary undertaking InHealth Group Limited for £300,000.

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

2 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries:

	Class of shares held	Ownership 2020	2019
Direct Subsidiary			
InHealth Ventures Limited	£1	**100%**	100%
InHealth Group Limited	1p	**100%**	100%
Subsidiary undertakings of InHealth Group Limited			
InHealth Limited	£1	**100%**	100%
InHealth Properties Limited	£1	**100%**	100%
InHealth Facilities Management Limited	£1	**100%**	100%
InHealth (London) Limited	£1	**100%**	100%
Subsidiary undertakings of InHealth Limited			
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	**100%**	100%
InHealth Pathology Limited	£1	**88%**	88%
Health 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%
Subsidiary undertaking of InHealth Community Solutions Limited			
InHealth Pain Management Solutions Limited	£1	**100%**	100%
Subsidiary undertaking of Preventicum UK Limited			
Euroclinics (UK) Limited	£1	**100%**	100%
Subsidiary undertakings of InHealth Reporting Limited			
e-Locum Services Limited	£1	**100%**	100%
Medical Imaging Audit and Accreditation Limited	£1	**100%**	100%
Subsidiary undertaking of InHealth Endoscopy Limited			
Prime Endoscopy (Bristol) Limited	£1	**100%**	99%
Subsidiary undertaking of InHealth Properties Limited			
InHealth Diagnostic and Imaging Limited	£1	**100%**	100%
Subsidiary undertakings of United Open MRI Limited			
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: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed by group undertakings	**10,580**	11,355
Other debtors	**-**	15
All amounts due within one year	**10,580**	11,370

4 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed to group undertakings	**-**	11
Accruals and deferred income	**10**	11
	10	22

5 Called up share capital

	Share premium £000	Called up share capital £000
Allotted, called up and fully paid		
In issue at 1 October 2019 and 30 September 2020 (1,309,597 Ordinary shares of £1 each)	**96,740**	**1,309**

All shares are classified in shareholders' funds.

6 Reserves

	Share premium £000	Called up share capital £000	Profit and loss account £000	Total £000
At 1 October 2018	96,740	1,309	(2,245)	95,804
Loss for the year	-	-	(26)	(26)
At 30 September 2019	**96,740**	**1,309**	**(2,271)**	**95,778**

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LINDA PARKER
INHEALTH GROUP HOLDINGS PLC
BEECHWOOD HALL
KINGSMEAD ROAD
HIGH WYCOMBE
BUCKINGHAMSHIRE
HP11 1JL

Your Ref
Our Ref AA/05578428/MM
Date 23/04/2021

Dear Linda Parker

INHEALTH GROUP HOLDINGS PLC

Thank you for your enclosed document. Unfortunately, we have been unable to accept it for the following reason(s):

A set of accounts for this accounting period has already been received and accepted for filing at Companies House. It would appear that this document is a duplicate set. If you are intending to file these accounts to amend the set previously filed, please mark the front page of the accounts "Amending".

If you have sent these accounts in response to a request made by Companies House, please return them for the attention of the person or department from whom the request came.

There appears to pages missing from the accounts. Contents says there are up to 62 pages, but we have only received up to page 24.

Yours faithfully

M Millward
Document Examiner
Processing Team 3
Companies House

Encs. AA