

Connect Health Group Limited

Annual report

30 June 2023



Connect Health Group Limited

Company information

Directors

A G Walton
C J Langley (non-executive chairman)
E Borrie (non-executive director)
G R Marshall (non-executive director)
M E Turner
M D Barker

Registered number 12463946

Registered office

The Light Box
Quorum Business Park
Benton Lane
Newcastle Upon Tyne
NE12 8EU

Independent auditor

UNW LLP
Chartered Accountants
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Connect Health Group Limited

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Connect Health Group Limited

Group strategic report Year ended 30 June 2023

The directors present the strategic report for the year ended 30 June 2023.

The company is a non-trading holding company that heads a group of five companies. The principal activities of the subsidiary undertakings are disclosed in note 15 to the financial statements. The following report is in relation to the performance of the trading subsidiaries Connect Health Limited and Connect Health Pain Services Limited for the year ended 30 June 2023.

Group overview

Connect Health is a leading community services healthcare provider encompassing mental health, IAPT, psychological interventions, physiotherapy, MSK (musculo-skeletal) conditions, chronic pain, orthopaedics and rheumatology, serving over 300,000 NHS patients per annum, across 22 Integrated Care Systems, led and supported by over 800 employees. Connect Health supports the NHS to deliver care effectively and efficiently in the community, transforming services around specific quality and financial objectives, dramatically reducing waiting times and improving outcomes for patients.

Connect Health was established over 30 years ago and has specialist expertise in delivering service transformation through its national infrastructure, digital tools, highly advanced clinical and operational insight, and change methodology.

The organisation continues to grow its reputation for innovation and has led the way in the use of data to monitor and improve performance and patient outcomes. As a result of this data driven approach, across a wide range of community services, Connect Health continues to deliver improved patient outcomes and value for money for the NHS.

On 30th June 2023, Connect Health chose to dispose of the trade and assets of its Occupational Health Services (OHS) business to PAM Group. The transfer will result in OHS being brought together with a company which specialises in OHS and can better support the future growth plans of that business. We wish our OHS colleagues the best of luck in their new home.

NHS services overview

The NHS continues to face unprecedented pressure driven by a combination of recent challenges including Covid-19 and longer-term structural issues associated with an ageing and growing population that present with rising co-morbidities. These challenges are being faced at a time where the healthcare community is delivering services within an increasingly challenging financial envelope. This has been exacerbated by recent macro economic factors, most notably high inflation. We continue to support our people with cost of living pressures, which inevitably increases the cost of delivery of our services at a time where patients are presenting with more complex conditions due in part to delays in referrals after Covid-19.

The group continues to drive standards in the community sector; with a greater volume and quality of data providing detailed visibility of performance, combined with innovation in clinical delivery and support. The group is also looking at further automation within our processes to streamline the experience for patients including how we might utilise Artificial Intelligence.

Connect Health Group Limited

Group strategic report (continued) Year ended 30 June 2023

Business review and key performance indicators

During the year ended 30 June 2023, Connect Health continued to respond to new business opportunities and subsequent contract awards for community services, as well as benefit from contract retention and extensions to existing services. All 2023 balances quoted below exclude the now disposed of OHS business unit.

During the year the business won a significant integrated musculo-skeletal contract in Oxfordshire which contributed to the 11% sales growth of £5.0m to £51.7m in 2023 (£46.7m in 2022). Connect Health continues to invest in operations and enhanced delivery of services, through innovation to provide high quality in all service offerings and improvements in productivity. Cost of sales grew by £2.4m (10%) to £26.9m in 2023 (£24.5m in 2022).

As a result of the above, Connect Health Group's overall gross profit margin increased slightly to 48% with a gross profit of £24.8m in 2023, compared to a gross profit margin of 47% and gross profit of £22.2m in 2022. The overall administrative costs (excluding exceptional items) increased by £1.4m to £23.1m in 2023 from £21.7m in 2022, reflecting continued investment in our support service functions as the business scales.

Management view Adjusted EBITDA* for continuing operations as the key profitability metric to measure underlying operational performance. In the year to June 2023 Adjusted EBITDA increased to £6.4m from £5.4m in 2022 an increase of 22%.

Exceptional costs of £1.0m (2022: £3.3m) are detailed in note 12 and represent material one off costs that are outside the normal scope of business for the group.

The overall result for the group is a loss before tax of £3.0m of which £2.4m is from continuing operations, compared to loss before tax of £5.9m, of which £6.2m is from continuing operations, for the prior year. Given the group's focus on the provision of publicly funded health services, a focus on efficiency, value for money and sustainability remain key strategic drivers.

During the year, the business took the opportunity to refinance, replacing £10m of shareholder loan notes with less expensive bank debt from Virgin Money. The group's balance sheet reflects net liabilities of £11.2m (2022: £8.2m), inclusive of cash of £2.5m (2022: £7.0m).

Overall, this liquidity is in line with management expectations for the group. The board of directors expects medium term growth to remain consistent with past performance, notwithstanding the residual impact of Covid-19 and the restructuring of CCG commissioners into 42 ICBs across England & Wales, which has and is likely to continue to suppress growth in the short term.

*Adjusted EBITDA' is earnings before interest, tax, depreciation and amortisation (EBITDA) on continuing operations; before exceptional items and temporary management costs.

Connect Health Group Limited

Group strategic report (continued) **Year ended 30 June 2023**

Principal risks and uncertainties

The business, in common with every other business, is subject to risks and uncertainties. These are monitored by the group's board of directors and two sub-committees - the Integrated Quality, Audit & Compliance Committee and the Remuneration Committee. Each sub-committee is chaired by one of the group's non-executive directors, with attendance from other members of the board. The committees support the board who are responsible for ensuring the appropriate strategy and procedures are implemented to minimise the impact of any principal risks and uncertainties on the group.

Political risk / uncertainty

As a provider of integrated community services for the NHS, this is the greatest risk/uncertainty to the group and one which is wholly systemic. As with all private sector partners to the public sector, political risk and change of policy via a new government is a risk which the directors cannot mitigate directly. The directors remain confident that given the additional pressures on public spending to manage the national debt, the need for increasing efficiency and innovation, the public sector, and in particular the NHS, will continue to require the private sector's partnership and support. Covid-19 has presented a new uncertainty for many sectors globally, however, with the group operating in the healthcare sector, which continues to be overwhelmed in the wake of the pandemic, the group is well positioned to have a low risk of significant negative impacts from the pandemic on its underlying operations.

Financial risk

As a growing business, financial risk, and in particular over-trading, is a risk. The directors manage this risk via the preparation and detailed review of key financial information, including short and long-term forward forecasting and planning, incorporating profit and loss, balance sheet and cashflow reporting, aligned with a detailed review of capital and subsequent funding support requirements. In addition, regular monitoring and detailed analysis of profitability by division, contract and department ensures that actual performance is compared to expectations and the outlook is continually monitored. If and where necessary, corrective actions and or changes to strategy and or financial funding are made to support the business operations and minimise any financial risk.

Liquidity risk

The directors regularly monitor the financial information to ensure that any risks in this area are considered in a timely basis. During the course of the current financial year, there have been no negative liquidity events and the group has always maintained positive cash balances throughout the year. In December 2022, the group completed a re-finance receiving £12.0m in funding from Virgin Money which was mainly used to repay investor loans and to make the final deferred payment on the acquisition of Connect Health Pain Services (£1.9m).

Credit risk

Credit risk is the financial loss to the group if a client fails to meet its contractual obligations. The group is mainly exposed to credit sales. The group monitors credit risk via credit monitoring and business credit reports via Dun and Bradstreet and considers that its current policy and subsequent debtor analysis meets its objectives of managing this exposure. The overall strength and quality of the sales ledger is strong as the vast majority of trading, and therefore the debtor balance, is with the UK government via the ICBs (formerly CCGs) who commission services from Connect Health on behalf of the NHS. The disposal of our OHS business in June 2023 has also further mitigated the group's credit risk by reducing our exposure to third party corporate clients.

Credit risk also arises from cash and equivalents deposited with financial institutions and potential risk of their failure. To mitigate this, the directors continue to review the credit rating of the banks with which the business holds cash reserves.

Connect Health Group Limited

Group strategic report (continued) **Year ended 30 June 2023**

Key performance indicators

The board of directors use a number of key performance indicators (KPIs) to monitor the trading and financial performance, which are set out in the above business review and trading entities.

Directors' statement of compliance with duty to promote the success of the Group

The board of directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole in the decisions taken during the year ended 30 July 2023, having regards to the stakeholders and members set out in s172 (1) (a-f) of the Companies Act 2006 with respect to:

- the likely consequences of any decisions in the long term
- the interests of the group's employees
- the need to foster the group's business relationships with suppliers, customers and others
- the impact of the group's operations on the community and the environment
- the desirability of the group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the group.

Employees

The overriding objective set by the group is to secure the longevity of the business for the benefit of the employees. In addition, the health, safety, wellbeing and development of our employees are prime considerations in the way we operate, and we have training, processes, and support packages to assist in this regard. Information on business performance, recent developments, and prospects is regularly communicated via company bulletins and regular team meetings. We have invested heavily in strengthening our governance and processes to protect our people.

The group is committed to non-discriminatory personnel procedures and practices. All role offers are based fully on merit, aptitude and capability.

Business relationships

The group has built strong, longstanding customer relationships, based upon the quality of delivery, and providing expertise at every stage of the build process. We maintain membership of relevant trade bodies and business organisations to maintain strong relationships and delivery standards. We have built strategic partnerships with our suppliers, which are key to our mutual success.

Community and the environment

We take our environmental and social responsibilities seriously and, as such, have policies and procedures in place that are designed to minimise negative impact on the environment.

Risk management

Using a combination of KPI's and forecasting, the business is continually monitoring, assessing and evaluating measures that should be put in place to mitigate the risks faced by the business. The business assesses each risk on its probability of occurrence and the impact on performance, both operationally, culturally and financial. This assessment is then used to prioritise risk mitigation activities.

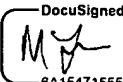
Connect Health Group Limited

Group strategic report (continued) **Year ended 30 June 2023**

Shareholders

As a board of directors, our intention is to behave responsibly and have an open and honest relationship with our shareholders, so they may benefit from the success of the group.

This report was approved by the board on 21 December 2023 and signed on its behalf by:

DocuSigned by:

BA15471555F241E...
M E Turner
Director

Connect Health Group Limited

Directors' report Year ended 30 June 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

Results and dividends

The loss for the year, after taxation, amounted to £2,959,000 (2022: £5,575,000).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2022: £nil).

Directors

The directors who served during the year and up to the date of approving the financial statements were:

A G Walton
C J Langley (non-executive chairman)
E Borrie (non-executive director) (appointed 28 June 2023)
G R Marshall (non-executive director)
M E Turner
M D Barker (appointed 17 March 2023)
S L Belfer (resigned 17 March 2023)
J A C Gilbert Boot (resigned 28 June 2023)

Environmental

The group is committed to being an environmentally responsible business and places great importance on the impact of its operations, ensuring compliance with relevant regulations at all times. It is company policy to operate and adopt responsible practices.

The group has developed and is implementing a Net Zero strategy with an aim to reduce net greenhouse gas emissions to zero by 2035 and therefore seeks to:

- Minimise the effect of activities on the environment;
- Minimise energy consumption;
- Minimise waste;
- Maximise recycling of waste;
- Increase Environmental, Social and Governance (ESG) initiatives;
- Reduce its overall environmental footprint by identifying and reducing all contributing factors.

Greenhouse gas emissions, energy consumption and energy efficiency action

The following actions have been taken by the group to improve energy efficiency:

- Development of a carbon reduction plan;
- Adjustment to building heating and cooling parameters to ensure that systems are only functional while the buildings are operational
- Head office electricity moved to a renewable energy provider;
- Setting of energy reduction targets and improvement of energy usage reporting;
- Installation of LED lighting; and
- Introduction of energy efficient heating and cooling programmes to prevent usage while buildings are not occupied.

The emissions of greenhouse gases by the group's business activities are predominantly due to the use of electricity in occupied premises and the production of waste. None of the company greenhouse gas emissions are outside of the United Kingdom.

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Directors' report (continued) Year ended 30 June 2023

Greenhouse gas emissions, energy consumption and energy efficiency action (continued)

The group's greenhouse gas emissions and energy consumption for the year were as follows:

	2023 kWh	2023 tCO ₂ e	2022 kWh	2022 tCO ₂ e
UK Electricity purchased for operations (Scope 2)	361,380	69.88	346,421	66.99
Combustion of fuel (Gas) (Scope 1)	113,817	20.78	116,021	21.21
Total	475,197	90.66	462,442	88.20

Intensity ratio

The number of tonnes of CO₂e per £1m of turnover: 1.7 (2022: 1.8).

The greenhouse gas inventory has been calculated in line with GHG Protocol using the 2023 UK Government DEFRA Conversion Factors table.

The group business model operates from a large number of sites across England and all of these sites are leased on a mixture of long term, short term and an ad-hoc basis. As such, in many cases access to emissions data is very limited for these sites. However, we will be working with the relevant parties to improve data availability and therefore improve our emissions reporting over time. As a result of these reporting improvements our reported emissions are likely to increase considerably in the short to medium term rather than decrease.

Disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever possible.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and meetings, matters likely to affect employees' interests.

Information about 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.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Matters covered in the strategic report

The following information, which would otherwise be disclosed in the directors' report, is instead disclosed in the group strategic report as permitted by section 414c of the Companies Act 2006:

- research and development activities;
- financial risk management objectives and policies;
- engagement with suppliers, customers and others; and
- future developments.

Connect Health Group Limited

Directors' report (continued) Year ended 30 June 2023

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

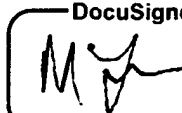
There have been no significant events affecting the company or its group since the year end.

Auditor

UNW LLP were appointed as auditor during the year. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 21 December 2023 and signed on its behalf by:

DocuSigned by:



6A15471555F241E...
M E Turner
Director

Connect Health Group Limited

Directors' responsibilities statement Year ended 30 June 2023

The directors are responsible for preparing the group strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report to the members of Connect Health Group Limited

Opinion

We have audited the financial statements of Connect Health Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2023, which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated statement of cash flows, the consolidated analysis of net debt, the consolidated and company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 June 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



Independent auditor's report to the members of Connect Health Group Limited (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.



Independent auditor's report to the members of Connect Health Group Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the group's legal correspondence and we discussed with the directors and other management the policies and procedures in place regarding compliance with the laws and regulations. We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

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

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; NHS and Care Quality Commission regulations, together with health and safety, employment law, data protection, environmental law and certain aspects of company legislation, recognising the nature of the group's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we did not become aware of any actual or suspected non-compliance material to the financial statements.



Independent auditor's report to the members of Connect Health Group Limited (continued)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:

David Redhead

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David Redhead (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

21 December 2023

Connect Health Group Limited

Consolidated statement of comprehensive income Year ended 30 June 2023

	Note	Continuing operations 2023 £000	Discontinued operations 2023 £000	Total 2023 £000	Continuing operations 2022 £000	Discontinued operations 2022 £000	Total 2022 £000
Profit and loss account							
Turnover	5	51,673	1,987	53,660	46,725	2,035	48,760
Cost of sales		(26,915)	(1,368)	(28,283)	(24,547)	(1,137)	(25,684)
Gross profit		24,758	619	25,377	22,178	898	23,076
Administrative expenses *		(22,899)	(1,068)	(23,967)	(21,689)	(697)	(22,386)
Exceptional administrative expenses *	12	(998)	(2)	(1,000)	(3,344)	-	(3,344)
Operating profit/(loss)	6	861	(451)	410	(2,855)	201	(2,654)
Loss on disposal of discontinued operation	24	-	(155)	(155)	-	-	-
Interest payable and similar expenses	10	(3,239)	-	(3,239)	(3,292)	-	(3,292)
Loss before taxation		(2,378)	(606)	(2,984)	(6,147)	201	(5,946)
Tax on loss	11	25	-	25	371	-	371
Loss for the financial year		(2,353)	(606)	(2,959)	(5,776)	201	(5,575)

*Total administrative expenses during the year were £24,967,000 (2022: £25,730,000)

There was no other comprehensive income for 2023 (2022: £nil).

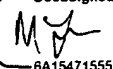
The notes on pages 22 to 43 form part of these financial statements.

Connect Health Group Limited

Consolidated balance sheet At 30 June 2023

	Note	2023 £000	As restated 2022 £000
Fixed assets			
Intangible assets	13	20,052	23,236
Tangible assets	14	1,516	1,675
		<u>21,568</u>	<u>24,911</u>
Current assets			
Stocks	16	87	87
Debtors	17	6,581	4,494
Cash at bank and in hand		2,504	7,025
		<u>9,172</u>	<u>11,606</u>
Creditors: amounts falling due within one year	18	(10,417)	(16,041)
Net current liabilities		<u>(1,245)</u>	<u>(4,435)</u>
Total assets less current liabilities		<u>20,323</u>	<u>20,476</u>
Creditors: amounts falling due after more than one year	19	(31,130)	(28,337)
Provisions for liabilities			
Deferred taxation	21	(361)	(389)
Net liabilities		<u>(11,168)</u>	<u>(8,250)</u>
Capital and reserves			
Called up share capital	22	18	18
Share premium account	23	500	366
Treasury share reserve	23	(56)	-
Other reserves	23	218	218
Profit and loss account	23	(11,848)	(8,852)
Total deficit		<u>(11,168)</u>	<u>(8,250)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2023.

DocuSigned by:

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M E Turner
 Director

The notes on pages 22 to 43 form part of these financial statements.

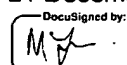
Connect Health Group Limited

Company balance sheet At 30 June 2023

	Note	2023 £000	As restated 2022 £000
Fixed assets			
Investments	15	32,345	32,380
		<u>32,345</u>	<u>32,380</u>
Current assets			
Debtors	17	6,684	692
Cash at bank and in hand		63	-
		<u>6,747</u>	<u>692</u>
Creditors: amounts falling due within one year	18	(7,510)	(7,574)
Net current liabilities		<u>(763)</u>	<u>(6,882)</u>
Total assets less current liabilities		<u>31,582</u>	<u>25,498</u>
Creditors: amounts falling due after more than one year	19	(31,130)	(28,337)
Net assets/(liabilities)		<u><u>452</u></u>	<u><u>(2,839)</u></u>
Capital and reserves			
Called up share capital	22	18	18
Share premium account	23	500	366
Treasury share reserve	23	(56)	-
Other reserves	23	218	218
Profit and loss account	23	(228)	(3,441)
Total equity/(deficit)		<u><u>452</u></u>	<u><u>(2,839)</u></u>

The company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the company profit and loss account. The profit for the financial year dealt with in the financial statements of the company was £3,250,000 (2022: loss of £4,121,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2023.

DocuSigned by:

 M E Turner
 Director

Company registered number: 12463946

The notes on pages 22 to 43 form part of these financial statements.

Connect Health Group Limited

Consolidated statement of changes in equity Year ended 30 June 2023

	Called up share capital £000	Share premium account £000	Treasury share reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 July 2021	19	402	-	217	(3,277)	(2,639)
Loss and total comprehensive expense for the year	-	-	-	-	(5,575)	(5,575)
Purchase of own shares	(1)	(36)	-	1	-	(36)
At 1 July 2022	18	366	-	218	(8,852)	(8,250)
Loss and total comprehensive expense for the year	-	-	-	-	(2,959)	(2,959)
Purchase of own shares	-	-	(88)	-	-	(88)
Sale of own shares	-	98	119	-	-	217
Other treasury share movements	-	36	(87)	-	(37)	(88)
At 30 June 2023	18	500	(56)	218	(11,848)	(11,168)

The notes on pages 22 to 43 form part of these financial statements.

Connect Health Group Limited

Company statement of changes in equity Year ended 30 June 2023

	Called up share capital £000	Share premium account £000	Treasury share reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 July 2021	19	402	-	217	680	1,318
Loss and total comprehensive expense for the year	-	-	-	-	(4,121)	(4,121)
Purchase of own shares	(1)	(36)	-	1	-	(36)
At 1 July 2022	18	366	-	218	(3,441)	(2,839)
Profit and total comprehensive income for the year	-	-	-	-	3,250	3,250
Other treasury share movements	-	-	(88)	-	-	(88)
Other treasury share movements	-	98	119	-	-	217
Other treasury share movements	-	36	(87)	-	(37)	(88)
At 30 June 2023	18	500	(56)	218	(228)	452

The notes on pages 22 to 43 form part of these financial statements.

Connect Health Group Limited

Consolidated statement of cash flows Year ended 30 June 2023

	2023 £000	2022 £000
Cash flows from operating activities		
Loss for the financial year	(2,959)	(5,575)
Adjustments for:		
Amortisation, depreciation and impairment of fixed assets	4,403	4,677
Loss on disposal of discontinued operation	155	-
Profit on disposal of tangible assets	(110)	-
Interest payable	3,017	3,292
Taxation credit	(25)	(370)
(Increase)/decrease in debtors	(1,596)	1,998
(Decrease)/increase in creditors	(1,195)	597
Corporation tax paid	(494)	(952)
Net cash generated from operating activities	1,196	3,667
Cash flows from investing activities		
Purchase of intangible fixed assets	(727)	(500)
Purchase of tangible fixed assets	(538)	(559)
Deferred consideration paid	(2,735)	-
Proceeds on sale of fixed assets	115	-
Proceeds on sale of discontinued operation	10	-
Net cash used in investing activities	(3,875)	(1,059)
Cash flows from financing activities		
New loans	11,092	-
Repayment of loans	(12,501)	(1,306)
Treasury shares acquired	(88)	(36)
Treasury shares sold	132	-
Interest paid	(477)	(521)
Net cash used in financing activities	(1,842)	(1,863)
Net (decrease)/increase in cash and cash equivalents	(4,521)	745
Cash and cash equivalents at beginning of year	7,025	6,280
Cash and cash equivalents at the end of year	2,504	7,025

Connect Health Group Limited

Consolidated statement of cash flows (continued)
Year ended 30 June 2023

	2023	2022
	£000	£000
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,504	7,025

The notes on pages 22 to 43 form part of these financial statements.

Connect Health Group Limited

Consolidated analysis of net debt Year ended 30 June 2023

	As restated At 1 July 2022 £000	Cash flows £000	Other non- cash changes £000	At 30 June 2023 £000
Cash at bank and in hand	7,025	(4,521)	-	2,504
Debt due within 1 year	(2,407)	1,884	(222)	(745)
Debt due after 1 year	(28,337)	(253)	(2,540)	(31,130)
	<u>(23,719)</u>	<u>(2,890)</u>	<u>(2,762)</u>	<u>(29,371)</u>

Debt due within and after one year at 1 July 2022 has been restated in respect of the classification of unpaid interest on loan notes (see note 25).

Other non-cash changes, totaling £2,762,000, comprise of £2,540,000 loan note interest accrued but unpaid and £222,000 amortisation of loan issue costs.

The notes on pages 22 to 43 form part of these financial statements.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

1. General information

Connect Health Group Limited ('the company') and its subsidiaries (together 'the group') are engaged in the provision of physiotherapy and other medical services in a range of primary care settings.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is given in the company information page of this annual report.

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102'), and the Companies Act 2006.

3. Accounting policies

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

3.1 Basis of preparation of financial statements

These financial statements comprise the consolidated (group) financial statements and the company's separate financial statements. However, as permitted by Section 408 of the Companies Act 2006, the separate profit and loss account of the company is not presented.

These financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and rounded to the nearest thousand..

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity in respect of its separate (non-group) financial statements and has taken advantage of the exemptions relating to the disclosure of key management personnel compensation, and the preparation of a cash flow statement. The consolidated financial statements include the equivalent key management personnel compensation disclosures and a consolidated cash flow statement.

3.3 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings as if they formed a single entity. Intercompany transactions and balances are therefore eliminated in full.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

3. Accounting policies (continued)

3.4 Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 5. At the balance sheet date, the company and group had net current liabilities of £763,000 and £1,245,000, respectively, whilst the group had net liabilities of £11,168,000. The group meets its day to day working capital requirements through its cash resources and operating cash flows with longer term funding needs met through investor loan notes and bank loans, further details of which are provided in notes 18 to 20. The company also has access to additional confirmed facilities which have not yet been drawn down.

The directors have prepared financial forecasts and projections which, having regard for reasonably possible changes in trading performance as a result of the current economic environment, indicate that the group will maintain sufficient financial headroom to enable it to continue meeting its liabilities as they fall due in the normal course of business as well as comply with the terms of its funding facilities for at least the next twelve months following approval of these financial statements.

Notwithstanding net current liabilities of £1,245,000 and net liabilities of £11,168,000 in the group at the balance sheet date, after making enquiries, the directors have a reasonable expectation that the company and its group will retain adequate financial resources to enable them to continue to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

3.5 Revenue

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business.

Turnover represents sale of services rendered during the year. Turnover is attributable to the continuing principal activity of the group and arose wholly within the United Kingdom. In the opinion of directors, the group does not service substantially different markets and therefore no analysis of turnover is necessary. For services provided, turnover is recognised when there is a right to consideration. In respect of contracts for ongoing services, turnover represents the value of work done in the year, including estimates of amounts not invoiced and is recognised by reference to the stage of completion.

3.6 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The group operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

3.7 Leased assets

All of the group's leasing arrangements are operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

Connect Health Group Limited

Notes to the financial statements **Year ended 30 June 2023**

3. Accounting policies (continued)

3.8 Research and development expenditure

Development expenditure is capitalised when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related product. All research and other development costs are written off as incurred.

3.9 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

3.10 Finance costs

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

3.11 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

3.12 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences arise from the inclusion of transactions and events in the financial statements in periods different from those in which they are assessed for tax.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

3. Accounting policies (continued)

3.13 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on intangible assets so as to write off the cost of an asset over its estimated useful life as follows:

Amortisation is provided on the following bases:

Computer software	-	20 % straight line
Development expenditure	-	25 % straight line
Customer contracts	-	20 % or 25% straight line

Goodwill

Goodwill represents the excess of the fair value and directly attributable costs of the purchase consideration in business combinations over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. No reversals of impairment are recognised.

3.14 Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Leasehold land and building improvements	-	straight line over the term of the lease
Fixtures, fittings and equipment	-	20% straight line

3.15 Fixed asset investments

Investments in subsidiaries

In the company balance sheet, investments in subsidiary undertakings are measured at cost less accumulated impairment losses, or, in accordance with the provisions of the Companies Act 2006 in respect of shares exchanges in business combinations, at the nominal value of shares issued plus the fair value of cash and other monetary consideration provided.

3.16 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the first-in, first-out (FIFO) method and includes the purchase price (including taxes and duties) and transport and handling costs directly attributable to bringing the stock to its present location.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

3. Accounting policies (continued)

3.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks.

3.18 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances and bank loans.

Debt instruments due within one year are measured, initially and subsequently, at the transaction price. Debt instruments due after one year are measured initially at the transaction price, and subsequently at amortised cost using the effective interest method.

At the end of each reporting period, financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

4. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgments

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Intangible assets

On acquiring the group's interest in its subsidiary undertakings the group recognised intangible assets separately from goodwill as required by FRS 102. The valuations were performed using cash flow projections based on forecasts as at the date of acquisition. Management judgment was applied in deciding the key inputs into the valuation model. The estimated economic lives of the intangible asset along with the amortisation method is reviewed at each year end.

Key sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of goodwill (and investments)

In determining whether goodwill in the consolidated balance sheet (or investments in the company balance sheet) are impaired requires estimation of the value in use of the cash generating units ('CGU's) to which they relate. The value in use calculation requires the entity to estimate the value and timing of future cash flows expected to arise from each CGU and apply a suitable discount rate in order to calculate the present value of those future cash flows. The carrying value of goodwill in the consolidated balance sheet was £17,785,000 and the carrying value of investments in the company balance sheet was £32,345,000 (see notes 13 and 15 for further details).

Other estimates included within these financial statements include other asset impairments, such as against fixed assets and debtors. None of the other estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Provision of physiotherapy and other medical services	53,660	48,760

All turnover arose within the United Kingdom.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2023 £000	2022 £000
Research and development costs	21	9
Depreciation of tangible fixed assets	682	617
Amortisation of intangible assets (included within administrative expenses)	3,721	4,060
Operating lease rentals	298	516
Profit on disposal of fixed assets	(110)	-
	<u> </u>	<u> </u>

7. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the company's auditor for the audit of these financial statements	6	6
	<u> </u>	<u> </u>

Fees payable to the company's auditor in respect of:

Audit of financial statements of subsidiary undertakings	38	39
Taxation compliance services	11	8
All other services	-	15
	<u> </u>	<u> </u>
	<u>49</u>	<u>62</u>

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Wages and salaries	26,818	28,877	-	77
Social security costs	2,626	2,357	-	5
Cost of defined contribution pension scheme	868	811	-	-
	30,312	32,045	-	82

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2023 No.	Group 2022 No.	Company 2023 No.	Company 2022 No.
Clinicians and physiotherapists	483	541	-	-
Administrative	328	310	-	-
Directors	6	7	6	1
	817	858	6	1

9. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	517	898
Group contributions to defined contribution pension schemes	25	13
Amounts paid to third parties in respect of directors' services	86	-
Compensation for loss of office	-	1,114
	628	2,025

During the year retirement benefits were accruing to 3 directors (2022: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £146,000 (2022: £979,000).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,000 (2022: £260,000).

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

10. Interest payable and similar expenses

	2023 £000	2022 £000
Loan note interest	2,540	3,060
Bank and other loan interest payable	477	-
Amortisation of loan issue costs	222	232
	<u>3,239</u>	<u>3,292</u>

11. Taxation

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	278	351
Adjustments in respect of previous periods	(341)	(246)
	<u>(63)</u>	<u>105</u>
Total current tax	<u>(63)</u>	<u>105</u>
Deferred tax		
Origination and reversal of timing differences	42	(476)
Tax rate changes	(4)	-
	<u>38</u>	<u>(476)</u>
Taxation on loss	<u>(25)</u>	<u>(371)</u>

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 19% up to 31 March 2023 and 25% thereafter (2022: 19%). The differences are explained below:

	2023 £000	2022 £000
Loss before tax	(2,984)	(5,946)
Loss multiplied by standard rate of corporation tax in the UK of 20.4% (2022: 19%)	(609)	(1,130)
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	984	1,474
Adjustments to tax charge in respect of prior periods	(341)	(246)
Fixed asset differences	-	9
Deferred tax not recognised	-	14
Unwind of deferred tax on intangible assets	-	(490)
Income not taxable	-	(2)
Tax rate changes	(4)	-
Losses utilised in the year- not recognised	(55)	-
Total tax credit for the year	(25)	(371)

Factors that may affect future tax charges

In the March 2021 Budget, it was announced that the main UK corporation tax rate would remain at 19% for the financial years beginning 1 April 2021 and 1 April 2022, then increase to 25% from 1 April 2023. This rate increase was substantively enacted as part of the Finance Act 2021 on 24 May 2021. Therefore deferred tax at the balance sheet date has been calculated at 25%, as this was the tax rate substantively enacted at the year end.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

12. Exceptional items

	2023 £000	2022 £000
Severance, redundancy and other related costs	357	1,614
Temporary staff costs relating to restructuring	234	100
One off project costs	217	432
Historic costs of irrecoverable VAT	-	108
Professional costs	192	150
Release of warranty provision no longer recoverable	-	940
	1,000	3,344

Exceptional items include costs that are not expected to occur year on year and are outside of the normal course of business.

13. Intangible assets

Group

	Goodwill £000	Computer software £000	Development expenditure £000	Customer contracts £000	Total £000
Cost					
At 1 July 2022	24,278	548	967	4,764	30,557
Additions	-	114	613	-	727
Disposals	-	(209)	(71)	-	(280)
Adjustment	(35)	-	-	-	(35)
At 30 June 2023	24,243	453	1,509	4,764	30,969
Amortisation					
At 1 July 2022	4,032	220	225	2,844	7,321
Charge for the year	2,426	74	150	1,071	3,721
On disposals	-	(54)	(71)	-	(125)
At 30 June 2023	6,458	240	304	3,915	10,917
Net book value					
At 30 June 2023	17,785	213	1,205	849	20,052
At 30 June 2022	20,246	328	742	1,920	23,236

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

13. Intangible assets (continued)

The company has no intangible assets at 30 June 2023 or 30 June 2022.

14. Tangible fixed assets

Group

	Leasehold land and buildings improvements £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 July 2022	171	2,752	2,923
Additions	-	538	538
Disposals	(43)	(84)	(127)
At 30 June 2023	128	3,206	3,334
Depreciation			
At 1 July 2022	79	1,169	1,248
Charge for the year	35	647	682
Disposals	(43)	(69)	(112)
At 30 June 2023	71	1,747	1,818
Net book value			
At 30 June 2023	57	1,459	1,516
At 30 June 2022	92	1,583	1,675

At year end, the group held £57,000 (2022: £92,000) of properties on short leasehold.

The company has no tangible fixed assets at 30 June 2023 or 30 June 2022.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

15. Investments

Company

	Investments in subsidiary companies £000
Cost	
At 1 July 2022	32,380
Adjustment	(35)
At 30 June 2023	<u>32,345</u>

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Connect Health Holdings Limited	The Light Box, Quorum Business Park, Newcastle upon Tyne NE12 8EU	Holding company	Ordinary	100%
Connect Health Pain Services Holdings Limited	The Light Box, Quorum Business Park, Newcastle upon Tyne NE12 8EU	Holding company	Ordinary	100%

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

15. Investments (continued)

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Connect Health Limited	The Light Box, Quorum Business Park, Newcastle upon Tyne NE12 8EU	Provision of physiotherapy and other medical services	Ordinary	100%
Connect Health Pain Services Limited	The Light Box, Quorum Business Park, Newcastle upon Tyne NE12 8EU	Provision of physiotherapy and other medical services	Ordinary	100%

Connect Health Pain Services Limited (registered number: 05679781) is controlled by the company and is included in its consolidated financial statements. The directors have elected to take the exemption from having an audit of their financial statements for the year ended 30 June 2023. The exemption is taken in accordance with the Companies Act 2006 s479A.

16. Stocks

	Group 2023 £000	Group 2022 £000
Finished goods and goods for resale	87	87

The carrying value of stocks are stated net of impairment losses totaling £nil (2022: £nil). Impairment losses totaling £nil (2022: £nil) were recognised in profit and loss.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

17. Debtors

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade debtors	2,117	1,631	-	-
Amounts owed by group undertakings	-	-	6,500	546
Other debtors	231	209	128	115
Prepayments and accrued income	3,415	2,327	25	-
Tax recoverable	818	261	-	-
Deferred taxation (note 21)	-	66	31	31
	6,581	4,494	6,684	692

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

18. Creditors: amounts falling due within one year

	Group 2023 £000	Group As restated 2022 £000	Company 2023 £000	Company As restated 2022 £000
Bank loan (note 20)	745	-	745	-
Loan notes (note 20)	-	2,407	-	2,407
Trade creditors	2,937	984	-	-
Amounts owed to group undertakings	-	-	6,742	1,908
Other taxation and social security	749	883	-	90
Other creditors	327	531	-	-
Accruals and deferred income	5,659	11,236	23	3,169
	10,417	16,041	7,510	7,574

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The comparative figures in respect of the group and the company have been restated in respect of the classification of unpaid interest on loan notes (see note 25).

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

19. Creditors: amounts falling due after more than one year

	Group	Group As restated	Company	Company As restated
	2023	2022	2023	2022
	£000	£000	£000	£000
Bank loans (note 20)	10,241	-	10,241	-
Loan notes (note 20)	13,297	23,285	13,297	23,285
Interest payable on loan notes (note 18)	7,592	5,052	7,592	5,052
	31,130	28,337	31,130	28,337

20. Loans

	Group	Group As restated	Company	Company As restated
	2023	2022	2023	2022
	£000	£000	£000	£000
Amounts falling due within one year				
Bank loans	745	-	745	-
Loan notes	-	2,407	-	2,407
Amounts falling due 1-2 years				
Bank loans	745	-	745	-
Amounts falling due 2-5 years				
Bank loans	1,675	-	1,675	-
Loan notes	-	23,285	-	23,285
Amounts falling due after more than 5 years				
Bank loans	7,821	-	7,821	-
Loan notes	13,297	-	13,297	-
	24,283	25,692	24,283	25,692

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

20. Loans (continued)

Bank loans

The company's bank loans, drawn down during the year, comprise of two facilities. Facility A is a five-year term loan of £3,600,000 repayable in quarterly instalments which commenced in June 2023, whilst Facility B for £8,400,000 is non-amortising and repayable in full at maturity in December 2028. The loans are subject to interest at a reference rate based on SONIA plus a 3.5% and 4% margin for Facility A and Facility B respectively.

Loan notes

The company redeemed in full its Series D loan notes that were due for repayment during the year, and partially prepaid its A1, B1 and C1 Series loan notes utilising the bank loan facilities. The remaining loan notes were also rescheduled such that their repayment dates were amended from April 2025 to July 2029.

At the balance sheet date, the following loan notes remained outstanding, excluding accrued but unpaid interest and capitalised issue costs:

Series A1 fixed rate secured loan notes of £2,229,000 (2022: £8,563,000), Series A2 fixed rate unsecured loan notes of £8,563,000 (2022: £8,563,000), Series B1 fixed rate secured loan notes of £200,000 (2022: £710,000), Series B2 fixed rate unsecured loan notes of £137,000 (2022: £710,000), Series C1 fixed rate secured loan notes of £nil (2022: £2,500,000), Series C2 fixed rate unsecured loan notes of £2,500,000 (2022: £2,500,000) and Series D fixed rate unsecured loan notes of £nil (2022: £2,500,000).

The A1, A2, B1 and B2 Series loan notes are subject to interest at a fixed rate of 10% per annum, whilst the C1 and C2 Series loan notes are subject to interest at a fixed rate of 12% per annum. All outstanding loan notes are due for repayment on 1 July 2029 (2022: 23 April 2025) or on a sale or listing of the business if earlier.

The company's secured borrowings, comprising the bank loans and secured loan note instruments together with accrued but unpaid interest thereon, are secured over the assets of the company and its subsidiary undertakings.

Issue costs in respect of the bank loans and loan notes, together with the interest expense, are allocated to the profit and loss account over the term of the respective facilities at a constant rate on the original value of each instrument. Unamortised issue costs at the balance sheet date amounted to £1,019,360 (2022: £386,117).

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

21. Deferred taxation

Group

	2023 £000
At beginning of year	(323)
Charged to profit or loss	(38)
At end of year	(361)

Company

	2023 £000
At beginning of year	31
Credited to profit or loss	-
At end of year	31

The deferred tax balance is made up as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Accelerated capital allowances	(268)	(17)	-	-
Tax losses carried forward	35	35	-	-
Fair value timing difference	(212)	(151)	-	-
Short term timing differences	84	(190)	31	31
	(361)	(323)	31	31
Comprising:				
Asset - due within one year	-	66	31	31
Liability	(361)	(389)	-	-
	(361)	(323)	31	31

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

22. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
540,120 (2022: 540,120) A Ordinary shares of £0.01 each	5,401	5,401
53,800 (2022: 53,800) A2 Ordinary shares of £0.01 each	538	538
336,180 (2022: 336,180) B1 Ordinary shares of £0.02 each	6,724	6,724
79,523 (2022: 79,523) B2 Ordinary shares of £0.02 each	1,590	1,590
20,636 (2022: 20,636) B3 Ordinary shares of £0.02 each	413	413
131,993 (2022: 131,993) C1 Ordinary shares of £0.02 each	2,640	2,640
25,458 (2022: 25,458) C2 Ordinary shares of £0.02 each	509	509
22,011 (2022: 22,011) C3 Ordinary shares of £0.02 each	440	440
	18,255	18,255

On 23 May 2023 the company purchased 3,118 B2 Ordinary shares of £0.02 each, 25,818 C1 Ordinary shares of £0.02 each and 7,357 C2 Ordinary shares of £0.02 each, for aggregate consideration of £88,161. The shares were purchased to be held in treasury.

On the same date, 4,676 B2 Ordinary shares of £0.02 each, 38,729 C1 Ordinary shares of £0.02 each and 11,035 C2 Ordinary shares of £0.02 each were sold out of treasury for aggregate consideration of £217,760, of which £84,503 remained unpaid at the balance sheet date.

The total number of shares held in treasury at the balance sheet date was 25,365 with an aggregate nominal value of £507 and a cost of purchase of £55,680,

The A Ordinary shares have enhanced voting rights and rank pari passu with B3 Ordinary shares with regards to return on assets on liquidation. Any surplus realisation proceeds will be split equally amongst all share designations.

All shares are non-redeemable and rank pari passu with regards to the distribution of dividends.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

23. Reserves

Share premium account

The share premium reserve represents the premium arising on the issues of shares classes as equity, net of issue cost.

Treasury share reserve

The treasury share reserve represents the cost of own shares purchased by the company less the cost of shares subsequently sold out of treasury. The cost of own shares held at the balance sheet date is calculated on an average cost basis.

Other reserves

Other reserves comprise of a capital redemption reserve and a merger reserve.

The capital redemption reserve arose from the company's purchase, or redemption, of its own shares and is not distributable.

The merger reserve arose on the issue of equity shares in a business combination and is the difference between the fair value of shares issued and their nominal value, where merger relief applies.

Profit and loss account

The profit and loss account represents cumulative profits and losses, net of cumulative dividends paid and other adjustments.

24. Discontinued operations

On 30th June 2023, the group disposed of the trade and assets of its Occupational Health Services (OHS) business to PAM Group.

	£000
Net assets disposed of:	
Tangible fixed assets	(10)
Intangible fixed assets	(155)
	(165)
Disposal proceeds (net of attributable costs)	10
Loss on disposal of discontinued operations	(155)

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

25. Prior year adjustment

A prior period restatement has been reflected in these financial statements in respect of the classification of interest payable on loan notes. Previously, accrued but unpaid was shown within creditors due within one year, however, clarification has been obtained that unpaid interest in respect of the loan notes is due when the loan notes are repaid, being 1 July 2029. The restatement has therefore classified the interest due of £5,052,000 in the prior year, as greater than one year (see note 19).

This reclassification has no impact on the group's result for the year ended 30 June 2022, nor on the group's and company's net assets at 30 June 2022, as previously reported.

26. Pension commitments

The group operates a defined contribution pension scheme. The assets are held separately from those of the group in an independently administered fund. The pension charge for the year represents contributions payable by the group to the fund and amounted to £868,000 (2022: £811,000).

Contributions amounting to £203,000 (2022: £167,000) were payable to the fund at the year end and are included within creditors.

27. Commitments under operating leases

At 30 June 2023 the group had future minimum lease payments due under non-cancelable operating leases for each of the following periods:

	Group 2023 £000	Group 2022 £000
Not later than 1 year	276	331
Later than 1 year and not later than 5 years	782	810
Later than 5 years	56	324
	1,114	1,465

The company had no operating lease commitments at 30 June 2023 or 30 June 2022.

Connect Health Group Limited

Notes to the financial statements Year ended 30 June 2023

28. Related party transactions

Group

Total remuneration paid to key management personnel of the group was £628,000, being the directors' remuneration disclosed in note 9.

During the year, the company made loans to 2 shareholders. The balance outstanding from the shareholders at year end was £84,593 (2022: £nil).

Company

The company has applied the exemption from disclosing details of transactions and balances between wholly owned entities which form part of the group.

Secured and unsecured loan notes with an aggregate value of £20,870,000 (2022: £30,738,000), including accrued but unpaid interest, were outstanding to the company's shareholders and directors at the balance sheet date. Interest of £2,511,000 (2022: £3,027,000) was payable in respect of the loan notes during the period. Monitoring fees of £77,162 (2022: £76,575) were paid to a shareholder during the year.

29. Controlling party

The directors do not consider there to be an ultimate controlling party of Connect Health Group Limited.