Registered number: 05578428

InHealth Group Holdings PLC

Directors' Report and Financial Statements for the Year Ended 30 September 2019

Contents

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

InHealth Group is a leading provider of diagnostic and healthcare services for the NHS and private patients. 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.

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 to 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, and referrers.

InHealth's flexible and dynamic approach is helping to meet some of healthcare's most pressing challenges; reducing waiting times, moving non-emergency care out of the hospital setting, speeding up diagnoses, saving money and improving the overall patient experience. We have access to capital for investment and the ability to design and adapt our solutions to meet changing demands from region to region. We work collaboratively with the NHS and private sector providers 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 greater efficiencies by investing in the best, most modern equipment, thus minimising downtime and maximising utilisation of assets. InHealth strives to improve speed, quality and value through productivity and innovation.

InHealth Group now employs 2,500 dedicated and committed people, the majority working with patients every day in both hospital and increasingly in out of hospital settings across the UK. Together the InHealth team ensures the best service for patients with over 98% of patients recommending our services. We believe that investing in training for our people is important for their development, so that they can reach their full potential and are then able to deliver excellent care to all of our patients. To achieve this InHealth delivered over 8,000 training days for its employees for the year.

Key performance indicators

Management monitors progress by reference to Key Performance Indicators (KPIs), which include clinical indicators, patient satisfaction, revenue, profit and EBTIDA (earnings before interest, tax, depreciation and amortisation) margin return on sales. Patient satisfaction, measured using the Friends and Family Test, showed that over 98% (2018: 98%) of our patients actively recommend our services. Group revenue in the year was £184.1 million (2018: £165.2 million), with profit before tax for the year at £3.1 million (2018: £4.5 million). The Group's EBITDA was £21.5 million (2018: £20.5 million), EBITDA margin this year was 12% (2018: 12%).

The Group's trading activity in 2019 continues to reflect specific price reductions delivering value for money to our customers together with, a higher volume and growth in several new modalities where mobilisation of such services in the early months delivers a lower level of profitability, as well as continued investment in new equipment, people and resources.

Progress through the year

During the year, InHealth secured new service contracts across the UK, including 4 major Radiology contracts, 4 Screening contracts and renewal of a 15-year Radiology contract. The group also retained a major Endoscopy contract.

In parallel with these services, InHealth continues to broaden its reach across the pre-acute patient pathway and has strengthened its position across the UK in Radiology, Cardiac, Endoscopy, Screening Programmes, Mobile Services and Audiology.

Strategic Report *(continued)*

Progress through the year *(continued)*

Record investment has been made into expanding capacity in our mobile fleet and in Radiology at NHS Hospitals in Kingston, Walsall and Frimley.

During the year the Company acquired United Open MRI Limited, the UK's largest provider of upright and open MRI scans across three clinics to expand our range of services.

InHealth Limited acquired a further 18% out of the remaining 24% of the share capital of Health Intelligence Limited, its subsidiary, for £4.8 million on 13 March 2019.

The Group extended private patients through Vista Health and has added self-pay and insured patients during the year.

Significant growth has been achieved through expansion of our Diabetic Eye Screening Programmes, with the number of patients with diabetes we are responsible for now standing at over 1,000,000.

During the year, our early stage digital health investments continued with InHealth Ventures investing in 1 new early stage investment, Nye Health for a total consideration of £0.5 million. In addition, follow on investments were made in Luma Health, Laudio and Kheiron Medical for £2.6m. Details of these investments are included in note 12 of the Financial Statements.

The Group continues 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.

InHealth Group Holdings PLC has not paid any dividends and instead has continued to reinvest all profits back into the Group to support future growth.

Covid-19

Following the outbreak of the Covid-19 global pandemic, Healthcare systems across the world have worked to dedicate resources to fight the virus. In the UK the NHS has focussed its attention on dealing with the pandemic which for some services has 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 as well as mobilising specific and innovative Covid-19 responses utilising its people and assets across the UK. The Group has seen reduced activity levels as a result of Covid-19 but continues to support the NHS through this time.

In the short term the Group has seen a drop in activity in some services while responding to increased demand in others, overall revenue has fallen as a result of the pandemic but over the next 12 months is expected to gradually recover as the backlog in diagnostic and screening tests is addressed. Government restrictions are expected to lift over time and while the economic impact may continue in the UK, the demand for healthcare services is anticipated to remain high.

The Directors consider that the outlook for the Group therefore 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 consider that sufficient funds are available to meet liabilities as they fall due and have therefore prepared the Financial Statements on a Going Concern basis (see note 1.2 for further information on the going concern basis of preparation).

Strategic Report *(continued)*

Growing capacity and maintaining equipment to high standards

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

Principal risks and uncertainties

Financial risk management

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

Foreign currency risk

The Group's transactions are predominantly in Sterling, but some transactions and investments 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 that no material risk exists of the Group not being able to do so.

Interest rate risk

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

Political risk

The effects of Brexit are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. The Directors continue to monitor the situation and have taken steps to minimise any associated risks and are satisfied that no material risk exists for the Group from the consequences of Brexit.

Investment risk

InHealth Ventures Limited, a direct subsidiary, makes early stage digital health investments in unlisted start ups, 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.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

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 including travel bans, quarantines, social distancing and closures of non-essential services 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. The Group regularly reviews its environmental policy to ensure that it reflects changes in regulations and best practice. The Group aims to continually manage the impact of its operations and develop initiatives to improve its environmental footprint. The approach to Corporate and Social Responsibility is reviewed on an annual basis in a continual commitment to sustainable and responsible development.

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

R J Bradford
Director
15 July 2020

Directors' Report

The Directors present their report and audited Financial Statements of InHealth Group Holdings PLC for the year ended 30 September 2019.

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 (2018: £nil).

Directors

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

I H Bradbury
R J Bradford
Sir A D Chessells
A S L Cummings (resigned 8 July 2019)
D M Petrie (appointed 8 July 2019)

Political donations

The Group made no political donations (2018: £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 2,500 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 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 4 December 2019 InHealth Ventures Limited purchased further investments in Heydoc for consideration of £0.2 million.

On 20 December 2019 InHealth Ventures Limited has acquired minority shareholdings in one company registered within the United States for total consideration of US$0.5 million.

The Lincoln MRI Unit joint operation ceased on 31 December 2019.

On 1 March 2020 InHealth Endoscopy Limited acquired the remaining 1% share capital of Prime Endoscopy (Bristol) Limited, its subsidiary.

Following the outbreak of the Covid-19 global pandemic declared by the World Health Organisation on 11 March 2020, InHealth Group has had to adapt its operations following government measures to contain the virus. The Directors consider this event to be a non-adjusting post balance sheet event. The detailed consideration of this significant event which has occurred since the end of the financial year is included in the Strategic Report on page 2.

On 17 April 2020 and 15 May 2020 InHealth Ventures Limited has acquired minority shareholdings in two additional companies registered within the United States for consideration of US$1.9 million and US$0.8 million respectively.

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
15 July 2020

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 Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 IFRSs as adopted by the EU;
- 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 2019 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 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU;
- 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.

David Neale

David Neale (Senior Statutory Auditor)
for and on behalf of
KPMG LLP
Statutory Auditor
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP
Date: 17 July 2020

Consolidated Statement of Profit and Loss and Comprehensive Income

For the year ended 30 September 2019

	Note	2019 £000	2018 £000
Revenue	4	**184,094**	165,225
Cost of sales		**(118,072)**	(110,815)
Gross profit		**66,022**	54,410
Administrative expenses	5	**(62,536)**	(49,521)
Operating profit		**3,486**	4,889
Financial income	7	**107**	318
Financial expenses	7	**(495)**	(709)
Net financing (expense)		**(388)**	(391)
Profit before tax		**3,098**	4,498
Taxation	8	**(995)**	(1,046)
Profit for the year		**2,103**	3,452
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement of defined benefit liability		**(479)**	123
Gains on remeasuring financial assets		**842**	-
Income tax on items that will not be reclassified to profit or loss		**(62)**	(23)
Other comprehensive income for the year		**301**	100
Total comprehensive income for the year		**2,404**	3,552
Comprehensive income attributable to:			
Equity holders of the parent		**2,207**	3,237
Non-controlling interest		**197**	315

All activities are classified as continuing.

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
At 30 September 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant & equipment	9	**92,480**	84,382
Intangible assets	10	**30,511**	29,767
Other financial assets	12	**8,340**	4,387
Trade and other receivables	15	**3,617**	1,861
		134,948	120,397
Current assets			
Inventories	14	**1,070**	825
Contract assets	4	**2,431**	-
Trade and other receivables	15	**42,630**	34,501
Cash and cash equivalents	16	**5,428**	19,468
		51,559	54,794
Total assets		**186,507**	175,191
Current liabilities			
Trade and other payables	17	**(44,201)**	(43,507)
Non-current liabilities			
Employee benefits	21	**(723)**	(380)
Deferred tax liability	13	**(2,675)**	(2,461)
Provisions	18	**(1,448)**	(1,338)
Other financial liabilities	19	**(6,478)**	(4,178)
		(11,324)	(8,357)
Total liabilities		**(55,525)**	(51,864)
Net assets		**130,982**	123,327
Equity attributable to equity holders			
Share capital	22	**1,309**	1,251
Share premium	22	**96,740**	86,798
Other reserves		**(1,404)**	(1,404)
Retained earnings		**34,099**	36,204
		130,744	122,849
Non-controlling interest		**238**	478
Total equity		**130,982**	123,327

Balance Sheet *(continued)*

These Financial Statements were approved by the Board of Directors on 15 July 2020 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 2019

	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 2017	1,148	70,227	(1,804)	32,967	102,538	163	102,701
Total comprehensive income for the year							
Profit for the year	-	-	-	3,123	3,123	329	3,452
Other comprehensive income	-	-	-	114	114	(14)	100
Total comprehensive income for the year	-	-	-	3,237	3,237	315	3,552
Transactions with owners, recorded in equity							
Share issue	103	16,571	-	-	16,674	-	16,674
Capital contribution	-	-	400	-	400	-	400
Balance at 30 September 2018 and 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							
Share issue	58	9,942	-	-	10,000	-	10,000
Total transactions with owners, recorded in equity	58	9,942	-	-	10,000	-	10,000
Changes in ownership interests							
Acquisition of additional shares in subsidiary	-	-	-	(4,312)	(4,312)	(437)	(4,749)
Total charges in ownership interests	-	-	-	(4,312)	(4,312)	(437)	(4,749)
Balance at 30 September 2019	**1,309**	**96,740**	**(1,404)**	**34,099**	**130,744**	**238**	**130,982**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For year ended 30 September 2019

	Note	2019	2018
		£000	£000
Cash flows from operating activities			
Profit for the year		**2,103**	3,452
Adjustments for:			
Depreciation, amortisation and impairment	5	**18,013**	15,635
Financial income	7	**(107)**	(318)
Financial expense	7	**495**	709
Change in value of investments		**(842)**	(663)
Gain on sale of property, plant and equipment	5	**(551)**	(317)
Taxation	8	**995**	1,046
		20,106	19,544
(Increase) in trade and other receivables		**(9,240)**	(1,451)
(Increase) in contract assets		**(2,500)**	-
(Increase)/decrease in inventories		**(245)**	48
Increase in trade and other payables		**-**	2,165
(Decrease)/increase in provisions and employee benefits		**(587)**	606
Taxation paid		**(622)**	(324)
Interest paid		**(388)**	(441)
Net cash from operating activities		**6,524**	20,147
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,648**	1,407
Acquisition of property, plant and equipment		**(20,205)**	(22,663)
Acquisition of subsidiaries and businesses, net of cash acquired		**(1,532)**	(330)
Acquisition of other intangible assets		**(663)**	(1,239)
Interest received	7	**107**	238
Net cash from investing activities		**(20,645)**	(22,587)
Cash flows from financing activities			
Proceeds from the issue of share capital	22	**10,000**	16,674
Purchase of shares in subsidiary undertaking		**(4,499)**	-
Purchase of shares in investments		**(3,111)**	(2,300)
Payment of hire purchase liabilities		**(2,149)**	(2,510)
Interest elements of hire purchase		**(160)**	(175)
Net cash from financing activities		**81**	11,689
Cash and cash equivalents at 1 October		**19,468**	10,219
Net (decrease)/increase in cash and cash equivalents		**(14,040)**	9,249
Cash and cash equivalents at 30 September	16	**5,428**	19,468

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 Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent Company Financial Statements in accordance with FRS 101 *Reduced Disclosure Framework*; these are presented on pages 58-63.

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 6.

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 2019 the Group had net assets of £131m, net current assets of £7m and cash and cash equivalents of £5.5m. As at 30 June 2020 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 including the impact of immediate reduced activity levels from March 2020 until October 2020, gradually recovering, across the Group over the next 12 months. These forecasts indicate that, 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 4, 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 (policy applicable from 1 October 2018)

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 (policy applicable from 1 October 2018)

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 (policy applicable from 1 October 2018) *(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 (policy applicable from 1 October 2018) *(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 Financial instruments (policy applicable prior to 1 October 2018)

i) Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- 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
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company 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 Company'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.

ii) Non-derivative financial instruments

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

Trade and other receivables

Trade and other receivables 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 payables

Trade and other payables 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, associates and joint ventures are stated at amortised cost less impairment.

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

1 Accounting policies *(continued)*

1.6 Financial instruments (policy applicable prior to 1 October 2018) *(continued)*

Investments in equity securities

Loans and receivables are stated at amortised cost less impairment. Financial instruments held for trading or designated upon initial recognition are stated at fair value, with any resultant gain or loss recognised in profit or loss.

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.

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.

1.7 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.

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)*

1.8 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.

1.9 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)*

1.9 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

1.10 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.

1.11 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables) (policy applicable prior to 1 October 2018)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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").

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

1 Accounting policies *(continued)*

1.11 Impairment excluding inventories and deferred tax assets

Non-financial assets (continued)

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.

1.12 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.

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

1 Accounting policies *(continued)*

1.12 Employee benefits *(continued)*

Defined benefit plans (continued)

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).

1.13 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, which can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14 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.

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

1 Accounting policies *(continued)*

1.14 Revenue *(continued)*

Rendering of services *(continued)*

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.

1.15 Expenses

Operating lease payments

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

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.

Financing income and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method, interest receivable on funds invested and foreign currency gains and losses are reported on a net basis.

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement.

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

1 Accounting policies *(continued)*

1.16 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.17 Impact of new international reporting standards, amendments and interpretations

Impact of new international reporting standards

IFRS 9

See note 29 for the impact on the Group's Financial Statements as a result of adopting IFRS 9 from 1 October 2018.

IFRS 15

From 1 October 2018, the Group has applied IFRS 15 using the cumulative effect method. The revenue accounting policy for the prior period was under IAS 18.

There have been no material impacts on the Group's Financial Statements as a result of adopting IFRS 15 across all areas of the business from 1 October 2018.

Adopted IFRSs not yet applied

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

- IFRS 16 Leases (effective date 1 January 2019);
- Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective date to be confirmed);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed); and
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date to be confirmed).

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

1 Accounting policies *(continued)*

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

IFRS 16

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. InHealth are currently performing an assessment of the impact and the adoption of IFRS 16 will impact the Financial Statements within the context of the current operating lease costs accounted for under IAS 17, disclosed in Note 24.

1.18 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 2019. 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 2019.

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.

Business combinations

The Group identifies separate assets and liabilities upon acquisition and recognises those assets at their fair value. The assessment of fair value is undertaken with reference to the current market conditions.

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 Business combinations

On 8 February 2019, InHealth Limited acquired 100% of the Ordinary shares in United Open MRI Limited and its two dormant subsidiaries, The London Upright MRI Company Limited and Yorkshire Upright MRI Centre Limited. The principal activity of the group of subsidiaries is to provide upright and open MRI scans across three clinics. In the 8 months to 30 September 2019 the subsidiary contributed a net loss of £35,000 to the consolidated net profit. If the acquisition had occurred on 1 October 2018, Group revenue would have been an estimated £185.1 million and profit before tax £4.1 million.

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

3 Business combinations *(continued)*

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date	
Intangible asset – existing contracts	**250**
Property, plant and equipment	**1,423**
Trade and other receivables	**733**
Trade and other payables due within one year	**(480)**
Trade and other payables due after one year	**(1,823)**
Net identifiable assets	**103**
Total consideration and initial cash price paid	**1,620**
Goodwill	**1,517**

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

On acquisition an intangible asset of £250,000 has been recognised for customer contracts.

InHealth Limited incurred acquisition related costs of £60,000 related to professional services. The cost has been included in administrative expenses in the statement of comprehensive income.

4 Revenue

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

	2019 £000	2018 £000
United Kingdom	**182,452**	163,557
Europe	**1,642**	1,668
	184,094	165,225

Contract balances

	2019 £000	2018 £000
Contract assets	**2,431**	-

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

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

4 Revenue *(continued)*

Contract costs

	2019 **£000**	2018 £000
Costs to obtain contracts with customers	**2,431**	-

Contract costs are amortised when the related revenues are recognised. In the current period, the amount of amortisation was £69,000 (2018: £nil) and the impairment loss recognised was £nil (2018: £nil).

5 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2019 **£000**	2018 £000
Depreciation and other amounts written off tangible assets:		
Owned	**14,059**	12,762
Leased	**2,082**	2,171
Profit on disposal of property, plant and equipment	**(551)**	(317)
Amortisation of intangibles	**1,464**	1,225
Amortisation of contract assets	**69**	-
Impairment of intangibles	**-**	173
Impairment / (reversal) of tangible assets	**339**	(696)
Hire of plant and machinery – operating leases	**730**	690
Hire of other assets – operating leases	**6,636**	6,502
Gain on remeasurement of investments to fair value	**-**	663

Auditor's remuneration:

	2019 **£000**	2018 £000
Audit of these Financial Statements	**11**	10
Audit of the Financial Statements for all Group companies	**239**	213
Other services provided by the audit firm	**205**	168

The audit firm also provided services relating to current year taxation of £0.1 million (2018: £0.1 million), and services relating to indirect taxes and consultancy services totalling £0.1 million (2018: £0.1 million).

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

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:

	Number of Employees	
	2019	2018
Sales	**1**	2
Operations	**1,801**	1,539
Administrative	**222**	254
Directors	**2**	2
	2,026	1,797

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**70,434**	62,471
Social security costs	**7,400**	6,436
Contributions to defined contribution plans	**2,614**	2,381
Contributions to defined benefit plans	**192**	139
	80,640	71,427

Directors' remuneration is as follows:

	2019	2018
	£000	£000
Directors' remuneration including social security costs	**638**	738
Contributions to money purchase pension scheme	**6**	10
	644	748

The aggregate of emoluments of the highest paid Director was £395,000 (2018: £506,000), and pension contributions of £nil (2018: £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

	2019 £000	2018 £000
Interest receivable and similar income		
Total interest receivable on financial assets	**11**	238
Net interest on net defined benefit pension plan assets	**96**	80
Total financial income	**107**	318
Interest payable and similar charges		
Total interest payable on financial liabilities	**390**	616
Net interest on net defined benefit pension plan obligation	**105**	93
Total financial expenses	**495**	709

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

8 Taxation

Recognised in the income statement

	2019 £000	2018 £000
Current tax expense		
Current year	**942**	1,009
Adjustments for prior years	**(99)**	(136)
Current tax expense	**843**	873
Deferred tax expense		
Origination and reversal of timing differences	**500**	142
Adjustments in respect of prior years	**(348)**	31
Deferred tax expense	**152**	173
Tax expense in income statement (including tax on equity accounted investees)	**995**	1,046

	2019 £000	2018 £000
Income tax recognised in other comprehensive income		
Remeasurement of defined benefit liability credit/(expense)	**81**	(23)
Remeasurement of financial assets	**(143)**	-
Total income tax recognised in other comprehensive income	**(62)**	(23)

Reconciliation of tax expense

	2019 £000	2018 £000
Profit for the year excluding taxation	**3,098**	4,489
Using UK Corporation tax rate of 19% (2018: 19%)	**589**	853
Capital allowances for year in excess of depreciation	**1**	-
Non-deductible expenses	**137**	140
Fixed assets ineligible for depreciation	**646**	430
Adjustments in respect of prior periods	**(447)**	(105)
Other short term timing differences	**70**	6
Utilisation of brought forward losses	**(83)**	(84)
Other tax adjustments, reliefs and transfers	**88**	(82)
Current year losses for which no deferred tax asset was recognised	-	(112)
Group relief surrendered / (claimed)	**(6)**	-
Total tax expense (including tax on equity accounted investees)	**995**	1,046

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

8 Taxation *(continued)*

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was 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 Group's future current tax charge accordingly. The deferred tax liability at 30 September 2019 has been calculated based on these rates.

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 2018	29,579	8,726	122,217	22,909	8,313	1,459	193,203
Additions	4,964	-	13,649	1,050	3,418	613	23,694
Additions through business combinations	884	-	504	35	-	-	1,423
Disposals	-	-	(5,676)	(204)	-	(832)	(6,712)
Transfer between classes	2,543	-	4,156	11	(6,710)	-	-
Reclassification from intangible assets	-	-	237	-	-	-	237
At 30 September 2019	37,970	8,726	135,087	23,801	5,021	1,240	211,845
Depreciation and impairment							
At 1 October 2018	14,546	2,695	72,802	17,949	-	829	108,821
Depreciation for the year	3,087	105	11,795	989	-	165	16,141
Disposals	-	-	(5,183)	(86)	-	(682)	(5,951)
Impairment	324	-	15	-	-	-	339
Reclassification from intangible assets	-	-	15	-	-	-	15
At 30 September 2019	17,957	2,800	79,444	18,852	-	312	119,365
Net book value							
At 30 September 2018	15,033	6,031	49,415	4,960	8,313	630	84,382
At 30 September 2019	**20,013**	**5,926**	**55,643**	**4,949**	**5,021**	**928**	**92,480**

Leased plant and machinery

At 30 September 2019 the net book value of leased plant and machinery was £10,591,000 (2018: £9,184,000).

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 2018	36,113	2,397	4,305	1,710	136	44,661
Additions	-	412	-	234	17	663
Additions through business combinations	1,517	-	250	-	-	1,767
Disposals	-	-	-	-	(1)	(1)
Reclassification to tangible assets	-	(237)	-	-	-	(237)
At 30 September 2019	37,630	2,572	4,555	1,944	152	46,853
Amortisation and impairment						
At 1 October 2018	11,182	794	1,872	922	124	14,894
Amortisation for the year	-	391	894	166	13	1,464
Disposals	-	-	-	-	(1)	(1)
Reclassification to tangible assets	-	(15)	-	-	-	(15)
At 30 September 2019	11,182	1,170	2,766	1,088	136	16,342
Net book value						
At 30 September 2018	24,931	1,603	2,433	788	12	29,767
At 30 September 2019	**26,448**	**1,402**	**1,789**	**856**	**16**	**30,511**

The amortisation charge of £1,464,000 (2018: £1,225,000) and impairment charge of £nil (2018: £173,000) are recognised in administrative expenses in the statement of profit and loss and comprehensive income.

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	2019 £000	2018 £000
InHealth diagnostic and healthcare solutions	**10,408**	10,408
Pain Management	**5,523**	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**	-
	26,448	24,931

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.

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	**2019**	2018
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%

Pain Management	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**9%**	4%
Discount rate	**8%**	8%

Health Intelligence	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**16%**	16%
Discount rate	**8%**	8%

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

10 Intangible assets *(continued)*

Goodwill *(continued)*

Echocardiography	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**5%**	7%
Discount rate	**8%**	8%

Vista Diagnostics	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**4%**	11%
Discount rate	**8%**	8%

Reporting business	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**11%**	17%
Discount rate	**8%**	8%

Endoscopy business	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**10%**	10%
Discount rate	**8%**	8%

Diagnostic imaging and clinical care pathways business	**2019**	2018
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%

Open MRI business	**2019**	2018
Period on which management approved plan is based	**4 Years**	n/a
Average growth rate applied over the plan period	**0%**	n/a
Discount rate	**8%**	n/a

No indicators of impairments were identified for the year ended 30 September 2019 (2018: none).

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	**2019 Proportion of joint operations**	2018 Proportion of joint operations
Lincoln MRI Unit	Provision of MRI services	**60%**	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

	2019 £000	2018 £000
Non-current		
Financial assets designated as fair value through other comprehensive income	**8,340**	-
Financial assets designated as fair value through profit or loss	-	748
Available for sale financial assets	-	3,639
	8,340	4,387

During the year InHealth Ventures Limited, a direct subsidiary of the Company, made one minority interest investment:

- £500,000 in Nye Health in April 2019, which is a digital platform for NHS GPs allowing them to drive productivity and manage capacity. The initial investment is for equity shares;

Further investments were made in Luma Health, Laudio and Kheiron Medical, which were £260,000, £1,578,000 and £772,000 respectively.

InHealth has taken the option available under IFRS 9 to classify these investments as fair value through other comprehensive income. See note 29 for impact of change in significant accounting policies.

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	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Non-current assets including: Property, plant and equipment and intangible assets timing differences	**232**	235	**(3,076)**	(2,831)	**(2,844)**	(2,596)
Pension and post-retirement benefits	**138**	36	**(165)**	-	**(27)**	36
Provisions	**196**	99	**-**	-	**196**	99
Deferred tax assets/(liabilities)	**566**	370	**(3,241)**	(2,831)	**(2,675)**	(2,461)

Deferred tax assets of £566,000 (2018: £370,000) are only recognised to the extent that the Director considers it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

14 Inventories

	2019	2018
	£000	£000
Consumables	**1,070**	825

The Group recognised £7,804,000 (2018: £6,859,000) of consumables as cost of sales in the year.

15 Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	**31,437**	24,953
Other receivables	**558**	98
Prepayments	**10,635**	9,450
All amounts falling due within one year	**42,630**	34,501
Non-current assets falling due after more than one year		
Other receivables	**2,916**	1,470
Prepayments	**701**	391
	3,617	1,861

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

16 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank	**5,428**	19,468

17 Trade and other payables

	2019 £000	2018 £000
Current		
Hire purchase contracts (note 20)	**2,048**	2,151
Trade payables	**12,042**	11,831
Tax payable	**4,599**	3,479
Contingent consideration due to business combinations	**350**	350
Amounts owed to group undertakings	**11**	21
Non-trade payables and accrued expenses	**25,151**	25,675
	44,201	43,507

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

18 Provisions

	Onerous contract £000	Pension provision £000	Dismantlement provision £000	Total £000
At 1 October 2018	-	670	668	1,338
Provisions made during the year	277	-	73	350
Provision reversal during the year	-	(265)	-	(265)
Unwinding of discounted amount	-	-	25	25
At 30 September 2019	**277**	**405**	**766**	**1,448**

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 estimate has been revised as payments have started to be agreed back into the NHS pension scheme.

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.

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.

19 Other financial liabilities

	2019 £000	2018 £000
Non-current		
Hire purchase contracts (note 20)	**4,567**	3,442
Other creditors	**1,060**	736
Non-trade payables and accrued expenses	**851**	-
	6,478	4,178

Notes to the Financial Statements – Group *(continued*

20 Hire purchase contracts

	2019 £000	2018 £000
Current liabilities		
Hire purchase liabilities	**2,048**	2,151
Non-current liabilities		
Hire purchase liabilities	**4,567**	3,442

This note provides information about the contractual terms of the Group's hire purchase contracts, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2019 £000	**Interest 2019 £000**	**Principal 2019 £000**	Minimum lease payments 2018 £000	Interest 2018 £000	Principal 2018 £000
Less than one year	**2,048**	**162**	**1,886**	2,151	147	2,004
Between one and five years	**4,567**	**208**	**4,359**	3,442	184	3,258
	6,615	**370**	**6,245**	5,593	331	5,262

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 £2,614,000 (2018: £2,381,000).

Contributions amounting to £379,000 (2018: £255,000) 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 2016, for The Federated Pension Plan – Health Intelligence Limited the latest actuarial valuation was carried out on 5 April 2016 and for the Prudential Platinum Pension – InHealth Limited Scheme the latest actuarial valuation was carried out at 31 December 2016. 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:

	2019 £000	2018 £000
Defined benefit pension scheme assets		
Scheme 1 – InHealth Defined Benefit Pension Scheme	**2,334**	2,120
Scheme 2 – The Federated Pension Plan – Health Intelligence Limited	**1,046**	975
Scheme 3 – Prudential Platinum Pension – InHealth Limited	**493**	371
Total defined benefit assets	**3,873**	3,466
Defined benefit pension scheme liabilities		
Scheme 1 – InHealth Defined Benefit Pension Scheme	**(2,970)**	(2,321)
Scheme 2 – The Federated Pension Plan – Health Intelligence Limited	**(1,033)**	(1,149)
Scheme 3 – Prudential Platinum Pension – InHealth Limited	**(593)**	(376)
Total defined benefit liabilities	**(4,596)**	(3,846)
Total defined benefit pension scheme net liability	**(723)**	(380)

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	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Balance at 1 October	**(3,846)**	(3,410)	**3,466**	2,858	**(380)**	(552)
Included in profit or loss						
Current service cost	**(93)**	(70)	**-**	-	**(93)**	(70)
Interest cost	**(105)**	(93)	**96**	80	**(9)**	(13)
Administration services	**-**	-	**(12)**	-	**(12)**	-
	(198)	(163)	**84**	80	**(114)**	(83)
Included in OCI						
Actuarial gain arising from change in financial assumptions	**(674)**	98	**195**	25	**(479)**	123
	(674)	98	**195**	25	**(479)**	123
Other						
Contributions paid by the employer	**(17)**	(17)	**209**	154	**192**	137
Contributions paid by the employee	**(7)**	-	**24**	-	**17**	-
Benefits paid	**37**	22	**(37)**	(22)	**-**	-
Pension scheme added	**-**	(376)	**-**	371	**-**	(5)
Gain/loss on settlement	**109**	-	**(68)**	-	**41**	-
	122	(371)	**128**	503	**250**	132
Balance at 30 September	**(4,596)**	(3,846)	**3,873**	3,466	**(723)**	(380)

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	2019 £000	2018 £000
InHealth Defined Benefit Pension Scheme			
Investment funds	1	**2,230**	2,016
Other (including cash and cash equivalents)	1	**104**	104
		2,334	2,120
The Federated Pension Plan – Health Intelligence Limited			
Equity instruments	2	**457**	424
Bonds	2	**343**	318
Diversified growth funds	2	**229**	212
Other (including cash and cash equivalents)	2	**17**	21
		1,046	975
Prudential Platinum Pension – InHealth Limited			
Debt Instruments	3	**130**	108
Investment funds	3	**363**	263
		493	371
Total		**3,873**	3,466

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

InHealth Defined Benefit Pension Scheme	**2019**	2018
Discount rate at 30 September	**1.9%**	2.8%
Future salary increases	**2.0%**	1.8%
Inflation (CPI)	**2.2%**	2.5%
Future pension increases	**3.1%**	3.5%

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 2019
Retiring today	
Males	**26.0 years**
Females	**29.0 years**
Retiring in 20 years	
Males	**28.0 years**
Females	**30.0 years**

The Group expects to pay £102,000 in contributions to this defined benefit plan in 2020.

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

21 Employee benefits *(continued)*

Defined benefit pension scheme *(continued)*

The Federated Pension Plan – Health Intelligence Limited	**2019**	2018
Discount rate at 30 September	**1.9%**	2.8%
Future salary increases	**2.0%**	4.0%
Inflation (RPI)	**2.2%**	3.5%
Future pension increases	**3.2%**	2.5%

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 2019
Retiring today	
Males	**21.8 years**
Females	**23.6 years**
Retiring in 20 years	
Males	**23.1 years**
Females	**25.2 years**

The Group expects to pay £12,000 in contributions to this defined benefit plan in 2020.

Prudential Platinum Pension – InHealth Limited	**2019**	2018
Discount rate at 30 September	**1.8%**	2.7%
Future salary increases	**2.0%**	1.8%
Inflation rate (CPI)	**2.2%**	2.3%
Future pension increases	**3.2%**	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 65-year old to live for a number of years as follows:

	As at 30 September 2019
Retiring today	
Males	**21.6 years**
Females	**23.5 years**
Retiring in 20 years	
Males	**23.3 years**
Females	**25.4 years**

The Group expects to pay £82,000 in contributions to the Prudential Platinum Pension scheme plan in 2020.

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 13%
Rate of inflation	Increase by 0.5%	Increase by 6%
Rate of salary growth	Increase by 0.5%	Increase by 2%
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 6.7%
Rate of inflation	Increase by 0.3%	Increase by 6.7%
Rate of salary growth	Increase by 0.3%	Increase by 6.7%
Life expectancy	Increase by 1 year	Increase by 2.5%

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 4%

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 2019 is approximately 24 years (InHealth Defined Benefit scheme), 26 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 2019 no shares (2018: 143,124) 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 (2018: £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 30 September 2018 (1,251,650 Ordinary shares of £1 each)	**86,798**	**1,251**
Issue of 57,947 Ordinary shares of £1 each	9,942	58
In issue at 30 September 2019 (1,309,597 Ordinary shares of £1 each)	**96,740**	**1,309**

All shares are classified in shareholders' funds.

On 31 July 2019 the Company issued 57,947 Ordinary shares for £10,000,000.

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:

	2019 **£000**	2018 £000
Not past due	**17,976**	18,167
Past due 0 to 30 days	**7,997**	3,961
Past due 31 to 120 days	**4,059**	2,319
More than 120 days overdue	**1,405**	506
Net trade receivables	**31,437**	24,953

The doubtful debt provision included within the table above is £39,000 (2018: £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 2019, the Group had £5.4 million (2018: £19.5 million) of cash reserves.

For the contractual maturities of hire purchase liabilities, including estimated interest payments and excluding the effect of netting agreements see note 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:

	2019 £000	2018 £000
Fixed rate instruments		
Current hire purchase liabilities	**(2,048)**	(2,151)
Non-current hire purchase liabilities	**(4,567)**	(3,442)
Variable rate instruments		
Cash and cash equivalents	**5,428**	19,468
	(1,187)	13,875

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
	2019 £000	2018 £000	**2019 £000**	2018 £000
Financial assets designated as fair value through other comprehensive income (note 12)				
Convertible preferred equity	**2,601**	-	**2,601**	-
Equity shares	**5,739**	-	**5,739**	-
Financial assets designated as fair value through profit or loss (note 12)				
Convertible preferred equity	-	748	-	748
Financial assets designated as available for sale (note 12)				
Equity shares	-	3,639	-	3,639

InHealth has taken the option available under IFRS 9 to classify these investments as fair value through other comprehensive income. See note 29 for impact of change in significant accounting policies.

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 (2018: 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 2019 the Group did not have any assets classified at Level 3 of the fair value hierarchy (2018: 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)*

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 **£000**	2018 £000
Less than one year	**3,476**	2,583
Between one and five years	**9,706**	6,163
More than five years	**6,699**	7,027
	19,881	15,773

See note 5 for the charge included in the profit and loss account.

25 Commitments

Capital commitments

During the year ended 30 September 2019, the Group entered into contracts to purchase MRI equipment and CT scanners for £8,071,000 (2018: £11,266,000). These commitments are expected to be settled in the following financial year.

26 Related parties

The amount due from Prime Endoscopy (Bristol) Limited, which the Group holds a 99% (2018: 98%) shareholding in, at 30 September 2019 was £963,000 (2018: £300,000).

The amount owed to Health Intelligence Limited, which the Group holds a 94% (2018: 76%) shareholding in, at 30 September 2019 was £1,474,000 (2018: £nil).

The amount due from InHealth Pathology Limited, which the Group holds a 88% (2018: 88%) shareholding in, at 30 September 2019 was £1,146,000 (2018: £640,000).

The amount owed to Lincoln MRI Unit, which the Group controls 60% (2018: 60%) of the joint operations, at 30 September 2019 was £177,000 (2018: £210,000).

27 Events after the balance sheet date

On 4 December 2019 InHealth Ventures Limited purchased further investments in Heydoc for consideration of £0.2 million.

On 20 December 2019 InHealth Ventures Limited has acquired minority shareholdings in one company registered within the United States for total consideration of US$0.5 million.

The Lincoln MRI Unit joint operation ceased on 31 December 2019.

On 1 March 2020 InHealth Endoscopy Limited acquired the remaining 1% share capital of Prime Endoscopy (Bristol) Limited, its subsidiary.

Following the outbreak of the Covid-19 global pandemic declared by the World Health Organisation on 11 March 2020, InHealth Group has had to adapt its operations following government measures to contain the virus.

On 17 April 2020 and 15 May 2020 InHealth Ventures Limited has acquired minority shareholdings in two additional companies registered within the United States for consideration of US$1.9 million and US$0.8 million respectively.

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

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.

29 Change in significant accounting policies

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 with a date of initial application of 1 October 2018. The requirements of IFRS 9 represent a significant change from *IAS 39 Financial Instruments: Recognition and Measurement*.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 October 2018. Accordingly, the information presented for year ended 30 September 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for year ended 30 September 2019 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below. The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial instrument financial assets as at 1 October 2018.

	Note	Original IAS 39 Classification	New IFRS 9 Classification	Carrying amount under IAS 39 at 30 September 2018 and IFRS 9 at 1 October 2018
Financial instruments				**£000**
Convertible preferred equity	23	FVPL	FVOCI – equity instrument	748
Equity shares	23	Available-for-sale	FVOCI – equity instrument	3,639

The Group has elected to recognise changes in fair value of its financial instruments through OCI.

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

29 Change in significant accounting policies *(continued)*

IFRS 9 Financial Instruments *(continued)*

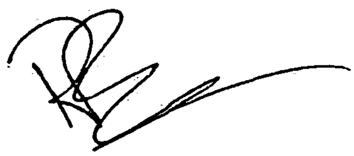
The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 October 2018.

£000	IAS 39 carrying amount at 30 September 2018	Reclassification	IFRS 9 carrying amount at 1 October 2018
Financial assets			
FVOCI – equity instrument			
Brought forward: FVPL	748	-	-
Brought forward: Available-for-sale	3,639	-	-
Reclassification	(4,387)	4,387	-
Carried forward: FVOCI	-	(4,387)	4,387
Total FVOCI – equity instrument	-	-	4,387

Company Balance Sheet
At 30 September 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investments	2		**84,455**		77,054
			84,455		77,054
Current assets					
Debtors: amounts falling due within one year	3	**11,370**		11,366	
Cash and cash equivalents		**1**		1	
		11,371		11,367	
Creditors: amounts falling due within one year	4	**(22)**		(2,594)	
Net current assets			**11,349**		8,773
Net assets			**95,804**		85,827
Capital and reserves					
Called up share capital	5		**1,309**		1,251
Share premium account	6		**96,740**		86,798
Profit and loss account	6		**(2,245)**		(2,222)
Shareholders' funds			**95,804**		85,827

These Financial Statements were approved by the Board of Directors on 15 July 2020 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 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.

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 1.18 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 2018	77,054
Purchase of shares in a subsidiary undertaking	7,401
At 30 September 2019	84,455
Provisions	
At 1 October 2018 and 30 September 2019	-
Net book value	
At 30 September 2018	77,054
At 30 September 2019	**84,455**

On 31 July 2019 the Company purchased 41,067 ordinary shares in its direct subsidiary undertaking InHealth Group Limited for £7,401,000.

On 1 October 2018 InHealth Ventures Limited was acquired by the Company at net book value from InHealth Group limited.

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 2019	2018
Direct Subsidiary			
InHealth Ventures Limited	£1	**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%
InHealth Ventures Limited	£1	-	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%**	76%
InHealth CATS Limited	£1	**100%**	100%
London Centre for Advanced Diagnostics Limited	£1	**100%**	100%
United Open MRI Limited	£1	**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	**99%**	98%
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%**	-
Yorkshire Upright MRI Centre Limited	£1	**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

	2019 £000	2018 £000
Amounts owed by group undertakings	**11,355**	11,353
Other debtors	**15**	13
All amounts due within one year	**11,370**	11,366

4 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	**11**	2,586
Accruals and deferred income	**11**	8
	22	2,594

5 Called up share capital

	Share premium £000	**Called up share capital £000**
Allotted, called up and fully paid		
In issue at 30 September 2018 (1,251,650 Ordinary shares of £1 each)	**86,798**	**1,251**
Issue of 57,947 Ordinary shares of £1 each	9,942	58
In issue at 30 September 2019 (1,309,597 Ordinary shares of £1 each)	**96,740**	**1,309**

All shares are classified in shareholders' funds.

On 31 July 2019 the Company issued 57,947 Ordinary shares for £10,000,000.

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

6 Reserves

	Share premium £000	Called up share capital £000	Profit and loss account £000	Total £000
At 1 October 2018	86,798	1,251	(2,222)	85,827
Shares issued	9,942	58	-	10,000
Loss for the year	-	-	(23)	(23)
At 30 September 2019	**96,740**	**1,309**	**(2,245)**	**95,804**

Registered number: 05578428

InHealth Group Holdings PLC

Directors' Report and Financial Statements for the Year Ended 30 September 2019

Contents

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

InHealth Group is a leading provider of diagnostic and healthcare services for the NHS and private patients. 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.

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 to 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, and referrers.

InHealth's flexible and dynamic approach is helping to meet some of healthcare's most pressing challenges; reducing waiting times, moving non-emergency care out of the hospital setting, speeding up diagnoses, saving money and improving the overall patient experience. We have access to capital for investment and the ability to design and adapt our solutions to meet changing demands from region to region. We work collaboratively with the NHS and private sector providers 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 greater efficiencies by investing in the best, most modern equipment, thus minimising downtime and maximising utilisation of assets. InHealth strives to improve speed, quality and value through productivity and innovation.

InHealth Group now employs 2,500 dedicated and committed people, the majority working with patients every day in both hospital and increasingly in out of hospital settings across the UK. Together the InHealth team ensures the best service for patients with over 98% of patients recommending our services. We believe that investing in training for our people is important for their development, so that they can reach their full potential and are then able to deliver excellent care to all of our patients. To achieve this InHealth delivered over 8,000 training days for its employees for the year.

Key performance indicators

Management monitors progress by reference to Key Performance Indicators (KPIs), which include clinical indicators, patient satisfaction, revenue, profit and EBTIDA (earnings before interest, tax, depreciation and amortisation) margin return on sales. Patient satisfaction, measured using the Friends and Family Test, showed that over 98% (2018: 98%) of our patients actively recommend our services. Group revenue in the year was £184.1 million (2018: £165.2 million), with profit before tax for the year at £3.1 million (2018: £4.5 million). The Group's EBITDA was £21.5 million (2018: £20.5 million), EBITDA margin this year was 12% (2018: 12%).

The Group's trading activity in 2019 continues to reflect specific price reductions delivering value for money to our customers together with, a higher volume and growth in several new modalities where mobilisation of such services in the early months delivers a lower level of profitability, as well as continued investment in new equipment, people and resources.

Progress through the year

During the year, InHealth secured new service contracts across the UK, including 4 major Radiology contracts, 4 Screening contracts and renewal of a 15-year Radiology contract. The group also retained a major Endoscopy contract.

In parallel with these services, InHealth continues to broaden its reach across the pre-acute patient pathway and has strengthened its position across the UK in Radiology, Cardiac, Endoscopy, Screening Programmes, Mobile Services and Audiology.

Strategic Report *(continued)*

Progress through the year *(continued)*

Record investment has been made into expanding capacity in our mobile fleet and in Radiology at NHS Hospitals in Kingston, Walsall and Frimley.

During the year the Company acquired United Open MRI Limited, the UK's largest provider of upright and open MRI scans across three clinics to expand our range of services.

InHealth Limited acquired a further 18% out of the remaining 24% of the share capital of Health Intelligence Limited, its subsidiary, for £4.8 million on 13 March 2019.

The Group extended private patients through Vista Health and has added self-pay and insured patients during the year.

Significant growth has been achieved through expansion of our Diabetic Eye Screening Programmes, with the number of patients with diabetes we are responsible for now standing at over 1,000,000.

During the year, our early stage digital health investments continued with InHealth Ventures investing in 1 new early stage investment, Nye Health for a total consideration of £0.5 million. In addition, follow on investments were made in Luma Health, Laudio and Kheiron Medical for £2.6m. Details of these investments are included in note 12 of the Financial Statements.

The Group continues 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.

InHealth Group Holdings PLC has not paid any dividends and instead has continued to reinvest all profits back into the Group to support future growth.

Covid-19

Following the outbreak of the Covid-19 global pandemic, Healthcare systems across the world have worked to dedicate resources to fight the virus. In the UK the NHS has focussed its attention on dealing with the pandemic which for some services has 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 as well as mobilising specific and innovative Covid-19 responses utilising its people and assets across the UK. The Group has seen reduced activity levels as a result of Covid-19 but continues to support the NHS through this time.

In the short term the Group has seen a drop in activity in some services while responding to increased demand in others, overall revenue has fallen as a result of the pandemic but over the next 12 months is expected to gradually recover as the backlog in diagnostic and screening tests is addressed. Government restrictions are expected to lift over time and while the economic impact may continue in the UK, the demand for healthcare services is anticipated to remain high.

The Directors consider that the outlook for the Group therefore 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 consider that sufficient funds are available to meet liabilities as they fall due and have therefore prepared the Financial Statements on a Going Concern basis (see note 1.2 for further information on the going concern basis of preparation).

Strategic Report *(continued)*

Growing capacity and maintaining equipment to high standards

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

Principal risks and uncertainties

Financial risk management

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

Foreign currency risk

The Group's transactions are predominantly in Sterling, but some transactions and investments 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 that no material risk exists of the Group not being able to do so.

Interest rate risk

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

Political risk

The effects of Brexit are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. The Directors continue to monitor the situation and have taken steps to minimise any associated risks and are satisfied that no material risk exists for the Group from the consequences of Brexit.

Investment risk

InHealth Ventures Limited, a direct subsidiary, makes early stage digital health investments in unlisted start ups, 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.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

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 including travel bans, quarantines, social distancing and closures of non-essential services 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. The Group regularly reviews its environmental policy to ensure that it reflects changes in regulations and best practice. The Group aims to continually manage the impact of its operations and develop initiatives to improve its environmental footprint. The approach to Corporate and Social Responsibility is reviewed on an annual basis in a continual commitment to sustainable and responsible development.

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

R J Bradford
Director
15 July 2020

Directors' Report

The Directors present their report and audited Financial Statements of InHealth Group Holdings PLC for the year ended 30 September 2019.

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 (2018: £nil).

Directors

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

I H Bradbury
R J Bradford
Sir A D Chessells
A S L Cummings (resigned 8 July 2019)
D M Petrie (appointed 8 July 2019)

Political donations

The Group made no political donations (2018: £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 2,500 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 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 4 December 2019 InHealth Ventures Limited purchased further investments in Heydoc for consideration of £0.2 million.

On 20 December 2019 InHealth Ventures Limited has acquired minority shareholdings in one company registered within the United States for total consideration of US$0.5 million.

The Lincoln MRI Unit joint operation ceased on 31 December 2019.

On 1 March 2020 InHealth Endoscopy Limited acquired the remaining 1% share capital of Prime Endoscopy (Bristol) Limited, its subsidiary.

Following the outbreak of the Covid-19 global pandemic declared by the World Health Organisation on 11 March 2020, InHealth Group has had to adapt its operations following government measures to contain the virus. The Directors consider this event to be a non-adjusting post balance sheet event. The detailed consideration of this significant event which has occurred since the end of the financial year is included in the Strategic Report on page 2.

On 17 April 2020 and 15 May 2020 InHealth Ventures Limited has acquired minority shareholdings in two additional companies registered within the United States for consideration of US$1.9 million and US$0.8 million respectively.

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
15 July 2020

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 Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 IFRSs as adopted by the EU;
- 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 2019 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 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU;
- 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.

David Neale

David Neale (Senior Statutory Auditor)
for and on behalf of
KPMG LLP
Statutory Auditor
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP
Date: 17 July 2020

Consolidated Statement of Profit and Loss and Comprehensive Income

For the year ended 30 September 2019

	Note	2019 £000	2018 £000
Revenue	4	**184,094**	165,225
Cost of sales		**(118,072)**	(110,815)
Gross profit		**66,022**	54,410
Administrative expenses	5	**(62,536)**	(49,521)
Operating profit		**3,486**	4,889
Financial income	7	**107**	318
Financial expenses	7	**(495)**	(709)
Net financing (expense)		**(388)**	(391)
Profit before tax		**3,098**	4,498
Taxation	8	**(995)**	(1,046)
Profit for the year		**2,103**	3,452
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement of defined benefit liability		**(479)**	123
Gains on remeasuring financial assets		**842**	-
Income tax on items that will not be reclassified to profit or loss		**(62)**	(23)
Other comprehensive income for the year		**301**	100
Total comprehensive income for the year		**2,404**	3,552
Comprehensive income attributable to:			
Equity holders of the parent		**2,207**	3,237
Non-controlling interest		**197**	315

All activities are classified as continuing.

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 30 September 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant & equipment	9	**92,480**	84,382
Intangible assets	10	**30,511**	29,767
Other financial assets	12	**8,340**	4,387
Trade and other receivables	15	**3,617**	1,861
		134,948	120,397
Current assets			
Inventories	14	**1,070**	825
Contract assets	4	**2,431**	-
Trade and other receivables	15	**42,630**	34,501
Cash and cash equivalents	16	**5,428**	19,468
		51,559	54,794
Total assets		**186,507**	175,191
Current liabilities			
Trade and other payables	17	**(44,201)**	(43,507)
Non-current liabilities			
Employee benefits	21	**(723)**	(380)
Deferred tax liability	13	**(2,675)**	(2,461)
Provisions	18	**(1,448)**	(1,338)
Other financial liabilities	19	**(6,478)**	(4,178)
		(11,324)	(8,357)
Total liabilities		**(55,525)**	(51,864)
Net assets		**130,982**	123,327
Equity attributable to equity holders			
Share capital	22	**1,309**	1,251
Share premium	22	**96,740**	86,798
Other reserves		**(1,404)**	(1,404)
Retained earnings		**34,099**	36,204
		130,744	122,849
Non-controlling interest		**238**	478
Total equity		**130,982**	123,327

Balance Sheet *(continued)*

These Financial Statements were approved by the Board of Directors on 15 July 2020 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 2019

	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 2017	1,148	70,227	(1,804)	32,967	102,538	163	102,701
Total comprehensive income for the year							
Profit for the year	-	-	-	3,123	3,123	329	3,452
Other comprehensive income	-	-	-	114	114	(14)	100
Total comprehensive income for the year	-	-	-	3,237	3,237	315	3,552
Transactions with owners, recorded in equity							
Share issue	103	16,571	-	-	16,674	-	16,674
Capital contribution	-	-	400	-	400	-	400
Balance at 30 September 2018 and 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							
Share issue	58	9,942	-	-	10,000	-	10,000
Total transactions with owners, recorded in equity	58	9,942	-	-	10,000	-	10,000
Changes in ownership interests							
Acquisition of additional shares in subsidiary	-	-	-	(4,312)	(4,312)	(437)	(4,749)
Total charges in ownership interests	-	-	-	(4,312)	(4,312)	(437)	(4,749)
Balance at 30 September 2019	**1,309**	**96,740**	**(1,404)**	**34,099**	**130,744**	**238**	**130,982**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For year ended 30 September 2019

	Note	2019	2018
		£000	£000
Cash flows from operating activities			
Profit for the year		**2,103**	3,452
Adjustments for:			
Depreciation, amortisation and impairment	5	**18,013**	15,635
Financial income	7	**(107)**	(318)
Financial expense	7	**495**	709
Change in value of investments		**(842)**	(663)
Gain on sale of property, plant and equipment	5	**(551)**	(317)
Taxation	8	**995**	1,046
		20,106	19,544
(Increase) in trade and other receivables		**(9,240)**	(1,451)
(Increase) in contract assets		**(2,500)**	-
(Increase)/decrease in inventories		**(245)**	48
Increase in trade and other payables		**-**	2,165
(Decrease)/increase in provisions and employee benefits		**(587)**	606
Taxation paid		**(622)**	(324)
Interest paid		**(388)**	(441)
Net cash from operating activities		**6,524**	20,147
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,648**	1,407
Acquisition of property, plant and equipment		**(20,205)**	(22,663)
Acquisition of subsidiaries and businesses, net of cash acquired		**(1,532)**	(330)
Acquisition of other intangible assets		**(663)**	(1,239)
Interest received	7	**107**	238
Net cash from investing activities		**(20,645)**	(22,587)
Cash flows from financing activities			
Proceeds from the issue of share capital	22	**10,000**	16,674
Purchase of shares in subsidiary undertaking		**(4,499)**	-
Purchase of shares in investments		**(3,111)**	(2,300)
Payment of hire purchase liabilities		**(2,149)**	(2,510)
Interest elements of hire purchase		**(160)**	(175)
Net cash from financing activities		**81**	11,689
Cash and cash equivalents at 1 October		**19,468**	10,219
Net (decrease)/increase in cash and cash equivalents		**(14,040)**	9,249
Cash and cash equivalents at 30 September	16	**5,428**	19,468

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 Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent Company Financial Statements in accordance with FRS 101 *Reduced Disclosure Framework*; these are presented on pages 58-63.

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 6.

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 2019 the Group had net assets of £131m, net current assets of £7m and cash and cash equivalents of £5.5m. As at 30 June 2020 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 including the impact of immediate reduced activity levels from March 2020 until October 2020, gradually recovering, across the Group over the next 12 months. These forecasts indicate that, 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 4, 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 (policy applicable from 1 October 2018)

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 (policy applicable from 1 October 2018)

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 (policy applicable from 1 October 2018) *(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 (policy applicable from 1 October 2018) *(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 Financial instruments (policy applicable prior to 1 October 2018)

i) Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- 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
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company 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 Company'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.

ii) Non-derivative financial instruments

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

Trade and other receivables

Trade and other receivables 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 payables

Trade and other payables 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, associates and joint ventures are stated at amortised cost less impairment.

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

1 Accounting policies *(continued)*

1.6 Financial instruments (policy applicable prior to 1 October 2018) *(continued)*

Investments in equity securities

Loans and receivables are stated at amortised cost less impairment. Financial instruments held for trading or designated upon initial recognition are stated at fair value, with any resultant gain or loss recognised in profit or loss.

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.

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.

1.7 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.

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)*

1.8 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.

1.9 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)*

1.9 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

1.10 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.

1.11 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables) (policy applicable prior to 1 October 2018)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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").

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

1 Accounting policies *(continued)*

1.11 Impairment excluding inventories and deferred tax assets

Non-financial assets (continued)

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.

1.12 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.

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

1 Accounting policies *(continued)*

1.12 Employee benefits *(continued)*

Defined benefit plans (continued)

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).

1.13 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, which can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14 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.

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

1 Accounting policies *(continued)*

1.14 Revenue *(continued)*

Rendering of services *(continued)*

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.

1.15 Expenses

Operating lease payments

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

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.

Financing income and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method, interest receivable on funds invested and foreign currency gains and losses are reported on a net basis.

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement.

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

1 Accounting policies *(continued)*

1.16 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.17 Impact of new international reporting standards, amendments and interpretations

Impact of new international reporting standards

IFRS 9

See note 29 for the impact on the Group's Financial Statements as a result of adopting IFRS 9 from 1 October 2018.

IFRS 15

From 1 October 2018, the Group has applied IFRS 15 using the cumulative effect method. The revenue accounting policy for the prior period was under IAS 18.

There have been no material impacts on the Group's Financial Statements as a result of adopting IFRS 15 across all areas of the business from 1 October 2018.

Adopted IFRSs not yet applied

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

- IFRS 16 Leases (effective date 1 January 2019);
- Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective date to be confirmed);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed); and
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date to be confirmed).

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

1 Accounting policies *(continued)*

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

IFRS 16

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. InHealth are currently performing an assessment of the impact and the adoption of IFRS 16 will impact the Financial Statements within the context of the current operating lease costs accounted for under IAS 17, disclosed in Note 24.

1.18 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 2019. 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 2019.

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.

Business combinations

The Group identifies separate assets and liabilities upon acquisition and recognises those assets at their fair value. The assessment of fair value is undertaken with reference to the current market conditions.

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 Business combinations

On 8 February 2019, InHealth Limited acquired 100% of the Ordinary shares in United Open MRI Limited and its two dormant subsidiaries, The London Upright MRI Company Limited and Yorkshire Upright MRI Centre Limited. The principal activity of the group of subsidiaries is to provide upright and open MRI scans across three clinics. In the 8 months to 30 September 2019 the subsidiary contributed a net loss of £35,000 to the consolidated net profit. If the acquisition had occurred on 1 October 2018, Group revenue would have been an estimated £185.1 million and profit before tax £4.1 million.

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

3 Business combinations *(continued)*

Effect of acquisition
The acquisition had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date	
Intangible asset – existing contracts	**250**
Property, plant and equipment	**1,423**
Trade and other receivables	**733**
Trade and other payables due within one year	**(480)**
Trade and other payables due after one year	**(1,823)**
Net identifiable assets	**103**
Total consideration and initial cash price paid	**1,620**
Goodwill	**1,517**

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

On acquisition an intangible asset of £250,000 has been recognised for customer contracts.

InHealth Limited incurred acquisition related costs of £60,000 related to professional services. The cost has been included in administrative expenses in the statement of comprehensive income.

4 Revenue

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

	2019 £000	2018 £000
United Kingdom	**182,452**	163,557
Europe	**1,642**	1,668
	184,094	165,225

Contract balances

	2019 £000	2018 £000
Contract assets	**2,431**	-

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

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

4 Revenue *(continued)*

Contract costs

	2019 **£000**	2018 £000
Costs to obtain contracts with customers	**2,431**	-

Contract costs are amortised when the related revenues are recognised. In the current period, the amount of amortisation was £69,000 (2018: £nil) and the impairment loss recognised was £nil (2018: £nil).

5 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2019 **£000**	2018 £000
Depreciation and other amounts written off tangible assets:		
Owned	**14,059**	12,762
Leased	**2,082**	2,171
Profit on disposal of property, plant and equipment	**(551)**	(317)
Amortisation of intangibles	**1,464**	1,225
Amortisation of contract assets	**69**	-
Impairment of intangibles	-	173
Impairment / (reversal) of tangible assets	**339**	(696)
Hire of plant and machinery – operating leases	**730**	690
Hire of other assets – operating leases	**6,636**	6,502
Gain on remeasurement of investments to fair value	-	663

Auditor's remuneration:

	2019 **£000**	2018 £000
Audit of these Financial Statements	**11**	10
Audit of the Financial Statements for all Group companies	**239**	213
Other services provided by the audit firm	**205**	168

The audit firm also provided services relating to current year taxation of £0.1 million (2018: £0.1 million), and services relating to indirect taxes and consultancy services totalling £0.1 million (2018: £0.1 million).

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

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:

	Number of Employees	
	2019	2018
Sales	**1**	2
Operations	**1,801**	1,539
Administrative	**222**	254
Directors	**2**	2
	2,026	1,797

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**70,434**	62,471
Social security costs	**7,400**	6,436
Contributions to defined contribution plans	**2,614**	2,381
Contributions to defined benefit plans	**192**	139
	80,640	71,427

Directors' remuneration is as follows:

	2019	2018
	£000	£000
Directors' remuneration including social security costs	**638**	738
Contributions to money purchase pension scheme	**6**	10
	644	748

The aggregate of emoluments of the highest paid Director was £395,000 (2018: £506,000), and pension contributions of £nil (2018: £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

	2019 **£000**	2018 £000
Interest receivable and similar income		
Total interest receivable on financial assets	**11**	238
Net interest on net defined benefit pension plan assets	**96**	80
Total financial income	**107**	318
Interest payable and similar charges		
Total interest payable on financial liabilities	**390**	616
Net interest on net defined benefit pension plan obligation	**105**	93
Total financial expenses	**495**	709

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

8 Taxation

Recognised in the income statement

	2019 £000	2018 £000
Current tax expense		
Current year	**942**	1,009
Adjustments for prior years	**(99)**	(136)
Current tax expense	**843**	873
Deferred tax expense		
Origination and reversal of timing differences	**500**	142
Adjustments in respect of prior years	**(348)**	31
Deferred tax expense	**152**	173
Tax expense in income statement (including tax on equity accounted investees)	**995**	1,046

	2019 £000	2018 £000
Income tax recognised in other comprehensive income		
Remeasurement of defined benefit liability credit/(expense)	**81**	(23)
Remeasurement of financial assets	**(143)**	-
Total income tax recognised in other comprehensive income	**(62)**	(23)

Reconciliation of tax expense

	2019 £000	2018 £000
Profit for the year excluding taxation	**3,098**	4,489
Using UK Corporation tax rate of 19% (2018: 19%)	**589**	853
Capital allowances for year in excess of depreciation	**1**	-
Non-deductible expenses	**137**	140
Fixed assets ineligible for depreciation	**646**	430
Adjustments in respect of prior periods	**(447)**	(105)
Other short term timing differences	**70**	6
Utilisation of brought forward losses	**(83)**	(84)
Other tax adjustments, reliefs and transfers	**88**	(82)
Current year losses for which no deferred tax asset was recognised	-	(112)
Group relief surrendered / (claimed)	**(6)**	-
Total tax expense (including tax on equity accounted investees)	**995**	1,046

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

8 Taxation *(continued)*
A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was 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 Group's future current tax charge accordingly. The deferred tax liability at 30 September 2019 has been calculated based on these rates.

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 2018	29,579	8,726	122,217	22,909	8,313	1,459	193,203
Additions	4,964	-	13,649	1,050	3,418	613	23,694
Additions through business combinations	884	-	504	35	-	-	1,423
Disposals	-	-	(5,676)	(204)	-	(832)	(6,712)
Transfer between classes	2,543	-	4,156	11	(6,710)	-	-
Reclassification from intangible assets	-	-	237	-	-	-	237
At 30 September 2019	37,970	8,726	135,087	23,801	5,021	1,240	211,845
Depreciation and impairment							
At 1 October 2018	14,546	2,695	72,802	17,949	-	829	108,821
Depreciation for the year	3,087	105	11,795	989	-	165	16,141
Disposals	-	-	(5,183)	(86)	-	(682)	(5,951)
Impairment	324	-	15	-	-	-	339
Reclassification from intangible assets	-	-	15	-	-	-	15
At 30 September 2019	17,957	2,800	79,444	18,852	-	312	119,365
Net book value							
At 30 September 2018	15,033	6,031	49,415	4,960	8,313	630	84,382
At 30 September 2019	**20,013**	**5,926**	**55,643**	**4,949**	**5,021**	**928**	**92,480**

Leased plant and machinery
At 30 September 2019 the net book value of leased plant and machinery was £10,591,000 (2018: £9,184,000).

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 2018	36,113	2,397	4,305	1,710	136	44,661
Additions	-	412	-	234	17	663
Additions through business combinations	1,517	-	250	-	-	1,767
Disposals	-	-	-	-	(1)	(1)
Reclassification to tangible assets	-	(237)	-	-	-	(237)
At 30 September 2019	37,630	2,572	4,555	1,944	152	46,853
Amortisation and impairment						
At 1 October 2018	11,182	794	1,872	922	124	14,894
Amortisation for the year	-	391	894	166	13	1,464
Disposals	-	-	-	-	(1)	(1)
Reclassification to tangible assets	-	(15)	-	-	-	(15)
At 30 September 2019	11,182	1,170	2,766	1,088	136	16,342
Net book value						
At 30 September 2018	24,931	1,603	2,433	788	12	29,767
At 30 September 2019	**26,448**	**1,402**	**1,789**	**856**	**16**	**30,511**

The amortisation charge of £1,464,000 (2018: £1,225,000) and impairment charge of £nil (2018: £173,000) are recognised in administrative expenses in the statement of profit and loss and comprehensive income.

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	2019 £000	2018 £000
InHealth diagnostic and healthcare solutions	**10,408**	10,408
Pain Management	**5,523**	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**	-
	26,448	24,931

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.

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	2019	2018
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%

Pain Management	2019	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**9%**	4%
Discount rate	**8%**	8%

Health Intelligence	2019	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**16%**	16%
Discount rate	**8%**	8%

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

10 Intangible assets *(continued)*

Goodwill *(continued)*

Echocardiography	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**5%**	7%
Discount rate	**8%**	8%

Vista Diagnostics	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**4%**	11%
Discount rate	**8%**	8%

Reporting business	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**11%**	17%
Discount rate	**8%**	8%

Endoscopy business	**2019**	2018
Period on which management approved plan is based	**4 Years**	4 Years
Average growth rate applied over the plan period	**10%**	10%
Discount rate	**8%**	8%

Diagnostic imaging and clinical care pathways business	**2019**	2018
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%

Open MRI business	**2019**	2018
Period on which management approved plan is based	**4 Years**	n/a
Average growth rate applied over the plan period	**0%**	n/a
Discount rate	**8%**	n/a

No indicators of impairments were identified for the year ended 30 September 2019 (2018: none).

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	**2019 Proportion of joint operations**	2018 Proportion of joint operations
Lincoln MRI Unit	Provision of MRI services	**60%**	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

	2019 £000	2018 £000
Non-current		
Financial assets designated as fair value through other comprehensive income	**8,340**	-
Financial assets designated as fair value through profit or loss	-	748
Available for sale financial assets	-	3,639
	8,340	4,387

During the year InHealth Ventures Limited, a direct subsidiary of the Company, made one minority interest investment:

- £500,000 in Nye Health in April 2019, which is a digital platform for NHS GPs allowing them to drive productivity and manage capacity. The initial investment is for equity shares;

Further investments were made in Luma Health, Laudio and Kheiron Medical, which were £260,000, £1,578,000 and £772,000 respectively.

InHealth has taken the option available under IFRS 9 to classify these investments as fair value through other comprehensive income. See note 29 for impact of change in significant accounting policies.

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	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Non-current assets including: Property, plant and equipment and intangible assets timing differences	**232**	235	**(3,076)**	(2,831)	**(2,844)**	(2,596)
Pension and post-retirement benefits	**138**	36	**(165)**	-	**(27)**	36
Provisions	**196**	99	**-**	-	**196**	99
Deferred tax assets/(liabilities)	**566**	370	**(3,241)**	(2,831)	**(2,675)**	(2,461)

Deferred tax assets of £566,000 (2018: £370,000) are only recognised to the extent that the Director considers it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

14 Inventories

	2019	2018
	£000	£000
Consumables	**1,070**	825

The Group recognised £7,804,000 (2018: £6,859,000) of consumables as cost of sales in the year.

15 Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	**31,437**	24,953
Other receivables	**558**	98
Prepayments	**10,635**	9,450
All amounts falling due within one year	**42,630**	34,501
Non-current assets falling due after more than one year		
Other receivables	**2,916**	1,470
Prepayments	**701**	391
	3,617	1,861

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

16 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank	**5,428**	19,468

17 Trade and other payables

	2019 £000	2018 £000
Current		
Hire purchase contracts (note 20)	**2,048**	2,151
Trade payables	**12,042**	11,831
Tax payable	**4,599**	3,479
Contingent consideration due to business combinations	**350**	350
Amounts owed to group undertakings	**11**	21
Non-trade payables and accrued expenses	**25,151**	25,675
	44,201	43,507

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

18 Provisions

	Onerous contract £000	Pension provision £000	Dismantlement provision £000	Total £000
At 1 October 2018	-	670	668	1,338
Provisions made during the year	277	-	73	350
Provision reversal during the year	-	(265)	-	(265)
Unwinding of discounted amount	-	-	25	25
At 30 September 2019	**277**	**405**	**766**	**1,448**

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 estimate has been revised as payments have started to be agreed back into the NHS pension scheme.

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.

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.

19 Other financial liabilities

	2019 £000	2018 £000
Non-current		
Hire purchase contracts (note 20)	**4,567**	3,442
Other creditors	**1,060**	736
Non-trade payables and accrued expenses	**851**	-
	6,478	4,178

Notes to the Financial Statements – Group *(continued*

20 Hire purchase contracts

	2019 £000	2018 £000
Current liabilities		
Hire purchase liabilities	**2,048**	2,151
Non-current liabilities		
Hire purchase liabilities	**4,567**	3,442

This note provides information about the contractual terms of the Group's hire purchase contracts, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2019 £000	Interest 2019 £000	Principal 2019 £000	Minimum lease payments 2018 £000	Interest 2018 £000	Principal 2018 £000
Less than one year	**2,048**	**162**	**1,886**	2,151	147	2,004
Between one and five years	**4,567**	**208**	**4,359**	3,442	184	3,258
	6,615	**370**	**6,245**	5,593	331	5,262

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 £2,614,000 (2018: £2,381,000).

Contributions amounting to £379,000 (2018: £255,000) 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 2016, for The Federated Pension Plan – Health Intelligence Limited the latest actuarial valuation was carried out on 5 April 2016 and for the Prudential Platinum Pension – InHealth Limited Scheme the latest actuarial valuation was carried out at 31 December 2016. 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:

	2019 £000	2018 £000
Defined benefit pension scheme assets		
Scheme 1 – InHealth Defined Benefit Pension Scheme	**2,334**	2,120
Scheme 2 – The Federated Pension Plan – Health Intelligence Limited	**1,046**	975
Scheme 3 – Prudential Platinum Pension – InHealth Limited	**493**	371
Total defined benefit assets	**3,873**	3,466
Defined benefit pension scheme liabilities		
Scheme 1 – InHealth Defined Benefit Pension Scheme	**(2,970)**	(2,321)
Scheme 2 – The Federated Pension Plan – Health Intelligence Limited	**(1,033)**	(1,149)
Scheme 3 – Prudential Platinum Pension – InHealth Limited	**(593)**	(376)
Total defined benefit liabilities	**(4,596)**	(3,846)
Total defined benefit pension scheme net liability	**(723)**	(380)

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	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Balance at 1 October	**(3,846)**	(3,410)	**3,466**	2,858	**(380)**	(552)
Included in profit or loss						
Current service cost	**(93)**	(70)	**-**	-	**(93)**	(70)
Interest cost	**(105)**	(93)	**96**	80	**(9)**	(13)
Administration services	**-**	-	**(12)**	-	**(12)**	-
	(198)	(163)	**84**	80	**(114)**	(83)
Included in OCI						
Actuarial gain arising from change in financial assumptions	**(674)**	98	**195**	25	**(479)**	123
	(674)	98	**195**	25	**(479)**	123
Other						
Contributions paid by the employer	**(17)**	(17)	**209**	154	**192**	137
Contributions paid by the employee	**(7)**	-	**24**	-	**17**	-
Benefits paid	**37**	22	**(37)**	(22)	**-**	-
Pension scheme added	**-**	(376)	**-**	371	**-**	(5)
Gain/loss on settlement	**109**	-	**(68)**	-	**41**	-
	122	(371)	**128**	503	**250**	132
Balance at 30 September	**(4,596)**	(3,846)	**3,873**	3,466	**(723)**	(380)

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	2019 £000	2018 £000
InHealth Defined Benefit Pension Scheme			
Investment funds	1	**2,230**	2,016
Other (including cash and cash equivalents)	1	**104**	104
		2,334	2,120
The Federated Pension Plan – Health Intelligence Limited			
Equity instruments	2	**457**	424
Bonds	2	**343**	318
Diversified growth funds	2	**229**	212
Other (including cash and cash equivalents)	2	**17**	21
		1,046	975
Prudential Platinum Pension – InHealth Limited			
Debt Instruments	3	**130**	108
Investment funds	3	**363**	263
		493	371
Total		**3,873**	3,466

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

InHealth Defined Benefit Pension Scheme	2019	2018
Discount rate at 30 September	**1.9%**	2.8%
Future salary increases	**2.0%**	1.8%
Inflation (CPI)	**2.2%**	2.5%
Future pension increases	**3.1%**	3.5%

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 2019
Retiring today	
Males	**26.0 years**
Females	**29.0 years**
Retiring in 20 years	
Males	**28.0 years**
Females	**30.0 years**

The Group expects to pay £102,000 in contributions to this defined benefit plan in 2020.

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

21 Employee benefits *(continued)*

Defined benefit pension scheme *(continued)*

The Federated Pension Plan – Health Intelligence Limited	**2019**	2018
Discount rate at 30 September	**1.9%**	2.8%
Future salary increases	**2.0%**	4.0%
Inflation (RPI)	**2.2%**	3.5%
Future pension increases	**3.2%**	2.5%

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 2019
Retiring today	
Males	**21.8 years**
Females	**23.6 years**
Retiring in 20 years	
Males	**23.1 years**
Females	**25.2 years**

The Group expects to pay £12,000 in contributions to this defined benefit plan in 2020.

Prudential Platinum Pension – InHealth Limited	**2019**	2018
Discount rate at 30 September	**1.8%**	2.7%
Future salary increases	**2.0%**	1.8%
Inflation rate (CPI)	**2.2%**	2.3%
Future pension increases	**3.2%**	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 65-year old to live for a number of years as follows:

	As at 30 September 2019
Retiring today	
Males	**21.6 years**
Females	**23.5 years**
Retiring in 20 years	
Males	**23.3 years**
Females	**25.4 years**

The Group expects to pay £82,000 in contributions to the Prudential Platinum Pension scheme plan in 2020.

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 13%
Rate of inflation	Increase by 0.5%	Increase by 6%
Rate of salary growth	Increase by 0.5%	Increase by 2%
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 6.7%
Rate of inflation	Increase by 0.3%	Increase by 6.7%
Rate of salary growth	Increase by 0.3%	Increase by 6.7%
Life expectancy	Increase by 1 year	Increase by 2.5%

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 4%

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 2019 is approximately 24 years (InHealth Defined Benefit scheme), 26 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 2019 no shares (2018: 143,124) 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 (2018: £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 30 September 2018 (1,251,650 Ordinary shares of £1 each)	**86,798**	**1,251**
Issue of 57,947 Ordinary shares of £1 each	9,942	58
In issue at 30 September 2019 (1,309,597 Ordinary shares of £1 each)	**96,740**	**1,309**

All shares are classified in shareholders' funds.

On 31 July 2019 the Company issued 57,947 Ordinary shares for £10,000,000.

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:

	2019	2018
	£000	£000
Not past due	**17,976**	18,167
Past due 0 to 30 days	**7,997**	3,961
Past due 31 to 120 days	**4,059**	2,319
More than 120 days overdue	**1,405**	506
Net trade receivables	**31,437**	24,953

The doubtful debt provision included within the table above is £39,000 (2018: £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 2019, the Group had £5.4 million (2018: £19.5 million) of cash reserves.

For the contractual maturities of hire purchase liabilities, including estimated interest payments and excluding the effect of netting agreements see note 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:

	2019 £000	2018 £000
Fixed rate instruments		
Current hire purchase liabilities	**(2,048)**	(2,151)
Non-current hire purchase liabilities	**(4,567)**	(3,442)
Variable rate instruments		
Cash and cash equivalents	**5,428**	19,468
	(1,187)	13,875

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
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Financial assets designated as fair value through other comprehensive income (note 12)				
Convertible preferred equity	**2,601**	-	**2,601**	-
Equity shares	**5,739**	-	**5,739**	-
Financial assets designated as fair value through profit or loss (note 12)				
Convertible preferred equity	**-**	748	**-**	748
Financial assets designated as available for sale (note 12)				
Equity shares	**-**	3,639	**-**	3,639

InHealth has taken the option available under IFRS 9 to classify these investments as fair value through other comprehensive income. See note 29 for impact of change in significant accounting policies.

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 (2018: 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 2019 the Group did not have any assets classified at Level 3 of the fair value hierarchy (2018: 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)*

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	**3,476**	2,583
Between one and five years	**9,706**	6,163
More than five years	**6,699**	7,027
	19,881	15,773

See note 5 for the charge included in the profit and loss account.

25 Commitments

Capital commitments

During the year ended 30 September 2019, the Group entered into contracts to purchase MRI equipment and CT scanners for £8,071,000 (2018: £11,266,000). These commitments are expected to be settled in the following financial year.

26 Related parties

The amount due from Prime Endoscopy (Bristol) Limited, which the Group holds a 99% (2018: 98%) shareholding in, at 30 September 2019 was £963,000 (2018: £300,000).

The amount owed to Health Intelligence Limited, which the Group holds a 94% (2018: 76%) shareholding in, at 30 September 2019 was £1,474,000 (2018: £nil).

The amount due from InHealth Pathology Limited, which the Group holds a 88% (2018: 88%) shareholding in, at 30 September 2019 was £1,146,000 (2018: £640,000).

The amount owed to Lincoln MRI Unit, which the Group controls 60% (2018: 60%) of the joint operations, at 30 September 2019 was £177,000 (2018: £210,000).

27 Events after the balance sheet date

On 4 December 2019 InHealth Ventures Limited purchased further investments in Heydoc for consideration of £0.2 million.

On 20 December 2019 InHealth Ventures Limited has acquired minority shareholdings in one company registered within the United States for total consideration of US$0.5 million.

The Lincoln MRI Unit joint operation ceased on 31 December 2019.

On 1 March 2020 InHealth Endoscopy Limited acquired the remaining 1% share capital of Prime Endoscopy (Bristol) Limited, its subsidiary.

Following the outbreak of the Covid-19 global pandemic declared by the World Health Organisation on 11 March 2020, InHealth Group has had to adapt its operations following government measures to contain the virus.

On 17 April 2020 and 15 May 2020 InHealth Ventures Limited has acquired minority shareholdings in two additional companies registered within the United States for consideration of US$1.9 million and US$0.8 million respectively.

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

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.

29 Change in significant accounting policies

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 with a date of initial application of 1 October 2018. The requirements of IFRS 9 represent a significant change from *IAS 39 Financial Instruments: Recognition and Measurement*.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 October 2018. Accordingly, the information presented for year ended 30 September 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for year ended 30 September 2019 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
    - The determination of the business model within which a financial asset is held.
    - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL.
    - The designation of certain investments in equity instruments not held for trading as at FVOCI.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below. The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial instrument financial assets as at 1 October 2018.

	Note	Original IAS 39 Classification	New IFRS 9 Classification	Carrying amount under IAS 39 at 30 September 2018 and IFRS 9 at 1 October 2018
Financial instruments				**£000**
Convertible preferred equity	23	FVPL	FVOCI – equity instrument	748
Equity shares	23	Available-for-sale	FVOCI – equity instrument	3,639

The Group has elected to recognise changes in fair value of its financial instruments through OCI.

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

29 Change in significant accounting policies *(continued)*

IFRS 9 Financial Instruments *(continued)*

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 October 2018.

£000	IAS 39 carrying amount at 30 September 2018	Reclassification	IFRS 9 carrying amount at 1 October 2018
Financial assets			
FVOCI – equity instrument			
Brought forward: FVPL	748	-	-
Brought forward: Available-for-sale	3,639	-	-
Reclassification	(4,387)	4,387	-
Carried forward: FVOCI	-	(4,387)	4,387
Total FVOCI – equity instrument	-	-	4,387

Company Balance Sheet
At 30 September 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investments	2		**84,455**		77,054
			84,455		77,054
Current assets					
Debtors: amounts falling due within one year	3	**11,370**		11,366	
Cash and cash equivalents		**1**		1	
		11,371		11,367	
Creditors: amounts falling due within one year	4	**(22)**		(2,594)	
Net current assets			**11,349**		8,773
Net assets			**95,804**		85,827
Capital and reserves					
Called up share capital	5		**1,309**		1,251
Share premium account	6		**96,740**		86,798
Profit and loss account	6		**(2,245)**		(2,222)
Shareholders' funds			**95,804**		85,827

These Financial Statements were approved by the Board of Directors on 15 July 2020 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 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.

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 1.18 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 2018	77,054
Purchase of shares in a subsidiary undertaking	7,401
At 30 September 2019	84,455
Provisions	
At 1 October 2018 and 30 September 2019	-
Net book value	
At 30 September 2018	77,054
At 30 September 2019	**84,455**

On 31 July 2019 the Company purchased 41,067 ordinary shares in its direct subsidiary undertaking InHealth Group Limited for £7,401,000.

On 1 October 2018 InHealth Ventures Limited was acquired by the Company at net book value from InHealth Group limited.

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 2019	2018
Direct Subsidiary			
InHealth Ventures Limited	£1	**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%
InHealth Ventures Limited	£1	**-**	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%**	76%
InHealth CATS Limited	£1	**100%**	100%
London Centre for Advanced Diagnostics Limited	£1	**100%**	100%
United Open MRI Limited	£1	**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	**99%**	98%
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%**	-
Yorkshire Upright MRI Centre Limited	£1	**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

	2019 £000	2018 £000
Amounts owed by group undertakings	**11,355**	11,353
Other debtors	**15**	13
All amounts due within one year	**11,370**	11,366

4 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	**11**	2,586
Accruals and deferred income	**11**	8
	22	2,594

5 Called up share capital

	Share premium £000	**Called up share capital £000**
Allotted, called up and fully paid		
In issue at 30 September 2018 (1,251,650 Ordinary shares of £1 each)	**86,798**	**1,251**
Issue of 57,947 Ordinary shares of £1 each	9,942	58
In issue at 30 September 2019 (1,309,597 Ordinary shares of £1 each)	**96,740**	**1,309**

All shares are classified in shareholders' funds.

On 31 July 2019 the Company issued 57,947 Ordinary shares for £10,000,000.

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

6 Reserves

	Share premium £000	Called up share capital £000	Profit and loss account £000	Total £000
At 1 October 2018	86,798	1,251	(2,222)	85,827
Shares issued	9,942	58	-	10,000
Loss for the year	-	-	(23)	(23)
At 30 September 2019	**96,740**	**1,309**	**(2,245)**	**95,804**