

InHealth Reporting Limited
(formerly Medical Imaging Group Limited)

Directors' Report and Financial Statements
for the Year Ended 30 September 2016



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Company Information

| | |
|--------------------|--|
| Directors: | R J Bradford A S L Cummings |
| Registered Office: | Beechwood Hall Kingsmead Road High Wycombe Buckinghamshire HP11 1JL |
| Registered Number: | 05974195 (England and Wales) |
| Auditor: | KPMG LLP Altius House One North Fourth Street Milton Keynes MK9 1NE |
| Bankers: | Bank of Scotland 4 th Floor 25 Gresham Street London EC2V 7HN |

Directors' Report

The Directors present their report and audited Financial Statements for the Company for the year ended 30 September 2016.

Principal activity

The principal activity of the Company is a Radiographer Reporting business, extending the offering in radiology services and creating career opportunities for radiographer reporting.

As part of the InHealth radiology service offering, this solution assists radiology departments in maximising reporting capabilities by using their on-site, Advanced Practitioner Radiographers to produce accurate, timely reports for optimal patient management and safety. Reporting on-site at over 30 hospitals in the UK, InHealth's expanding network of reporting radiographers is now well placed to respond to the increasing demand for this service and to offer a more integrated service, which will benefit both patients and referrers.

On 29 April 2016 the Company changed its name from Medical Imaging Group Limited to InHealth Reporting Limited and began to trade on 21 January 2016, following the purchase of certain trade and assets from InHealth Limited, a fellow group subsidiary.

Business Review

Revenue for the year for the Company was £1.0 million (2015: £nil) generating an operating profit of £5,000 (2015: £nil).

Proposed dividend

The Directors do not recommend the payment of a dividend (2015: £nil).

Directors

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

R J Bradford
A S L Cummings

Political donations

The Company made no political donations (2015: £nil).

Employees

Our people are central to our success in both delivering existing business and winning new contracts. Investment in our people and in building the right working environment will continue to be a priority. As part of the InHealth Group, the Company holds Gold accreditation with Investors In People and employs 5 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.

Employee involvement

The Company'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 Company's performance.

Directors' Report (continued)

Employment of disabled people

It is the Company'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 Company makes appropriate modifications to procedures and equipment where it is practical and safe to do so.

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 each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent 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

Date 22 February 2017

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the 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 Company and of the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibilities for taking such steps as are reasonably open to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH REPORTING LIMITED

We have audited the Financial Statements of InHealth Reporting Limited for the year ended 30 September 2016 set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice, including FRS 101 *Reduced Disclosure Framework*).

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH REPORTING LIMITED *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Directors were not entitled to take advantage of the small Companies exemption from the requirement to prepare a strategic report.

C. Anderson

Charlotte Anderson
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

Date: 23.2.17

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 September 2016

| | Note | 2016 £000 | 2015 £000 |
|---|------|--------------|--------------|
| Revenue | 2 | 1,016 | - |
| Cost of sales | | (831) | - |
| Gross profit | | 185 | - |
| Administrative expenses | 3 | (180) | - |
| Operating profit | | 5 | - |
| Other interest receivable and similar income | 5 | 95 | - |
| Profit on ordinary activities before taxation | | 100 | - |
| Tax on profit on ordinary activities | 6 | (35) | - |
| Profit and total comprehensive income for the year | | 65 | - |

All activities are classified as continuing.

Balance Sheet at 30 September 2016

| | Note | 2016 £000 | 2016 £000 | 2015 £000 | 2015 £000 |
|--|------|----------------|--------------|--------------|--------------|
| Fixed assets | | | | | |
| Intangible assets | 7 | | 1,411 | - | - |
| Investments | 8 | | 1 | 1 | 1 |
| | | | <u>1,412</u> | | <u>1</u> |
| Current assets | | | | | |
| Debtors | 9 | 933 | | 319 | |
| Cash at bank and in hand | | 49 | | - | |
| | | <u>982</u> | | <u>319</u> | |
| Creditors: amounts falling due within one year | 11 | (1,585) | | (987) | |
| | | | <u>(603)</u> | | <u>(668)</u> |
| Net current liabilities | | | | | |
| | | | <u>809</u> | | <u>(667)</u> |
| Total assets less current liabilities | | | | | |
| Creditors: amounts falling due after more than one year | 12 | (1,332) | | - | - |
| Deferred tax liability | 10 | (79) | | - | - |
| | | | <u>(602)</u> | | <u>(667)</u> |
| Net liabilities | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 13 | - | | - | - |
| Profit and loss account | | (602) | | (667) | |
| | | <u>(602)</u> | | <u>(667)</u> | |
| Shareholders' deficit | | | <u>(602)</u> | | <u>(667)</u> |

These Financial Statements were approved by the Board of Directors on 22 February 2017 and were signed on its behalf by:



R J Bradford
Director

Company registration number: 05974195

Statement of Changes in Equity

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|---------------------------------------|---------------------------------------|-------------------------|
| Balance at 1 October 2014 and 30 September 2015 | - | (667) | (667) |
| Total comprehensive income for the year | - | 65 | 65 |
| Balance at 30 September 2016 | - | (602) | (602) |

Notes

(forming part of the Financial Statements)

1 Accounting policies

InHealth Reporting Limited is a Company incorporated and domiciled in England and Wales.

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 cycle) issued in July 2015 and effective immediately have been applied.

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare Group Financial Statements. These Financial Statements present information about the Company as an individual undertaking and not about its Group.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), 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.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 16.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these Financial Statements:

- Business combinations – Business combinations that took place prior to 1 October 2014 have not been restated.

The Company's ultimate parent company, InHealth UK Holdings Limited includes the Company in its consolidated Financial Statements, which are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL.

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, tangible fixed assets and intangible assets; and
- Disclosures in respect of transactions with wholly owned subsidiaries.

As the consolidated Financial Statements of InHealth UK Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill.

Notes (continued)

1 Accounting policies (continued)

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next Financial Statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements and in preparing an opening FRS 101 balance sheet at 1 October 2014 for the purpose of the transition to FRS 101.

The Financial Statements are prepared on the historical cost basis.

1.1 Going concern

The Company'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 2.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. In order to finance the working capital and capital investment, the Company's immediate parent undertaking InHealth Limited has provided written confirmation that it will for at least 12 months from the date of approval of these Financial Statements continue to make available such funds as are needed by the Company and in particular will not seek repayment of amounts currently made available. The Directors believe that these banking arrangements will continue for the foreseeable future.

On the basis of their assessment of the Company's financial position and of the enquiries made by the Directors of InHealth Limited, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

1.2 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 debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

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 subsidiaries are carried at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.3 Business combinations

The Company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration; 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.

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

1.4 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the Financial Statements of this departure.

1.5 Intangible assets

Other intangible assets

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

Existing contracts and relationships are acquired through business combinations.

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:

Existing customer contracts. 5 years

1.6 Impairment excluding stocks and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks 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.

Notes (continued)

1 Accounting policies (continued)

1.6 Impairment excluding stocks and deferred tax assets (continued)

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 is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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.

1.7 Revenue

Revenue consists of sales for plain film reporting services at invoiced values (exclusive of value added tax and trade discounts).

Revenues are recognised once the realisation of the consideration is reasonably assured and the provision of services is substantially complete with respect to the delivery of the specific product or performance of the related service. This will normally be the case when there are no material uncertainties or performance duties outstanding which could prevent the Company from enforcing the sales transaction and collectability is reasonably assured.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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.

Notes (continued)

1.8 Taxation (continued)

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.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

2 Revenue

| | 2016 £000 | 2015 £000 |
|-----------------------|--------------|--------------|
| Provision of services | 1,016 | - |

All revenue is generated wholly within the UK.

3 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

| | 2016 £000 | 2015 £000 |
|-------------------------------------|--------------|--------------|
| Amortisation of other intangibles | 52 | - |
| Auditor's remuneration: | | |
| | 2016 £000 | 2015 £000 |
| Audit of these Financial Statements | 6 | - |

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's Financial Statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated Financial Statements of the Company's ultimate parent, InHealth UK Holdings Limited.

Notes (continued)

4 Staff numbers and costs

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

| | Number of employees | |
|------------|---------------------|------|
| | 2016 | 2015 |
| Operations | 5 | - |

The aggregate payroll costs of these persons were as follows:

| | 2016 £000 | 2015 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 153 | - |
| Social security costs | 17 | - |
| Pension costs | 1 | - |
| | 171 | - |

All Directors' remuneration was borne by InHealth Limited during the year. The notional cost of Directors to the Company was £4,000 (2015: £nil) during the year. None of the Directors received any remuneration from the Company during the current or prior year.

5 Other interest receivable and similar income

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Total interest receivable on financial assets | 95 | - |

Notes (continued)

6 Taxation

Recognised in the profit and loss account

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 19 | - |
| Deferred tax (see note 10) Origination and reversal of temporary differences | 16 | - |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | 35 | - |
| | <hr/> | <hr/> |

Reconciliation of effective tax rate

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Profit for the year | 65 | - |
| Total tax expense | 35 | - |
| | <hr/> | <hr/> |
| Profit excluding taxation | 100 | - |
| Tax using the UK corporation tax rate of 20% (2015: 20%) | 20 | - |
| Non-deductible expenses | 18 | - |
| Adjust closing deferred tax to average rate of 20% | (3) | - |
| | <hr/> | <hr/> |
| Total tax charge | 35 | - |
| | <hr/> | <hr/> |

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

Notes (continued)

7 Intangible assets

| | Goodwill £000 | Other Intangibles £000 | Total |
|--|------------------|------------------------------|--------------|
| Cost | | | |
| At 1 October 2015 | - | - | - |
| Acquisition through business combination | 1,113 | 350 | 1,463 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2016 | 1,113 | 350 | 1,463 |
| | <hr/> | <hr/> | <hr/> |
| Amortisation and impairment | | | |
| At 1 October 2015 | - | - | - |
| Amortisation for the year | - | 52 | 52 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2016 | - | 52 | 52 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 30 September 2015 | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2016 | 1,113 | 298 | 1,411 |
| | <hr/> | <hr/> | <hr/> |

On 21 January 2016, InHealth Limited acquired the trade and assets of a radiographer reporting business through a business combination. This was transferred to InHealth Reporting Limited through an inter-company loan arrangement at fair value on the same date.

The principal activity of the business is to assist the radiology departments in maximising reporting capabilities by using their on-site, Advanced Practitioner Radiographers to produce accurate, timely reports for optimal patient management and safety. In the 9 months to 30 September 2016 the business contributed net profit of £0.1 million.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

| | Recognised values on acquisition £000 |
|---|--|
| Acquiree's net assets at the acquisition date: | |
| Intangible asset – existing customer contracts | 350 |
| Deferred tax liability | (63) |
| | <hr/> |
| Net identifiable assets | 287 |
| | <hr/> |
| Total consideration and Initial cash price paid | 1,400 |
| | <hr/> |
| Goodwill | 1,113 |
| | <hr/> |

Notes (continued)

7 Intangible assets (continued)

Goodwill arising from the acquisition is attributable to the expected synergistic benefits and the anticipated growth of the market.

On acquisition £350,000 intangible asset has been recognised for customer contracts.

The Company incurred acquisition related costs of £27,000 related to professional services. The cost has been included in administrative expenses in the Company's statement of comprehensive income.

InHealth Reporting Limited has one cash generating unit (CGU) which reflects all of the trade within the entity:

| | Goodwill 2016 £000 | Goodwill 2015 £000 |
|---------------------------------------|-----------------------------------|-----------------------------------|
| InHealth Reporting trading activities | 1,113 | - |

The CGU is reviewed annually for indicators of impairment. When indicators of impairment are identified the carrying value 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.

To determine the present value of the expected cash flows attributable to the entity, the plan earnings before interest and taxation have been used along with the key assumptions of this calculation as shown below:

| | 2016 | 2015 |
|--|----------------|-------------|
| Period on which management approved plan is based | 4 Years | - |
| Average growth rate applied over the forecast period | 20% | - |
| Discount rate | 10% | - |

No indicators of impairments were identified for the year ended 30 September 2016.

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

The Company's estimate of impairments is most sensitive to changes in the discount rate and forecast cashflows sensitivity analysis has been carried out by reference to both 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 Company considers that its goodwill impairment calculations are not sensitive to any reasonable change in the key assumptions.

Notes (continued)

8 Fixed asset investments

| | Shares in group undertakings £000 |
|---|--|
| Cost and net book value | |
| At 1 October 2015 and 30 September 2016 | 1 |

The Company has the following investments in subsidiaries:

| Subsidiary name | Principal activity | Class of shares held (all ordinary) | Ownership 2016 | Ownership 2015 |
|---|---------------------------------|--|-------------------|-------------------|
| E-Locum Services Limited | Provision of reporting services | £1 | 100% | 100% |
| Medical Imaging Audit and Accreditation Limited | Dormant | £1 | 100% | 100% |

The companies are registered within the United Kingdom.

Notes (continued)

9 Debtors

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Trade debtors | 515 | - |
| Amounts owed by group undertakings within one year | 399 | 318 |
| Prepayments and accrued income | 19 | - |
| Other debtors | - | 1 |
| | <hr/> | <hr/> |
| Amounts falling due within one year | 933 | 319 |
| | <hr/> | <hr/> |

10 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

| | Liabilities 2016 £000 | Liabilities 2015 £000 |
|--------------------------------|-----------------------------|-----------------------------|
| Goodwill and other intangibles | 79 | - |
| | <hr/> | <hr/> |

11 Creditors: amounts falling due within one year

| | 2016 £000 | 2015 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 2 | 2 |
| Amounts owed to group undertakings | 1,553 | 985 |
| Accruals and deferred income | 11 | - |
| Corporation tax | 19 | - |
| | <hr/> | <hr/> |
| | 1,585 | 987 |
| | <hr/> | <hr/> |

12 Creditors: amounts falling due after one year

| | 2016 £000 | 2015 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 1,332 | - |
| | <hr/> | <hr/> |

This loan is held at fair value.

Notes (continued)

13 Called up share capital

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 100 Ordinary £1 shares | 100 | 100 |

14 Financial instruments

Financial risk management

Management continually monitor the credit risk, liquidity risk and market risk affecting the business and its financial assets and liabilities.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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

Credit risk, liquidity risk and market risk are not considered material for the Company. These financial risks are considered on a consolidated basis in the Company's ultimate parent company's consolidated Financial Statements.

15 Ultimate parent company and parent company of larger Group

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

The largest Group in which the results of the Company are consolidated is that headed by InHealth UK Holdings Limited, which is incorporated in England and Wales. The smallest Group in which the results of the Company are consolidated is that headed by InHealth Group Limited, which is incorporated in England and Wales. The consolidated Financial Statements of these groups are available to the public and may be obtained from Beechwood Hall, Kingsmead Road, High Wycombe, Buckinghamshire, HP11 1JL.

16 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first Financial Statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the Financial Statements for the year ended 30 September 2016, the comparative information presented in these Financial Statements for the year ended 30 September 2015 and in the preparation of an opening FRS 101 balance sheet at 1 October 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has had no adjustments to amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (UK GAAP).