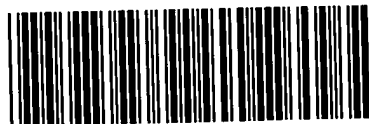


HEALIOS LTD

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

WEDNESDAY



ACCXNVMY

A64

27/09/2023

#30

COMPANIES HOUSE

HEALIOS LTD

COMPANY INFORMATION

Directors

R Andrews
R J Bradford
L K Hansen
M L Kulawik
C Mcdonald
G F Rich (resigned 28 February 2023)
R Allen (appointed 28 February 2023)
S Clarke (appointed 19 August 2022)

Registered number

08459279

Registered office

4a Tileyard Studios Tileyard Road
Kings Cross
London
N7 9AH

Independent Auditor

Cooper Parry Group Limited
Chartered Accountants & Statutory Auditor
MindSPACE
9 Appold Street
London
EC2A 2AP

HEALIOS LTD

CONTENTS

	Page
Group strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated statement of cash flows	13
Consolidated analysis of net debt	14
Notes to the financial statements	15 - 32

HEALIOS LTD

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their report and the financial statements for the year ended 31 December 2022.

Business review

Healios Limited continued to provide behavioral therapy in the United Kingdom to Children and Young People through its bespoke digital clinical platform.

The Company reported strong growth in revenue of 73% to £18.8m (2021 £10.8m) and losses grew to £8.9m (2021 £5.0m) as the Company continues to invest.

Principal risks and uncertainties

The company faces operational challenges to improve margins in the face of the rapid increase in inflation coupled with pressures from customers to keep prices static. The change in the funding environment has resulted in the access to capital being more constrained and the cost of debt increasing in line with general interest rate increases.

As a company dealing with patient records for the NHS there are heightened risks around data security due to the sensitivity of data held and recorded by the Company. Our primary customer is the NHS and customer concentration remains a risk to the Company albeit mitigated by being contracted with multiple NHS Trusts. However maintaining service levels with the NHS is critical to re-contracting.



Talent acquisition and retention is the other key risk we face as we look to expand our workforce and attract and retain the best talent to achieve our goals.

Key performance indicators

Annual budgets are agreed in advance with the senior leadership team and these provide a roadmap for revenue, investments and cash flow. These are reviewed monthly with other key performance indicators amongst others such as operating margin (42.7%), contract pipeline (12 months forward revenue), safety, employee churn and engagement.

This report was approved by the board on 07 July 2023

and signed on its behalf.

DocuSigned by:

B8751C51E38449A...

Director

HEALIOS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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.

Results and dividends

The loss for the year, after taxation, amounted to £5,996,466 (2021: loss £5,003,819).

The directors have not declared or paid a dividend in the year (2021: £Nil).

Directors

The directors who served during the year are stated on the company information page.

Future developments

Healios continues to grow its clinical capacity to meet the growing demand for behavioral health services in the UK and overseas. We are committed to exploring and investing in technology to enhance our delivery and outcomes of our interventions so that we can better scale and be competitive in the future marketplace.

Engagement with employees

As a remote business we continually look for tools, processes and software to improve our engagement with employees. We use sophisticated anonymous engagement surveys to measure and assess engagement regularly throughout the year to uncover issues and strive to address these comprehensively and quickly as we are able.

HEALIOS LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 and the Group'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 and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

This report was approved by the board and signed on its behalf.

DocuSigned by:

B8751C51E38449A...

S Clarke
Director

Date: 07 July 2023

HEALIOS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALIOS LTD

Opinion

We have audited the financial statements of HEALIOS LTD (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Group statement of comprehensive income, the Group and Company balance sheets, the Group statement of cash flows, the Group 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 31 December 2022 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.

Material uncertainty related to going concern

We draw your attention to Note 2.3 of the financial statements, which describes the uncertainty over going concern and the companies need to deliver significant cost savings or raise additional funding in the next 12 months to maintain cash headroom. Our opinion is not modified in respect of this matter.

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.

HEALIOS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALIOS LTD (CONTINUED)

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

HEALIOS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALIOS LTD (CONTINUED)

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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgments and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.
- reading the minutes of meetings of those charged with governance; enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

HEALIOS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALIOS LTD (CONTINUED)

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.

A handwritten signature in black ink that reads "Steven Leith" and "Cooper Parry Group Limited" written across a horizontal line.

Steven Leith (senior statutory auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

MindSpace
9 Appold Street
London
EC2A 2AP

Date: 07 July 2023

HEALIOS LTD

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**


	Note	2022 £	2021 £
Turnover	4	18,753,713	10,842,758
Cost of sales		<u>(10,745,365)</u>	<u>(6,066,783)</u>
Gross profit		8,008,348	4,775,975
Operating costs		(3,359,728)	(2,340,019)
Administrative expenses		(13,260,144)	(8,225,326)
Other operating income	5	-	6,411
Operating loss	6	<u>(8,611,524)</u>	<u>(5,782,959)</u>
Interest receivable and similar income		18,967	-
Interest payable and similar expenses	11	1,031,745	(375)
Loss before tax		<u>(7,560,812)</u>	<u>(5,783,334)</u>
Tax on loss	12	1,564,346	779,515
Loss for the financial year		<u><u>(5,996,466)</u></u>	<u><u>(5,003,819)</u></u>

The notes on pages 15 to 32 form part of these financial statements.

HEALIOS LTD
REGISTERED NUMBER: 08459279
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	80,269	191,883
Tangible assets	14	11,268	64,852
		<u>91,537</u>	<u>256,735</u>
Current assets			
Debtors: amounts falling due within one year	16	5,759,167	3,342,588
Cash at bank and in hand	17	10,065,089	3,310,499
		<u>15,824,256</u>	<u>6,653,087</u>
Creditors: amounts falling due within one year	18	(13,305,920)	(6,984,118)
Net current assets/(liabilities)		<u>2,518,336</u>	<u>(331,031)</u>
Total assets less current liabilities		<u>2,609,873</u>	<u>(74,296)</u>
Creditors: amounts falling due after more than one year	19	(8,917,982)	(38,333)
Provisions for liabilities		<u>(6,308,109)</u>	<u>(112,629)</u>
Net liabilities		<u>(6,308,109)</u>	<u>(112,629)</u>
Capital and reserves			
Called up share capital	21	189	189
Share premium account	23	11,130,014	11,130,014
Foreign exchange reserve	23	(202,486)	(3,472)
Profit and loss account	23	(17,235,826)	(11,239,360)
		<u>(6,308,109)</u>	<u>(112,629)</u>

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

DocuSigned by:

 B8751C51E38449A...

S Clarke
 Director

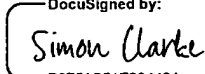
The notes on pages 15 to 32 form part of these financial statements.

HEALIOS LTD
REGISTERED NUMBER: 08459279

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	80,269	191,883
Tangible assets	14	11,268	64,852
Investments	15	7	7
		<u>91,544</u>	<u>256,742</u>
Current assets			
Debtors: amounts falling due within one year	16	8,316,179	3,510,568
Cash at bank and in hand	17	10,029,702	3,304,488
		<u>18,345,881</u>	<u>6,815,056</u>
Creditors: amounts falling due within one year	18	(13,155,255)	(6,983,849)
Net current assets/(liabilities)		<u>5,190,626</u>	<u>(168,793)</u>
Total assets less current liabilities		<u>5,282,170</u>	<u>87,949</u>
Creditors: amounts falling due after more than one year	19	(8,917,982)	(38,333)
Net (liabilities)/assets		<u><u>(3,635,812)</u></u>	<u><u>49,616</u></u>
Capital and reserves			
Called up share capital	21	189	189
Share premium account	23	11,130,014	11,130,014
Profit and loss account carried forward		(14,766,015)	(11,080,587)
		<u><u>(3,635,812)</u></u>	<u><u>49,616</u></u>

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

DocuSigned by:

S Clarke
 Director

The notes on pages 15 to 32 form part of these financial statements.

HEALIOS LTD

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	189	11,130,014	(3,472)	(11,239,360)	(112,629)
Loss for the year	-	-	-	(5,996,466)	(5,996,466)
Currency translation differences	-	-	(199,014)	-	(199,014)
At 31 December 2022	189	11,130,014	(202,486)	(17,235,826)	(6,308,109)

The notes on pages 15 to 32 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	189	4,116,504	-	(6,235,541)	(2,118,848)
Loss for the year	-	-	-	(5,003,819)	(5,003,819)
Currency translation differences	-	-	(3,472)	-	(3,472)
Shares issued during the year	-	7,013,510	-	-	7,013,510
At 31 December 2021	189	11,130,014	(3,472)	(11,239,360)	(112,629)

The notes on pages 15 to 32 form part of these financial statements.

HEALIOS LTD

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2022	189	11,130,014	(11,080,587)	49,616
Loss for the year	-	-	(3,685,428)	(3,685,428)
At 31 December 2022	189	11,130,014	(14,766,015)	(3,635,812)

The notes on pages 15 to 32 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2021	189	4,116,504	(6,235,541)	(2,118,848)
Loss for the year	-	-	(4,845,046)	(4,845,046)
Shares issued during the year	-	7,013,510	-	7,013,510
At 31 December 2021	189	11,130,014	(11,080,587)	49,616

The notes on pages 15 to 32 form part of these financial statements.

HEALIOS LTD

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(5,996,466)	(5,003,819)
Adjustments for:		
Amortisation of intangible assets	111,614	125,958
Depreciation of tangible assets	62,173	58,821
Government grants	-	(6,411)
Interest paid	(1,031,745)	375
Interest received	(18,967)	-
Taxation charge	(1,564,346)	(779,515)
(Increase) in debtors	(1,212,625)	(217,451)
Increase in creditors	6,259,302	1,709,051
Corporation tax credit	360,392	-
Net cash generated from operating activities	<u>(3,030,668)</u>	<u>(4,112,991)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(1,250)
Purchase of tangible fixed assets	(8,589)	(101,645)
Government grants received	-	6,411
Interest received	18,967	-
Net cash from investing activities	<u>10,378</u>	<u>(96,484)</u>
Cash flows from financing activities		
Issue of ordinary shares	-	7,013,510
Repayment of loans	(8,888)	(1,667)
Shareholder and other loans	8,951,037	-
Interest paid	1,031,745	(375)
Net cash used in financing activities	<u>9,973,894</u>	<u>7,011,468</u>
Net increase in cash and cash equivalents	6,953,604	2,801,993
Cash and cash equivalents at beginning of year	3,310,499	511,978
Foreign exchange reserve - movement	(199,014)	(3,472)
Cash and cash equivalents at the end of year	<u>10,065,089</u>	<u>3,310,499</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	10,065,089	3,310,499
	<u>10,065,089</u>	<u>3,310,499</u>

The notes on pages 15 to 32 form part of these financial statements.

HEALIOS LTD

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	3,310,499	6,754,590	10,065,089
Debt due after 1 year	(38,333)	(8,879,649)	(8,917,982)
Debt due within 1 year	(216,607)	(62,500)	(279,107)
	<u>3,055,559</u>	<u>(2,187,559)</u>	<u>868,000</u>

The notes on pages 15 to 32 form part of these financial statements.

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Healios Ltd (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Sterling (£), the company's functional currency. The financial statements are for the year ended 31 December 2022 (2021: 31 December 2021).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

At the time of signing these accounts, the directors have considered the cash and funding needs of the Group for the next 12 months and have concluded that the financial statements should be prepared on a going concern basis. In forming this opinion, the directors have highlighted the need for a cost saving/restructuring exercise to extend the cash runway to a cashflow positive position.

In parallel, the directors are also exploring additional equity funding and have already secured £3.5m debt facility which is due to be drawn down in July 2023.

The directors also acknowledge the level of uncertainty involved and that coupled with the difficult funding environment this could cast significant doubt over the Group's ability to continue to trade.

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from a contract to provide services is recognised over the total period of that contract and proportionally as services are provided.

2.6 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**2. Accounting policies (continued)****2.8 Interest income**

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

2.9 Finance costs

Finance costs are charged to the profit and loss account 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.

2.10 Pensions**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax.

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software costs	-	5	years being applied when the project is complete
Website costs	-	5	years being applied when the project is complete

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

HEALIOS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.13 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	-	50% straight line
Fixtures and fittings	-	25% straight line
Equipment	-	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.18 Financial instruments (continued)

financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Warrants issued represent a non-basic financial instrument and are recognised as a liability. These are measured at fair value at the date the warrants were issued and then re-measured at fair value at each period end until the warrants are redeemed. Any fair value gains or losses are recognised in the statement of comprehensive income.

2.19 Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet date.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

HEALIOS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not really apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these financial statements the directors have made the following significant judgements and estimates:

Impairment of investments

Investments are reviewed annually for impairment based on future forecast profitability of the Group. Where this highlights indicators of impairment a suitable impairment charge will be recorded in the financial statements.

Amortisation and impairment of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in estimated useful economic life of the assets. The useful economic life and residual value of an asset is reassessed for impairment annually. There is no indication that the Group's business will not continue to trade profitably and hence the life may differ or be longer than the estimated useful economic life of intangible assets

Useful economic life of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful economic lives as set out in the group's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and the carrying amounts of property, plant and equipment would reduce accordingly. The carrying amount of property, plant and equipment is included in note 14.

Convertible loan notes

Estimation of fair value of Convertible loan notes has been disclosed in Note 19 "Creditors: Amounts falling due within more than one year".

There were no other significant judgements made in the preparation of these accounts.

4. Turnover

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

	2022 £	2021 £
Clinical services	18,708,399	10,662,939
Digital Products	45,314	179,819
	<u>18,753,713</u>	<u>10,842,758</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	18,733,813	10,842,758
Rest of the world	19,900	-
	<u>18,753,713</u>	<u>10,842,758</u>

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. Other operating income

	2022 £	2021 £
Government grants receivable	-	6,411
	<u>-</u>	<u>6,411</u>
	<u>-</u>	<u>6,411</u>

6. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	62,173	58,821
Exchange differences	3,133	889
Operating lease rentals	99,032	80,053
Amortisation of intangible assets	111,614	125,958
Total	<u>145,340</u>	<u>146,301</u>

7. Auditor's remuneration

During the year, the Group obtained the following services from the Group's auditor:

	2022 £	2021 £
Fees payable to the Group's auditor for the audit of the consolidated and parent Company's financial statements	34,500	25,000

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

8. Employees

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	20,485,368	12,502,282	19,366,247	12,449,074
Social security costs	1,403,880	698,630	1,237,021	698,630
Cost of defined contribution scheme	659,850	297,631	659,850	297,631
	<u>22,549,098</u>	<u>13,498,543</u>	<u>21,263,118</u>	<u>13,445,335</u>

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

	2022 No.	2021 No.
Employees	<u>424</u>	<u>288</u>

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	290,476	209,494
Group contributions to defined contribution pension schemes	15,553	6,750
	<u>306,029</u>	<u>216,244</u>

During the year retirement benefits were accruing to 2 directors (2021: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £202,000 (2021: £185,494).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,750 (2021: £6,750).

10. Interest receivable

	2022 £	2021 £
Bank interest receivable	<u>18,967</u>	-
	<u>18,967</u>	-

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Interest payable and similar expenses

	2022 £	2021 £
Bank and other interest payable	357,312	375
Imputed interest on convertible loan notes	(1,389,057)	-
	<u>(1,031,745)</u>	<u>375</u>

12. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	(1,190,954)	(779,515)
Adjustments in respect of previous periods	(373,392)	-
Total tax on loss	<u>(1,564,346)</u>	<u>(779,515)</u>

HEALIOS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	2021
	£	£
Loss on ordinary activities before tax	(7,560,812)	(5,783,334)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,436,554)	(1,098,833)
Effects of:		
Fixed asset difference	3,969	3,199
Expenses not deductible for tax purposes	1,636	28,551
Other permanent differences	475	344
Additional deduction for R&D expenditure	(882,056)	(586,960)
Surrender of tax losses for R&D tax credit refund	369,607	245,953
Remeasurments of deferred tax for changes in tax rates	(182,145)	(499,296)
Deferred tax not recognised	887,893	1,111,352
Difference in rate of tax	46,221	3,175
Adjustments in respect of prior periods	(373,392)	-
Difference in tax credit not recognised	-	13,000
Total tax charge for the year	(1,564,346)	(779,515)

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Taxation (continued)

Factors that may affect future tax charges

On 03 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at the balance sheet date. As such, the deferred tax rate applicable at 31 March 2022 is 25% and deferred tax has been re-measured at this rate. The recent budget on 23 September 2022, the Chancellor of the Exchequer announced that the corporation tax rate would not increase to a maximum of 25% however this not been enacted as at year end.

13. Intangible assets

Group and Company

	Software costs £	Website costs £	Total £
Cost			
At 1 January 2022	623,389	6,400	629,789
At 31 December 2022	<u>623,389</u>	<u>6,400</u>	<u>629,789</u>
Amortisation			
At 1 January 2022	435,596	2,310	437,906
Charge for the year on owned assets	110,334	1,280	111,614
At 31 December 2022	<u>545,930</u>	<u>3,590</u>	<u>549,520</u>
Net book value			
At 31 December 2022	<u>77,459</u>	<u>2,810</u>	<u>80,269</u>
At 31 December 2021	<u>187,793</u>	<u>4,090</u>	<u>191,883</u>

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Tangible fixed assets

Group and Company

	Short-term leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost or valuation				
At 1 January 2022	84,873	535	68,158	153,566
Additions	4,056	-	4,533	8,589
At 31 December 2022	<u>88,929</u>	<u>535</u>	<u>72,691</u>	<u>162,155</u>
Depreciation				
At 1 January 2022	42,437	535	45,742	88,714
Charge for the year on owned assets	44,465	-	17,708	62,173
At 31 December 2022	<u>86,902</u>	<u>535</u>	<u>63,450</u>	<u>150,887</u>
Net book value				
At 31 December 2022	<u>2,027</u>	<u>-</u>	<u>9,241</u>	<u>11,268</u>
At 31 December 2021	<u>42,436</u>	<u>-</u>	<u>22,416</u>	<u>64,852</u>

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	7
At 31 December 2022	<u>7</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Healios USA Inc	228 East 45th Street	Ordinary	100%
Meliora Health Services ^	228 East 45th Street	Ordinary	0%

^ The Group owns 0% of the nominal share capital of Meliora Health Services. However, the Group has full control and therefore this entity been treated as a subsidiary within the Group accounts.

16. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	3,183,781	2,430,183	3,182,381	2,430,183
Amounts owed by group undertakings	-	-	2,620,798	167,987
Other debtors	2,015,797	790,137	2,015,790	790,130
Prepayments and accrued income	559,589	122,268	497,210	122,268
	<u>5,759,167</u>	<u>3,342,588</u>	<u>8,316,179</u>	<u>3,510,568</u>

17. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	10,065,089	3,310,499	10,029,702	3,304,488
	<u>10,065,089</u>	<u>3,310,499</u>	<u>10,029,702</u>	<u>3,304,488</u>

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

18. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank and other loans	72,500	10,000	72,500	10,000
Trade creditors	291,525	131,638	286,311	131,369
Other taxation and social security	690,523	1,380,647	690,523	1,380,647
Other creditors	384,396	330,810	384,396	330,810
Accruals and deferred income	11,866,976	5,131,023	11,721,525	5,131,023
	<u>13,305,920</u>	<u>6,984,118</u>	<u>13,155,255</u>	<u>6,983,849</u>

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank and other loans	466,945	38,333	466,945	38,333
Shareholder loans	8,451,037	-	8,451,037	-
	<u>8,917,982</u>	<u>38,333</u>	<u>8,917,982</u>	<u>38,333</u>

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Loans

Analysis of the maturity of loans is given below:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Amounts falling due within one year				
Bank and other loans	72,500	10,000	72,500	10,000
	<u>72,500</u>	<u>10,000</u>	<u>72,500</u>	<u>10,000</u>
Amounts falling due 1-2 years				
Bank and other loans	135,000	10,000	135,000	10,000
	<u>135,000</u>	<u>10,000</u>	<u>135,000</u>	<u>10,000</u>
Amounts falling due 2-5 years				
Bank and other loans	331,945	28,333	331,945	28,333
Shareholder loans	8,451,037	-	8,451,037	-
	<u>8,782,982</u>	<u>28,333</u>	<u>8,782,982</u>	<u>28,333</u>
	<u><u>8,990,482</u></u>	<u><u>48,333</u></u>	<u><u>8,990,482</u></u>	<u><u>48,333</u></u>

Shareholder loans:

Within shareholder loans is an amount totalling £8,763,537 in respect of convertible loan notes, which include principal plus interest accrued up to the balance sheet date. The convertible loan notes are due to mature on 17/10/2027 or at the next funding round.

The principal loan amount of £9,840,094 has an interest rate of 8%, given that this is an off market interest rate, an adjustment has been made to reflect an imputed interest charge of £1,389,057.

Venture debt:

Also within bank and other loans is a loan of £500,000 which carries an interest rate of 9.5% + 1 year EURIBOR and is due for repayment in monthly instalments which completes on 01/05/2026.

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

21. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
15,604,000 Ordinary shares of £0.00001- each	156	156
384,000 A Ordinary shares of £0.00001 each	3	3
3,021,000 Series A preferred shares of £0.00001 each	30	30
	<hr/>	<hr/>
	189	189
	<hr/> <hr/>	<hr/> <hr/>

On 17th October 2022 the company changed the denomination of all share categories from £0.01 to £0.00001.

All classes of shares have the following rights:

Dividends - Each share carries a right to a dividend

Redemption - The shares are not redeemable

Voting rights:

Ordinary shares and Series A preferred shares carry a right to vote.

A ordinary shares do not carry a right to vote

Capital return by class:

Ordinary shares - Each share is entitled to participate in a distribution of capital subject to the priority rights attached to the Series A preferred shares.

A ordinary shares - Each share has the right to participate in a distribution of capital pro-rata to the ordinary shareholders but subject to the priority rights of the Series A preferred shares.

Series A preferred shares - Series A preferred shareholders are entitled to participate in a distribution of capital in priority of the holders of ordinary shares or A ordinary shares.

Share options:

The company has employee share option agreements in place with a total of 1,107,000 number of shares to be issued at a qualifying event.

22. Warrants

The Company issued warrants on 06/06/2022 which entitle the holder to 1,852 ordinary shares at the next funding round. The warrants are variable in nature and therefore meet the criteria to be recognised as financial liabilities. The directors have assessed the FV of these warrants to not be material to the accounts and therefore no amounts are included within financial liabilities at the current year end.

HEALIOS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**23. Reserves****Share capital**

Share capital represents the nominal value of shares issued.

Share premium account

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares is deducted from share premium.

Foreign exchange reserve

The translation reserve has arisen as a result of translation of a foreign subsidiary.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £1,091,520 (2021: £495,405). Contributions totalling £166,662 (2021: £105,996) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Not later than 1 year	117,441	193,032	117,441	193,032
Later than 1 year and not later than 5 years	127,260	136,688	127,260	136,688
	<u>244,701</u>	<u>329,720</u>	<u>244,701</u>	<u>329,720</u>

HEALIOS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. Related party transactions

The Company was under the control of Mr R Andrews and Dr L Hansen throughout the current and previous period. Both individuals are directors of the company with Mr Andrews taking responsibility for day to day activities whilst Dr Hansen is the Chief Medical Officer.

During the year the directors entered into the following advances and credits with the company, the amounts are shown within other creditors:

	Balance brought forward £	Advances/ (credits) to the directors £	Amounts Repaid by company £	Balance Outstanding £
Loans from Directors	206,607	-	-	206,607