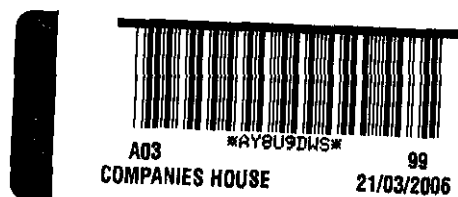


InHealth Group Limited

Directors' report and consolidated financial
statements

Registered number 4620480

For the year ended 30 September 2005



Company Information

Directors

Sir A D Chessells
A J Gibson
P J Whitecross

Company Number

4620480

Company Secretary

B R Ally

Auditors

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Registered Office

Beechwood Hall
Kingsmead Rd
High Wycombe
Buckinghamshire
HP11 1JL

Bankers

Bank of Scotland
Corporate Banking
110 Queen Street
Glasgow
G1 3BY

Contents

| | |
|---|----|
| Directors' report | 1 |
| Statement of directors' responsibilities | 4 |
| Report of the independent auditors to the members of InHealth Group Limited | 5 |
| Consolidated profit and loss account | 6 |
| Consolidated balance sheet | 7 |
| Company balance sheet | 8 |
| Consolidated cash flow statement | 9 |
| Reconciliation of movements in shareholders' funds | 10 |
| Notes | 11 |

Directors' report

The directors present their first annual report and the audited financial statements for the year ended 30 September 2005.

On 1st November 2004 InHealth Group Limited acquired the entire business of InHealth Group SA, a Luxembourg company, and inherited the trading and balance sheet position of InHealth Group SA. As a result these accounts reflect an eleven month trading period. In addition to transferring the trading and balance sheet position the entire business, staff, brand names, assets and liabilities of InHealth Group SA were also transferred.

To all intents and purposes InHealth Group Limited is a continuation of InHealth Group SA, but for the change of legal entity which had the effect of moving the business from a Luxembourg registered company with UK branches to a UK registered company. At the same time a number of UK operating subsidiaries were created to follow the logical trading activities of the Group.

The Directors undertook this significant re-organisation to create a UK based group with a normal trading structure that would facilitate easier trading with the Department of Health and NHS and greatly simplify the legal and contractual issues that had previously existed by trading through a Luxembourg registered company

Mission and Vision

The principal activity of the Group is the provision of healthcare services, with InHealth established as one of the UK's leading providers of managed healthcare services. The main aim of the business is to work as a strategic partner to the NHS and, by working with them, to improve the provision of healthcare in the UK by delivering market leading services that represent value for money and quality to our customers and to the patients they treat.

Continued expansion and growth

In addition to acquiring the business of InHealth Group SA, the Group also acquired 100% of BDF Healthcare Limited on 1st July 2005. The business of BDF Healthcare is considered to be synergistic with that of Rocielle InHealth Limited and is expected to fuel growth and wider opportunities in the Group. Across a number of business areas the Group has enjoyed modest organic growth. However the most significant development is the explosion of central tender activity across every aspect of the business. The NHS and the Department of Health has significantly increased their use of central procurement and of procurement hubs. This has had significant impact on costs, but has also increased the number of opportunities going forward in which the Group considers it is well placed to secure business.

Specifically, the Group has been very successful in reaching short lists on a large number of bids for the provision of Decontamination Centres and is hopeful of being selected for a fair proportion of these. It has also submitted Pre Qualification Questionnaires on several Diagnostics and Independent Sector Treatment Centre bids, both in its own right and working in partnership with others, and is hopeful of reaching shortlists for a number of these. Finally Rocielle InHealth continues to see unprecedented levels of tenders and has a significant number of tender decisions pending.

The results of the Group take full account of all up front bid costs which are written off as incurred.

Teamwork and culture contribute to results

The levels of bid and tender activity have required exemplary teamwork, and contributions from across the Group, often to tight deadlines. The Group's ability to bid these contracts has benefited from the teamwork approach and, with over 1000 employees in the Group, it has never been more evident. Investment in our people skills and in building the right working environment will continue to be a priority and the fact that a number of parts of the Group hold accreditation to Investors in People is testament to our approach. The Group employs a very large number of highly skilled and trained professionals with many years of experience working within the health sector. By working together as well managed units they continue to deliver exemplary services and operate with high levels of efficiency. The Board would like to take this opportunity of thanking them all for their contribution and in particular to thank everyone for their contributions to the bid activity undertaken this year..

Growing capacity and maintaining equipment to high standards

The Group continues to invest heavily in growing its capacity, often ahead of contracted demand. It also follows a vigorous policy of keeping all of its assets maintained to a high standard including regular upgrades to keep its equipment current with the technology developments.

In the year the Group has been at the forefront of introducing a number of new services, some of which are in their infancy, but which are set to grow in future years.

Movements in fixed assets during the year are set out in the notes to the financial statements.

Business review

The Directors are more than satisfied with the results in light of the expansion and significant long term investment being made.

The Group accounts include very significant sums for the write off of goodwill arising from its acquisitions. It is common practice amongst banks and investors to disregard these amounts when assessing the Company's profitability as these are non-cash items. UK accounting standards are set to change such that these write-offs may not be required in future, recognising the slightly misleading position this can portray. In assessing InHealth Group's financial strength this needs to be taken into account as the Group has, in any event, a strong cash generation and strong profit generation before amortisation of goodwill.

During an eleven month trading period, operating profits before goodwill amortization totaled £1.75m.

Proposed dividend

The directors do not recommend the payment of a dividend, and the policy is to re – invest all profits in future development and growth of the business.

Employee involvement

The Group's policy is to consult and discuss with employees on matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Employment of disabled persons

It is the Group's policy that disabled people are given the same consideration as other applicants for all job vacancies for which they offer themselves as suitable candidates. Similarly, the Group's policy is to continue to employ and train employees who have become disabled whenever possible.

Every effort has been made to ensure that line managers fully understand that disabled people must have the same prospects and promotional opportunities that are available to other employees. The Group makes appropriate modification to procedures and equipment where it is practical and safe to do so.

Directors and their interests

The names of the present directors of the Company are:

Sir A D Chessells

A J Gibson

P J Whitecross

During the year the Company maintained liability insurance for its directors and officers

No director had an interest in any shares of the Company or its subsidiaries and no change occurred in the interests of directors between 01 October 2004 and 30 September 2005.

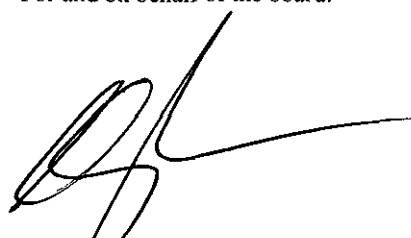
Donations

During the year InHealth Group made a donation of £3,000 to the DEC Tsunami Earthquake appeal fund in response to the terrible events in South East Asia.

Auditors

During the year KPMG LLP were appointed as auditors during the year and in accordance with Section 384 of the Companies Act 1985, a resolution for their re-appointment as auditors of the Group is to be proposed at the forthcoming Annual General Meeting.

For and on behalf of the board.



Alan Gibson
Chief Executive

Beechwood Hall, Kingsmead Road, High Wycombe,
Buckinghamshire, HP11 1JL

23/01/2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of InHealth Group Limited

We have audited the financial statements on pages 6 to 33.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

23/01/2006

Consolidated profit and loss account
for the year ended 30 September 2005

| | Note | Year ended 30/09/2005 £000 | Year ended 30/09/2005 £000 | Year ended 30/09/2004 £000 | Year ended 30/09/2004 £000 |
|--|----------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Turnover: Group | | | 62,526 | | - |
| Group Turnover | <i>1</i> | | | | |
| Continuing operations | | 61,242 | | - | |
| Acquisitions | | 1,284 | | - | |
| | | | | | |
| Cost of sales | | | (45,671) | - | |
| Gross profit | | | 16,855 | | - |
| Distribution costs | | | (707) | - | - |
| Administrative expenses | | | (15,542) | | - |
| - general | | (14,398) | | - | |
| - amortisation of goodwill | | (1,144) | | - | |
| | | | | | |
| Operating profit | | | 606 | | - |
| Continuing operations | | 543 | | - | |
| Acquisitions | | 63 | | - | |
| | | | | | |
| Non operating items | | | | | |
| Profit on sale of fixed assets - continuing operations | | | 17 | | - |
| | | | | | |
| Profit on ordinary Activities | | | 623 | | - |
| Before interest and taxation | | | | | |
| | | | | | |
| Other interest receivable and similar income | 4 | | - | | - |
| Interest payable and similar charges | 5 | | (1,104) | | - |
| | | | | | |
| (Loss) on ordinary activities before taxation | 2 | | (481) | | - |
| Tax on loss on ordinary activities | 7 | | (331) | | - |
| | | | | | |
| Group loss for the period | | | (812) | | - |

The company commenced trading on 1 November 2004 following the transfer of the trade and assets of InHealth Group S.A. the results of which are shown as continuing operations.

The company has made no recognised gains or losses in the period other than those stated in the profit and loss account above and accordingly a separate statement of total recognised gains and losses has not been prepared.

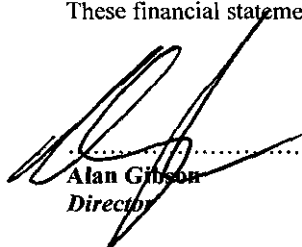
A note on historical cost gains and losses has not been included as part of these financial statements as the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis.


Consolidated balance sheet
at 30 September 2005

| | <i>Note</i> | 30/09/2005 £000 | 30/09/2005 £000 | 30/09/2004 £000 | 30/09/2004 £000 |
|--|-------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Fixed assets | | | | | |
| Intangible assets | | | | | |
| Goodwill | 8 | 24,746 | | - | |
| Tangible assets | 9 | 41,474 | | - | |
| Investments | 10 | 435 | | - | |
| | | | 66,655 | | - |
| Current assets | | | | | |
| Stocks | 11 | 7,933 | | - | |
| Debtors | 12 | 17,143 | | - | |
| Cash at bank and in hand | | - | | 1 | |
| | | | 25,076 | | 1 |
| Creditors: amounts falling due within one year | 13 | | (19,174) | | - |
| Net current assets | | | 5,902 | | 1 |
| Total assets less current liabilities | | | 72,557 | | 1 |
| Creditors: amounts falling due after more than one year | 14 | | (16,433) | | - |
| Provisions for liabilities and charges | 15 | | (2,871) | | - |
| Net assets | | | 53,253 | | 1 |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 1,000 | | 1 |
| Share premium account | 17 | | 53,065 | | - |
| Profit and loss account | 17 | | (812) | | - |
| Equity shareholders funds | | | 53,253 | | 1 |

These financial statements were approved by the board of directors on

and were signed on its behalf by:


Alan Gibson
Director


Philip Whitecross
Director

Company balance sheet
at 30 September 2005

| | <i>Note</i> | 30/09/2005 £000 | 30/09/2005 £000 | 30/09/2004 £000 | 30/09/2004 £000 |
|--|-------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Fixed assets | | | | | |
| Intangible assets | | | | | |
| Goodwill | 8 | 1,844 | | - | |
| Tangible assets | 9 | 659 | | - | |
| Investments | 10 | 59,295 | | - | |
| | | | 61,798 | | - |
| Current assets | | | | | |
| Debtors | 12 | 9,089 | | - | |
| Cash at bank and in hand | | 658 | | 1 | |
| | | | 9,747 | | 1 |
| Creditors: amounts falling due within one year | 13 | | (2,674) | | - |
| Net current assets | | | 7,073 | | 1 |
| Total assets less current liabilities | | | 68,871 | | 1 |
| Creditors: amounts falling due after more than one year | 14 | | (15,000) | | - |
| Provisions for liabilities and charges | 15 | | (1,689) | | - |
| Net assets | | | 52,182 | | 1 |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 1,000 | | 1 |
| Share premium account | 17 | | 53,065 | | - |
| Profit and loss account | 17 | | (1,883) | | - |
| Equity shareholders funds | | | 52,182 | | 1 |

These financial statements were approved by the board of directors on

and were signed on its behalf by:


Alan Gibson
Director


Philip Whitecross
Director

Consolidated cash flow statement
for the year ended 30 September 2005

| | Note | Year ended 30/09/2005 £000 | Year ended 30/09/2004 £000 |
|---|------|-------------------------------------|-------------------------------------|
| Cash flow statement | | | |
| Cash flow from operating activities | 20 | 7,272 | - |
| Returns on investments and servicing of finance | 21 | (1,104) | - |
| Taxation | | (77) | - |
| Capital expenditure and financial investment | 21 | (2,781) | - |
| Acquisitions and disposals | 21 | (3,158) | - |
| | | <hr/> | <hr/> |
| Cash inflow before management of liquid resources and financing | | 152 | - |
| Management of liquid resources | 21 | - | - |
| Financing | 21 | (491) | - |
| | | <hr/> | <hr/> |
| Decrease in cash in the year | | (339) | - |
| | | <hr/> | <hr/> |
| Reconciliation of net cash flow to movement in net debt | 22 | | |
| (Decrease)/increase in cash in the year | | (339) | - |
| Cash outflow from decrease in debt and lease financing | | 491 | - |
| | | <hr/> | <hr/> |
| Change in net debt resulting from cash flows | | 152 | - |
| New finance leases | | (69) | - |
| | | <hr/> | <hr/> |
| Movement in net debt in the year | | 83 | - |
| Net debt acquired through hive down | | (20,821) | - |
| | | <hr/> | <hr/> |
| Net debt at the end of the period | | (20,738) | - |
| | | <hr/> | <hr/> |

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2005

| | Group 30/9/05 £000 | Group 30/09/04 £000 | Company 30/09/05 £000 | Company 30/09/04 £000 |
|--|--------------------------|---------------------------|-----------------------------|-----------------------------|
| (Loss) for the financial year | (812) | - | (1,883) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| New Share Capital subscribed (see note 16) | 54,065 | - | 54,065 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Closing shareholders' funds | 53,253 | - | 52,182 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2005. Subsidiaries with an accounting reference date other than 30 September have been consolidated on the basis of management accounts made up to 30 September 2005.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets and depreciation

Depreciation and amortisation are calculated to write off the cost less estimated residual value of tangible and intangible fixed assets over their estimated useful lives to the business. The annual depreciation and amortisation rates and methods are as follows:

| | | |
|------------------------------|---|--|
| Freehold buildings | - | 50 years straight line |
| Freehold land | - | not depreciated |
| Leasehold land and buildings | - | straight line over the term of the lease |
| Fixtures and fittings | - | 6 to 10 years straight line |
| Plant and machinery | - | 4 to 15 years straight line |
| Computer equipment | - | 3 years straight line |
| Motor vehicles | - | 4 to 6 years straight line |
| Goodwill | - | 20 years straight line |

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account with the exception of exchange differences on the net investment in overseas businesses which are taken directly to reserves.

The accounts have been drawn up in sterling which is the functional currency of the Group.

Government grants

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate. Government grants in respect of capital expenditure and job creation are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets and the project life by equal annual instalments.

Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Post retirement benefits

InHealth Group operates both a defined benefit pension scheme and a defined contribution scheme. The assets of the scheme are held separately from those of the group and comprise a unitised with-profits policy held with Norwich Union. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Actuarial Valuations of the scheme are carried out periodically and the rates of contribution payable and the pension costs are determined having regard to the results of these valuations.

Costs of defined contribution schemes are charged to the profit and loss account at the time the related pensionable pay is charged. The assets of the scheme are held separately from those of the group.

The transitional arrangements of Financial Reporting Standard 17: Retirement benefits have been applied in the preparation of these financial statements with the relevant disclosures being made in note 19.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Turnover

Turnover is stated net of value added tax. Turnover from the sale of stock is recognised on despatch. Turnover from the provision of scanning services is recognised when the scan is complete, however may be billed in advance or in arrears. Amounts billed in advance are not recognised as turnover until the scan has been completed. Amounts billed in arrears are accrued.

1 Accounting policies (continued)

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes (continued)

2 (Loss) on ordinary activities before taxation

| | Year Year Ended 30/09/2005 £000 | Year Year Ended 30/09/2004 £000 |
|--|--|--|
| <i>(Loss) on ordinary activities before taxation is stated after charging:</i> | | |
| Auditors' remuneration: | | |
| Group - audit | 85 | - |
| - other services | 16 | - |
| Company - audit | 23 | - |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 6,108 | - |
| Leased | 331 | - |
| Amortisation of goodwill | 1,144 | - |
| Rentals payable under operating leases | | |
| Hire of other land and buildings | 658 | - |
| Hire of plant and machinery | 642 | - |
| | <hr/> | <hr/> |

3 Staff numbers and costs

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

| | Year Year Ended 30/09/2005 | Year Year Ended 30/09/2004 |
|-------------------------------|----------------------------------|----------------------------------|
| | Number of employees | |
| Sales and product development | 66 | - |
| Operations | 884 | - |
| Administration | 121 | - |
| | <hr/> | <hr/> |
| | 1,071 | - |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | 30/09/2005 £000 | 30/09/2004 £000 |
|-----------------------|--------------------|--------------------|
| Wages and salaries | 13,460 | - |
| Social security costs | 1,329 | - |
| Other pension costs | 415 | - |
| | <hr/> | <hr/> |
| | 15,204 | - |
| | <hr/> | <hr/> |

Notes *(continued)*

4 Other interest receivable and similar income

| | Year Year Ended 30/09/2005 £000 | Year Year Ended 30/09/2004 £000 |
|--------------------------|--|--|
| Bank interest receivable | - | - |

5 Interest payable and similar charges

| | Year Year Ended 30/09/2005 £000 | Year Year Ended 30/09/2004 £000 |
|--|--|--|
| Bank loans and overdrafts | 995 | - |
| Finance charges payable in respect of finance leases and hire purchase contracts | 109 | - |
| | 1,104 | - |

6 Remuneration of Directors

| | 30/09/2005 £000 | 30/09/2004 £000 |
|---|--------------------|--------------------|
| Directors' emoluments | 506 | - |
| | 506 | - |
| Company contributions to money purchase pension schemes | 41 | - |
| | 547 | - |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £307k, (and company pension contributions of £22k were made to a money purchase scheme on his behalf).

Notes (continued)

7 Taxation

Analysis of charge in period

| | Year ended 30/09/2005 £000 | Year ended 30/09/2005 £000 | Year ended 30/09/2004 £000 | Year ended 30/09/2004 £000 |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the period | 988 | | - | |
| Adjustments in respect of prior periods | (979) | | - | |
| | <u>9</u> | | <u>-</u> | |
| Total current tax | | 9 | | - |
| Deferred tax | | 322 | | - |
| | | <u>331</u> | | <u>-</u> |

The current tax charge for the period is higher (30 September 2004: same) than the standard rate of corporation tax in the UK (30 %, 30 September 2004: 30%). The differences are explained below.

| | Year ended 30/09/2005 £000 | Year ended 30/09/2004 £000 |
|--|----------------------------------|----------------------------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | (481) | - |
| Current tax at 30% (September 2004: 30 %) | (144) | - |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 1,165 | - |
| Depreciation for year in excess of capital allowances | 490 | - |
| Utilisation of tax losses | (523) | - |
| Adjustments to tax charge in respect of previous periods | (979) | - |
| Total current tax charge (see above) | <u>9</u> | <u>-</u> |

The Group has recognised a deferred tax liability, which has arisen largely due to accelerated capital allowances of £2,203,000 (September 2004: £nil) (see note 15).

Notes *(continued)*

8 Intangible fixed assets

Group

| | Goodwill |
|---------------------------|-----------------|
| Group | £000 |
| <i>Cost</i> | |
| At beginning of year | - |
| Additions during the year | 25,890 |
| | <hr/> |
| At end of year | 25,890 |
| | <hr/> |
| <i>Amortisation</i> | |
| At beginning of year | - |
| Charged in year | 1,144 |
| | <hr/> |
| At end of year | 1,144 |
| | <hr/> |
| <i>Net book value</i> | |
| At 30 September 2005 | 24,746 |
| | <hr/> |
| At 30 September 2004 | - |
| | <hr/> |

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The Goodwill arising on acquisitions is being amortised on a straight line basis over 20 years. This is the period over which the directors estimate that the value of the underlying business is expected to exceed the value of the underlying assets.

Notes (continued)

8 Intangible fixed assets (continued)

| Company | Goodwill £000 |
|---------------------------|--------------------------|
| <i>Cost</i> | |
| At beginning of year | - |
| Additions during the year | 1,899 |
| | <hr/> |
| At end of year | 1,899 |
| | <hr/> |
| <i>Amortisation</i> | |
| At beginning of year | - |
| Charged in year | 55 |
| | <hr/> |
| At end of year | 55 |
| | <hr/> |
| <i>Net book value</i> | |
| At 30 September 2005 | 1,844 |
| | <hr/> |
| At 30 September 2004 | - |
| | <hr/> |

Notes (continued)

9 Tangible fixed assets

| | Short Leasehold Property £000 | Freehold Property £000 | Plant and Equipment £000 | Motor Vehicles £000 | Fixtures and Fittings £000 | Total £000 |
|-----------------------|--|------------------------------|--------------------------------|---------------------------|----------------------------------|---------------|
| Group | | | | | | |
| <i>Cost</i> | | | | | | |
| At beginning of year | - | - | - | - | - | - |
| Additions | 6,981 | 10,078 | 27,206 | 1,664 | 2,973 | 48,902 |
| Disposals | - | - | (1,034) | (67) | - | (1,101) |
| At end of year | 6,981 | 10,078 | 26,172 | 1,597 | 2,973 | 47,801 |
| <i>Depreciation</i> | | | | | | |
| At beginning of year | - | - | - | - | - | - |
| Charge for year | 428 | 358 | 4,453 | 253 | 947 | 6,439 |
| Relating to disposals | - | - | (87) | (25) | - | (112) |
| At end of year | 428 | 358 | 4,366 | 228 | 947 | 6,327 |
| <i>Net book value</i> | | | | | | |
| At 30 September 2005 | 6,553 | 9,720 | 21,806 | 1,369 | 2,026 | 41,474 |
| At 30 September 2004 | - | - | - | - | - | - |

Assets held under finance leases, capitalised and included in tangible fixed assets:

| | Short Leasehold Property £000 | Freehold Property £000 | Plant and Equipment £000 | Motor Vehicles £000 | Fixtures and Fittings £000 | Total £000 |
|---------------------------------|--|------------------------------|--------------------------------|---------------------------|----------------------------------|---------------|
| <i>Cost</i> | - | - | 2,296 | 78 | 29 | 2,403 |
| <i>Accumulated depreciation</i> | - | - | 686 | 47 | 1 | 734 |
| <i>Net book value</i> | | | | | | |
| At 30 September 2005 | - | - | 1,610 | 31 | 28 | 1,669 |
| At 30 September 2004 | - | - | - | - | - | - |

Notes (continued)

9 Tangible fixed assets (continued)

| | Fixtures and Fittings | Total |
|-----------------------|----------------------------------|--------------|
| | £000 | £000 |
| Company | | |
| <i>Cost</i> | | |
| At beginning of year | - | - |
| Additions | 1,074 | 1,074 |
| | <hr/> | <hr/> |
| At end of year | 1,074 | 1,074 |
| | <hr/> | <hr/> |
| <i>Depreciation</i> | | |
| At beginning of year | - | - |
| Charge for year | 415 | 415 |
| | <hr/> | <hr/> |
| At end of year | 415 | 415 |
| | <hr/> | <hr/> |
| <i>Net book value</i> | | |
| At 30 September 2005 | 659 | 659 |
| | <hr/> | <hr/> |
| At 30 September 2004 | - | - |
| | <hr/> | <hr/> |

Notes (continued)

10 Fixed asset investments

| Group | Investment in Joint Arrangement £'000 | Investment in Shares £'000 | Total £'000 |
|-----------------------------|--|----------------------------------|----------------|
| <i>Cost</i> | | | |
| At beginning of year | - | - | - |
| Additions | 411 | 24 | 435 |
| At 30 September 2005 | 411 | 24 | 435 |
| At 30 September 2004 | - | - | - |

| Company | Investment in Subsidiaries £'000 | Total £'000 |
|-----------------------------|---|----------------|
| <i>Cost</i> | | |
| At beginning of year | - | - |
| Additions | 59,295 | 59,295 |
| At 30 September 2005 | 59,295 | 59,295 |
| At 30 September 2004 | - | - |

In the opinion of the directors the aggregate value of the fixed asset investments is not less than the amount at which they are stated in the balance sheets.

The principal undertakings in which the group's interest at the year end is more than 20% are as follows:

| <i>Subsidiary undertakings</i> | Country of incorporation | Principal Activity | Description of Shares held | Percentage of shares held |
|--|-----------------------------|--|-------------------------------|------------------------------|
| Mobile P.E.T. Leasing Ltd | England and Wales | Leasing PET scanners | £1 Ordinary Shares | 100% |
| Molecular Imaging Solutions Ltd | England and Wales | Provision of Scanning Services | £1 Ordinary Shares | 100% |
| Quantum Imaging Ltd | England and Wales | Providing myocardial perfusion imaging services | 50p Ordinary Shares | 100% |
| InHealth Facilities Management Ltd | England and Wales | Provision of Facilities management | £1 Ordinary Shares | 100% |
| InHealth Decontamination Services (Cardiff) Ltd | England and Wales | Provision of Sterilisation services | £1 Ordinary Shares | 100% |
| InHealth (ACAD) Ltd | England and Wales | Provision and Servicing of medical equipment | £1 Ordinary Shares | 100% |
| BDF Healthcare Ltd | Scotland | Provision of medical supplies | £1 Ordinary Shares | 100% |
| InHealth Diagnostic & Imaging Ltd | England and Wales | Administration services | £1 Ordinary Shares | 100% |
| Lister InHealth Ltd | England and Wales | Provide MRI and Ct scanners | £1 Ordinary Shares | 100% |
| Cardinal InHealth Ltd | England and Wales | Provision of Cardiac services | 1p Ordinary Shares | 100% |
| InHealth Sterile Services Ltd | England and Wales | Provision of Sterilisation services | £1 Ordinary Shares | 100% |
| InHealth Clinical Solutions Ltd | England and Wales | Provide theatre and procedure packs | £1 Ordinary Shares | 100% |
| Rociale InHealth Ltd | England and Wales | Provide theatre and procedure packs | £1 Ordinary Shares | 100% |
| InHealth Properties Ltd | England and Wales | Property administration | £1 Ordinary Shares | 100% |

Notes (continued)

11 Stocks

| | Group 30/09/2005 | Group 30/09/2004 |
|-------------------------------------|---------------------|---------------------|
| | £000 | £000 |
| Raw materials and consumables | 4,135 | - |
| Work in progress | 209 | - |
| Finished goods and goods for resale | 3,589 | - |
| | <u>7,933</u> | <u>-</u> |

12 Debtors

| | Group 30/09/2005 £000 | Group 30/09/2004 £000 | Company 30/09/2005 £000 | Company 30/09/2004 £000 |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors | 12,606 | - | - | - |
| Amounts owed by group undertakings | - | - | 8,911 | - |
| Other debtors | 1,379 | - | 17 | - |
| Prepayments and accrued income | 3,158 | - | 161 | - |
| | <u>17,143</u> | <u>-</u> | <u>9,089</u> | <u>-</u> |

13 Creditors: amounts falling due within one year

| | Group 30/09/2005 £000 | Group 30/09/2004 £000 | Company 30/09/2005 £000 | Company 30/09/2004 £000 |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank Loans and overdrafts (secured) | 4,481 | - | - | - |
| Obligations under finance leases and hire purchase contracts | 532 | - | - | - |
| Trade creditors | 3,267 | - | 226 | - |
| Other creditors | 816 | - | 201 | - |
| Amounts owed to group undertakings | - | - | - | - |
| Taxation and social security | 1,215 | - | - | - |
| Corporate taxation | 481 | - | 287 | - |
| Accruals and deferred income | 8,382 | - | 1,960 | - |
| | <u>19,174</u> | <u>-</u> | <u>2,674</u> | <u>-</u> |

The bank loans and overdrafts are secured by fixed and floating charges over the group and all property and assets, present and future, including goodwill, book debts, uncalled capital, building, fixtures and fixed plant and machinery.

Notes (continued)

14 Creditors: amounts falling due after more than one year

| | Group 30/09/2005 £000 | Group 30/09/2004 £000 | Company 30/09/2005 £000 | Company 30/09/2004 £000 |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank loans (Secured) | 15,000 | - | 15,000 | - |
| Obligations under finance leases and hire purchase contracts | 726 | - | - | - |
| Deferred income – Government Grants | 707 | - | - | - |
| | <u>16,433</u> | <u>-</u> | <u>15,000</u> | <u>-</u> |

Deferred income – government grants:

Deferred income represents Government grants of £784,093 which are being amortised over the life of the grant. During the year, the amount released to the profit and loss account was £73,162

Analysis of debt:

In 2003 InHealth Group entered into a 7 year £47 million funding agreement with the Bank of Scotland. This consists of a £15 million term loan facility, £25 million revolving credit facility, £7 million committed working capital facility. These facilities are secured by full legal security over all of the assets of the Group.

| | Group 30/09/2005 £000 | Group 30/09/2004 £000 | Company 30/09/2005 £000 | Company 30/09/2005 £000 |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| The loan facility can be analysed as falling due: | | | | |
| Within 1 Year | 797 | - | 797 | - |
| Between two and five years | 14,203 | - | 14,203 | - |
| | <u>15,000</u> | <u>-</u> | <u>15,000</u> | <u>-</u> |

The interest margin on the loan will depend on the company's debt to EBITDA ratio and varies between 1.15% and 1.6% over base rate.

The directors anticipate that with careful management and achievement of forecast profits, the margin should be 1.15% or 1.25%

Notes (continued)

14 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases and hire purchase contracts is as follows:

| | Group 30/09/2005 £000 | Group 30/09/2004 £000 | Company 30/09/2005 £000 | Company 30/09/2004 £000 |
|------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Between two and five years | 712 | - | - | - |
| In the second to fifth years | 545 | - | - | - |
| | <u>1,257</u> | <u>-</u> | <u>-</u> | <u>-</u> |

15 Provisions for liabilities and charges

| | Other Provisions £000 | Taxation including deferred taxation £000 | Total £000 |
|---|-----------------------------|---|---------------|
| Group | | | |
| At beginning of year | - | - | - |
| Deferred tax acquired on hive down | - | 2,049 | 2,049 |
| Current year deferred tax | - | 322 | 322 |
| Contingent consideration on acquisition | 500 | - | 500 |
| | <u>500</u> | <u>2,371</u> | <u>2,871</u> |
| At end of year | 500 | 2,371 | 2,871 |
| | <u>500</u> | <u>2,371</u> | <u>2,871</u> |
| | | | |
| | Other Provisions £000 | Taxation including deferred taxation £000 | Total £000 |
| Company | | | |
| At beginning of year | - | - | - |
| Deferred tax acquired on hive down | - | 1,189 | 1,189 |
| Acquisition of Subsidiary undertakings | 500 | - | 500 |
| | <u>500</u> | <u>1,189</u> | <u>1,689</u> |
| At end of year | 500 | 1,189 | 1,689 |
| | <u>500</u> | <u>1,189</u> | <u>1,689</u> |

Notes (continued)

16 Called up share capital

| | 30/09/2005 £000 | 30/09/2004 £000 |
|--|--------------------|--------------------|
| <i>Authorised</i> | | |
| Equity: 5,000,000 ordinary shares of £1 each | 5,000 | 1 |
| <i>Allotted, called up and fully paid</i> | | |
| Equity: 1,000,000 ordinary shares of £1 each | 1,000 | 1 |

On 1 November 2004, the company passed a resolution to increase the authorised share capital of the company from £1,000 to £5,000,000 by the creation of an additional 4,999,000 Ordinary shares of £1 each.

On the same day, 999,000 Ordinary shares of £1 each were issued at a value of £54 per share and a further 999 Ordinary shares of £1 each were issued at a value of £119.06 per share.

17 Reserves

Group

| | Share Premium Reserve £000 | Profit and loss account £000 | Total £000 |
|---|----------------------------------|---------------------------------------|---------------|
| At beginning of year | - | - | - |
| Premium on issuance of shares (see note 16) | 53,065 | - | 53,065 |
| Loss for the year | - | (812) | (812) |
| At end of year | 53,065 | (812) | 52,253 |

Reserves

Company

| | Share Premium Reserve £000 | Profit and loss account £000 | Total £000 |
|---|----------------------------------|---------------------------------------|---------------|
| At beginning of year | - | - | - |
| Premium on issuance of shares (see note 16) | 53,065 | - | 53,065 |
| Loss for the year | - | (1,883) | (1,883) |
| At end of year | 53,065 | (1,883) | 51,182 |

Notes (continued)

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

| Group | 30/09/2005 | Other | 30/09/2004 | Other |
|--|----------------------------|-------|----------------------------|-------|
| | Land and buildings £000 | £000 | Land and buildings £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | 244 | 246 | - | - |
| In the second to fifth years inclusive | 197 | - | - | - |
| Over five years | 337 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 778 | 246 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | | | | |
| Company | 30/09/2005 | Other | 30/09/2004 | Other |
| | Land and buildings £000 | £000 | Land and buildings £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | - | - | - | - |
| In the second to fifth years inclusive | - | - | - | - |
| Over five years | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

19 Pension Scheme

InHealth Group operates both defined contribution and defined benefit pension schemes.

The pension cost for the defined contribution scheme, for the eleven months ended 30 September 2005, which represent contributions payable by the group amounted to £227,000.

The pension cost for the group's defined benefit pension for the 11 months ending 30 September 2005 was £188,000.

Contributions to the group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by an independent qualified actuary using the projected unit method. The most recent valuation was at 01 October 2004 forward to 31 March 2005.

A full actuarial valuation of the scheme was carried out as at 1 October 2004, which has been updated to 30 September 2005 by a qualified independent actuary. The results of the actuarial valuation has shown the scheme to be in deficit by £309,000 at 30 September 2005.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,066,000 at 30 September 2005 and the assets of the scheme comprise a unitised with-profits policy held with Norwich Union. The assets have been taken as the market value of the unitised policy as at 30 September 2005 and that the actuarial value of those assets represented 77.52 % of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

Notes (continued)

19 Pension Scheme

The following figures have been prepared in compliance with the transitional provisions of FRS17.

The main actuarial assumptions are:

| | | | |
|-------------------------------|--|--|-------|
| Investment return | | | 5.75% |
| Pension escalation in payment | | | 5.00% |
| Pensionable salary growth | | | 3.25% |
| Discount rate | | | 5.50% |
| Inflation | | | 2.80% |

The assets in the scheme and the expected rate of return were:

| | | Expected return for 2005/06 (%) | Value at 30 September 2005 (£) |
|--|--|---------------------------------------|--------------------------------------|
| Unitised with profits policy | | 5.75% | £1,066,000* |
| Total market value of assets | | | £1,066,000 |
| Present value scheme liabilities | | | (£1,375,000) |
| | | | |
| Deficit in the scheme | | | (£309,000) |
| Related deferred tax asset/(liability) | | | |
| | | | |
| Net pension liability | | | (£309,000) |

* includes net current assets due for investment of £12,000 as at 30 September 2005 and £62,000 as at 31 March 2005.

Notes (continued)

19 Pensions Scheme

If FRS17 had been fully adopted in these financial statements, the pension cost for the defined benefit scheme would have been:

Analysis of the amount charged to operating profit:

| | | For the 6 months to 30 September 2005 (£) |
|---|--|---|
| Current service cost | | £71,000 |
| Past service cost | | Nil |
| Previously unrecognised surplus deducted from the past service cost | | Nil |
| Gains and losses on settlements or curtailments | | Nil |
| Previously unrecognised surplus deducted from settlements or curtailment losses | | Nil |
| Total operating charge | | £71,000 |

The projected unit valuation method has been used to arrive at the above service cost. The use of this method is prescribed in FRS17. To produce a stable future contribution rate this valuation method assumes that the average age of the scheme membership will remain broadly constant in future due to a flow of new entrants to the scheme. If a scheme is closed to new members this will not be the case and the costs of benefits accruing, as a percentage of pensionable salaries, will be expected to increase over time.

Analysis of the amount credited to other finance income:

| | | For the 6 months to 30 September 2005 (£) |
|--|--|---|
| Expected return on pension Scheme assets | | £30,000 |
| Interest on pension Scheme liabilities | | (£32,000) |
| Net return | | (£2,000) |

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL) on adoption of FRS17:

| | | For the 6 months to 30 September 2005 (£) |
|---|--|---|
| Actual return less expected return on pension Scheme assets | | (£20,000) |
| Experience gains and losses arising on the Scheme liabilities | | £6,000 |
| Changes in assumptions underlying the present value of the Scheme liabilities | | (£144,000) |
| Actuarial loss recognised in STRGL | | (£158,000) |

Notes (continued)

19 Pensions Scheme

Movement in deficit during the year:

| | | For the 6 months to 30 September 2005 (£) |
|--|--|---|
| Surplus/(deficit) in Scheme at 31 March 2005 | | (£206,000) |
| <i>Movement in year:</i> | | |
| Current service cost | | (£71,000) |
| Contributions paid by the employer | | £128,000 |
| Past service costs | | Nil |
| Other finance income | | (2,000) |
| Actuarial loss | | (£158,000) |
| Surplus/(deficit) in Scheme at the end of the year | | (£309,000) |

Over the 11 months to 30 September 2005 the employer contributed at 27.8% of pensionable salaries subject to review at future actuarial valuations. In addition, the employer contributed to a single premium of £101,000 during September 2005. The costs of insuring death in service benefits were payable in addition.

History of experience gains and losses:

| | | For the 6 months to 30 September 2005 (£) |
|---|--|---|
| Difference between the expected and actual return on Scheme assets: | | |
| amount (£) | | (£20,000) |
| % of Scheme assets | | 2% |
| Experience gains and losses on Scheme liabilities: | | |
| amount (£) | | £6,000 |
| % of present value of Scheme liabilities | | <1% |
| Actuarial loss: | | |
| amount (£) | | (£158,000) |
| % of present value of Scheme liabilities | | -11% |

Notes *(continued)*

20 Reconciliation of operating profit to operating cash flows

| | 30/09/2005 Total £000 | 30/09/2004 Total £000 |
|---|-----------------------------|-----------------------------|
| Operating profit | 623 | - |
| Depreciation and write down of fixed assets | 6,440 | - |
| Amortisation of goodwill | 1,144 | - |
| Profit on sale of fixed assets | (17) | - |
| Increase in stocks | (6,733) | - |
| Increase in debtors | (15,819) | - |
| Increase in creditors | 12,428 | - |
| Adjustment to carrying value of Joint Arrangement | (434) | - |
| Increase in provisions | 500 | - |
| Net assets acquired on 01 November 2004 from InHealth Group S.A. | 9,140 | - |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 7,272 | - |
| | <hr/> | <hr/> |

Notes *(continued)*

21 Analysis of cash flows

| | Year Ended 30/09/05 | Year Ended 30/09/05 | Year Ended 30/09/04 | Year Ended 30/09/04 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Returns on investment and servicing of finance | | | | |
| Net interest paid | (995) | | - | |
| Interest element of finance lease rental payments | (109) | | - | |
| | <hr/> | (1,104) | <hr/> | - |
| | | <hr/> | | <hr/> |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | (3,786) | | - | |
| Sale of tangible fixed Assets | 1,005 | | - | |
| | <hr/> | (2,781) | <hr/> | - |
| | | <hr/> | | <hr/> |
| Acquisitions and disposals | | | | |
| Purchase of subsidiary undertaking (see note 23) | (3,450) | | - | |
| Cash acquired with subsidiary | 292 | | - | |
| | <hr/> | (3,158) | <hr/> | - |
| | | <hr/> | | <hr/> |
| Management of liquid resources | | | | |
| Cash inflow from sale of investments | - | | - | |
| | <hr/> | - | <hr/> | - |
| | | <hr/> | | <hr/> |
| Financing | | | | |
| Debt due after more than one year: | | | | |
| Capital element of finance lease rental payments | (491) | | - | |
| | <hr/> | (491) | <hr/> | - |
| | | <hr/> | | <hr/> |

Notes (continued)

22 Analysis of net debt

| | At beginning of period | Cash flow | At end of Year 30/09/2005 |
|-------------------------|------------------------------|-----------------|---------------------------------|
| | £000 | £000 | £000 |
| Overdrafts | - | (4,481) | (4,481) |
| | - | (4,481) | (4,481) |
| Debt due after one year | - | (15,000) | (15,000) |
| Finance leases | - | (1257) | (1257) |
| Total | - | (20,738) | (20,738) |

23 Acquisition of BDF Healthcare Limited

On 31 July 2005, a whole new subsidiary, BDF Healthcare Limited was acquired for £3,450,000 (including professional fees). The fair value of BDF's identifiable assets and liabilities at the date of acquisition (including goodwill) were as follows:

Net Assets Acquired

| | £000 |
|---------------------------------------|---------|
| Goodwill | 1,479 |
| Tangible Assets | 1,363 |
| Stock | 1,200 |
| Debtors | 1,324 |
| Cash | 292 |
| Current Liabilities | (1,278) |
| Creditors due after more than 1 year | (811) |
| Provision for liabilities and charges | (117) |
| | 3,450 |
| Satisfied by: | |
| Cash | 3,450 |

24 InHealth Group SA

On 1 November 2004, the trade and assets of InHealth Group SA was acquired via a hive down by InHealth Group Limited. The consideration for the acquisition was shares with a value of £54,065,000. The fair value of BDF's identifiable assets and liabilities at the date of acquisition (including goodwill) were as follows:

Net Assets Acquired

| | |
|--|--------------------|
| | £000 |
| Goodwill | 23,358 |
| Tangible Assets | 43,655 |
| Investments | 692 |
| Stock | 6,797 |
| Debtors | 12,904 |
| Current liabilities | (14,620) |
| Creditors due after more than 1 year | (16,725) |
| Provisions for liabilities and charges | (1,996) |
| | <hr/> <hr/> 54,065 |
| Satisfied by: | <hr/> <hr/> |
| Shares | 54,065 |
| | <hr/> <hr/> |

25 Ultimate parent company and parent undertaking of larger group

Up until 30 September 2005, InHealth Group Limited was a wholly owned subsidiary of Pegasus Management (Holdings) SCA, a societe en commandite par actions incorporated in Luxembourg ("Pegasus"). The general partner of Pegasus is Pegasus Management S.a.r.l., a Luxembourg company controlled by Ivan Bradbury. The ordinary share capital of Pegasus is held by a number of individual and corporate investors.

On 1 October 2005, Pegasus transferred all its shares in InHealth Group Limited to InHealth Group Holdings plc, a wholly owned subsidiary of Pegasus.