

InHealth Group Holdings PLC

**Directors' report and consolidated
financial statements**

Registered number 05578428

30 September 2006



INHEALTH GROUP HOLDINGS PLC

COMPANY INFORMATION

Directors	I Bradbury Sir A D Chessells A J Gibson P J Whitecross
Secretary	P Whitecross
Company Number	05578428
Registered Office	Beechwood Hall Kingsmead Rd High Wycombe Buckinghamshire HP11 1JL
Auditors	KPMG LLP 8 Salisbury Square London United Kingdom EC4Y 8BB

INHEALTH GROUP HOLDINGS PLC

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INHEALTH GROUP HOLDINGS PLC

DIRECTORS' REPORT PERIOD ENDED 30 SEPTEMBER 2006

The Directors present their first directors' report and the financial statements for the 12 month period ended 30 September 2006

Business review and principle activity

InHealth Group Holdings PLC was incorporated on 29 September 2005. The principle activity of the company is that of a holding company. On 10 October 2005 InHealth Group Holdings PLC acquired the entire share capital of InHealth Group Limited.

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.

Investment has been made for future opportunities by developing a skilled major bids team. These costs have been shown separately on the face of the profit and loss account as they relate to specific contract bids as opposed to the current trading of the Group. The Group's success in these bids is discussed below.

The Group incurred costs of approximately £172,000 to consolidate the two Rocialle InHealth manufacturing sites under one single roof. This move took place during the period April to June 2006. The Cambridge based operation moved across to Mountain Ash, South Wales, where the purpose built clean room facility already had sufficient capacity to comfortably absorb the additional activity. The transition went across with minimal disruption.

Changes within the Group

On the 12th June 2007 the Group completed the sale of InHealth Clinical Solutions Limited and InHealth Sterile Services Limited to Sunlight Service Group Limited, a subsidiary of The Davis Service Group PLC.

This sale followed the recent success of the Group in securing major new contracts within the Diagnostic and Imaging sub group. The Group has clear ambitions to continue to expand in this area. In particular, a contract to supply a wide range of diagnostics procedures in the London region was awarded to InHealth Netcare Limited (a joint venture between InHealth Diagnostics & Imaging and Netcare UK). This contract was signed in December 2006 with service delivery commencing in April 2007. Negotiations continue on other centrally procured and other diagnostic contracts.

The Directors believe that the market opportunities in the diagnostic and imaging market are significant with the advent of Patient Choice, Practice Based Commissioning and Payment By Results. When these very significant initiatives are considered in the light of the fact that the UK is already significantly underprovided with diagnostics by comparison to European norms, we believe this will create many new opportunities and potential for growth.

After careful consideration, the Board therefore decided that the future direction of the Group would be best served by focusing all of its efforts into the Diagnostic and Imaging business and ensuring that our growth in this area is maximised.

Teamwork and culture contribute to results

Teamwork has continued to be the centre pin of the Group's success in winning tenders and achieving deadlines. This bid work has been central to managements focus this period as part of the long term strategy to secure the Group's position as the market leader of Diagnostic services in the UK.

As a result the Group has invested £2.6 million in bid costs during the period (see note 4). As outlined above the benefits of this investment in bids costs are already coming to fruition.

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 periods 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 again 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 period.

INHEALTH GROUP HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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.

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

Summary overview

The Directors are satisfied with the results in light of the significant long term investments being made to ensure the future growth of the business.

The Group accounts include 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.

The operating loss for the period before goodwill amortisation and bid costs amounted to £283,000.

Financial risk management

The company's operations expose it to certain financial risks such as credit risk, liquidity risk and interest rate risk.

Credit risk

The company's principal financial assets are bank balances, cash and trade debtors, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade debtors. The company has high concentration of credit risk. The Directors provide robust guidelines to minimise credit risk however given the nature of its customers, the company does not have significant exposure in this area.

Liquidity risk

The company's policy has been to ensure continuity of funding for operations via additional credit facilities to aid short-term flexibility.

Interest rate risk

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

Proposed dividend

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

Payment policy

It is the Group's normal procedure to agree terms of transactions, including payment patterns, with suppliers in advance and to adhere to those patterns when making payments. As at 30 September 2006 the company had 57 days purchases outstanding in creditors.

INHEALTH GROUP HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2006

The directors who held office during the period were as follows

B R Ally	(appointed 29 September 2005, resigned 30 September 2005)
M R Henderson	(appointed 29 September 2005, resigned 30 September 2005)
I Bradbury	(appointed 1 January 2006)
Sir A D Chessells	(appointed 1 January 2006)
A J Gibson	(appointed 30 September 2005)
P J Whitecross	(appointed 30 September 2005)

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

None of the directors who held office at the beginning or end of the financial period had any disclosable interest in the shares of the company

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

Political and charitable contributions

Neither the company nor any of its subsidiaries made any disclosable political or charitable donations or incurred any political expenditure during the period

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware there is no relevant audit information of which the group's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

On behalf of the board



P Whitecross
Director

Beechwood Hall
Kingsmead Road
High Wycombe
Buckinghamshire
HP11 1JL

31 JULY 2007
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INHEALTH GROUP HOLDINGS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit and loss for that period

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INHEALTH GROUP HOLDINGS PLC

We have audited the group and parent company financial statements (the "financial statements") of InHealth Group Holdings PLC for the period ended 30 September 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised and Losses, the Reconciliations of Movements in Shareholders Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 the directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and company'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INHEALTH GROUP HOLDINGS PLC (CONTINUED)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 September 2006 and of the loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP

Chartered Accountants
Registered Auditor

31 July

2007

INHEALTH GROUP HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	Note	Before amortisation and exceptional items £000	Amortisation and non- recurring items £000	2006 £000
Turnover	2			70,783
- Acquisitions		70,783	-	
- Continuing operations		-	-	
Cost of sales		(54,138)	-	(54,138)
Gross profit		16,645	-	16,645
Distribution costs		(481)	-	(481)
Bid and non – recurring administrative expense	4	-	(602)	(602)
Amortisation of goodwill	3	-	(1,523)	(1,523)
Other administrative expenses	3	(16,447)	-	(16,447)
Total administrative costs		(16,447)	(2,125)	(18,572)
Operating (loss)/profit				
Acquisitions		(283)	(2,125)	(2,408)
Continuing operations		-	-	-
Other interest receivable and similar income	7			1,315
Interest payable and similar charges	8			(2,613)
Loss on ordinary activities before taxation				(3,706)
Tax on profit on ordinary activities	9			2,395
Loss for the financial period	20			(1,311)

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

INHEALTH GROUP HOLDINGS PLC

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2006

	Note	2006 £000	2006 £000
Fixed assets			
Intangible assets	10	23,520	
Tangible assets	11	42,661	
			66,181
Current assets			
Stocks	13	8,201	
Debtors	14	20,362	
		28,563	
Creditors amounts falling due within one period	15	(21,800)	
Net current assets			6,763
Total assets less current liabilities			72,944
Creditors amounts falling due after more than one year	16		(19,702)
Provisions for liabilities and charges	17		(119)
Net assets excluding pension assets			53,123
Pension liabilities	22		(285)
Net assets including pension liabilities			52,838
Capital and reserves			
Called up share capital	19		1,050
Share premium account	20		53,027
Profit and loss account	20		(1,239)
Shareholders funds			52,838

These financial statements were approved by the board of directors on 31 July 2007 and were signed on its behalf



Philip Whitecross
Director

INHEALTH GROUP HOLDINGS PLC

COMPANY BALANCE SHEET AT 30 SEPTEMBER 2006

	Note	£000	2006 £000
Fixed assets			
Investments	12	54,064	
			54,064
Current assets			
Debtors	14	31	
		31	
Creditors amounts falling due within one period	15	(18)	
Net current assets			13
Net assets			54,077
Capital and reserves			
Called up share capital	19		1,050
Share premium account	20		53,027
Profit and loss account	20		-
Shareholders funds			54,077

These financial statements were approved by the board of directors on 31 July 2007 and were signed on its behalf by



Philip Whitecross
Director

INHEALTH GROUP HOLDINGS PLC

CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	Note	2006 £000
Cash flow statement		
Cash flow from operating activities	23	6,176
Returns on investments and servicing of finance	24	(1,290)
Taxation		388
Capital expenditure and financial investment	24	(8,993)
Acquisitions and disposals	24	(4,481)
		<hr/>
Cash inflow before management of liquid resources and financing		(8,200)
Management of liquid resources	24	24
Financing	24	4,372
		<hr/>
Decrease in cash in the period		(3,804)
		<hr/>
Reconciliation of net cash flow to movement in net debt	25	
Decrease in cash in the period		(3,804)
Cash inflow from increase in debt and lease financing		(20,630)
		<hr/>
Change in net debt resulting from cash flows		(24,434)
		<hr/>
Movement in net debt in the period		(24,434)
		<hr/>
Net debt at the end of the period		(24,434)
		<hr/>

INHEALTH GROUP HOLDINGS PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	2006
	£
Loss for the financial period	(1,311)
Actuarial loss recognised in the pension scheme	(22)
Deferred tax arising on losses in the pension scheme	94
	<hr/>
Total recognised gains and losses relating to the financial period	(1,239)
	<hr/>

INHEALTH GROUP HOLDINGS PLC

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	Group 2006 £000	Company 2006 £000
Loss for the financial period	(1,311)	-
Other recognised gains and losses relating to the period (net)	72	-
New Share Capital subscribed (see note 19)	54,077	54,077
Net addition to shareholders funds	52,838	54,077
Opening shareholders funds	-	-
Closing shareholders' funds	52,838	54,077

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS PERIOD ENDED 30 SEPTEMBER 2006

1 Accounting policies

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

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date'
- the presentation requirements of FRS 25 'Financial Instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

FRS 21 'Events after the balance sheet date' and FRS 25 'Financial Instruments presentation and disclosure' have had no material effect on the financial statements

1.1 Basis of preparation

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

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2006. Subsidiaries with an accounting reference date other than 30 September have been consolidated on the basis of management accounts made up to 30 September 2006

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

Where a group company is party to a joint arrangement which is not an entity that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis

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

1.3 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

1.4 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 of twenty years. 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

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

1 Accounting policies (*continued*)

1.5 Intangible fixed assets

Subsequent to appointment as preferred bidder, bid costs are capitalised and held on the balance sheet provided the award of the contract is virtually certain and is expected to generate net cash flow to allow recovery of bid costs

Bid costs are amortised over the life of the contract

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis

Freehold property	-	straight line over 50 years
Short term Leasehold property	-	over the lease term
Fixtures and fittings	-	4 - 10 years straight line
Plant and machinery, including computer equipment	-	3 - 10 years straight line
Motor vehicles	-	4 - 6 years straight line

No depreciation is provided on freehold land

1.7 Government grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the asset. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred

1.8 Operating leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

Rentals payable under operating leases where all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the lease term

1.9 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

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

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

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

Also included within the stock balance at the period end are consumable items which are not held for re-sale

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

1 Accounting policies (*continued*)

1 11 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

1 12 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

1 13 Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except otherwise required by Financial Reporting Standard 19 'Deferred Taxation'

2 Turnover

The whole turnover is attributable to the principle activity of the company All turnover arose within the United Kingdom

3 Notes to the profit and loss account

	2006
<i>Loss on ordinary activities before taxation is stated after charging</i>	£000
Auditors' remuneration	
Audit of these financial statements	109
Amounts receivable by auditors and their associated in respect of	
Other services relating to taxation	48
	<hr/>
	2006
	£000
Depreciation and other amounts written off tangible fixed assets	
Owned	7,098
Leased	372
Profit on disposal fixed assets and investments	137
Amortisation of goodwill	1 523
Hire of other land and buildings	937
Hire of other assets – operating leases	188
Research and development	62
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4 Bid and non-recurring administrative expense

During 2006 the manufacturing operations of Rocaille InHealth were consolidated into one purpose built facility, which resulted in 20 redundancies within the Group These costs, plus the relocation of stock and associated disruption are recognised by the business as being exceptional charges, totalling £172,000, for the period in the operation of the Group

In addition the Group incurred bid costs of £2,147,000 in relation to the preparation of tenders for both the national decontamination programme and national diagnostics contracts A reimbursement of bid costs totalling £1,717,000 was received from Pegasus Management (Holdings) SCA These costs have been shown separately on the face of the profit and loss account as they relate to specific contract bids as opposed to the current trading of the Group The Group has capitalised £473,000 of post preferred bidder costs (see note 10)

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

5 Staff numbers and costs

The average number of persons employed by the group (excluding directors) during the period, analysed by category, was as follows

	2006
	Number of employees
Sales and product development	66
Operations	834
Administration	131
	<hr/>
	1,031
	<hr/>

Staff costs, excluding directors' remuneration, were as follows

	2006
	£000
Wages and salaries	19,826
Social security costs	2,017
Other pension costs	546
	<hr/>
	22,389
	<hr/>

6 Remuneration of Directors

	2006
	£000
Directors' emoluments	599
Company contributions to money purchase pension schemes	49
	<hr/>
	648
	<hr/>

The aggregate of emoluments of the highest paid director was £360,883 (2005 £307,000), (and company pension contributions of £29,642 (2005 £22,000) were made to a defined contribution scheme on his behalf)

Retirement benefits are accruing to the following number of directors

	2006
	Number of directors
Defined contribution scheme	2
	<hr/>

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

7 Interest receivable and similar income

	2006 £000
Bank interest receivable	1,315

8 Interest payable and similar charges

	2006 £000
Bank loans and overdrafts	2,544
Finance charges payable in respect of finance leases and hire purchase contracts	61
Other finance charges	8
	<u>2,613</u>

9 Taxation

Analysis of charge in the period

	2006 £000
<i>UK corporation tax</i>	
Current tax on income for the period	-
Adjustments in respect of prior periods	(921)
	<u>(921)</u>
Total current tax	(921)
Deferred tax credit (see note 17)	(1,474)
	<u>(2,395)</u>

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

9 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the U K , 30% The differences are explained below

	Period ended 30 September 2006 £000
Current tax reconciliation	
Loss on ordinary activities before tax	(3,706)
	<hr/>
Current tax charge 30% (2005 30 %)	(1,112)
<i>Effects of</i>	
Expenses not deductible for tax purposes	1,102
Income not taxable	(557)
Costs of fundamental reorganisation not deductible for tax purposes	52
Depreciation for period in excess of capital allowances	505
Utilisation of tax losses	-
Other short term timing differences	10
Adjustments to tax charge in respect of previous periods	(921)
	<hr/>
Total current tax charge (see above)	(921)

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

10 Intangible fixed assets

	Goodwill	Bid costs	Total
	£000	£000	£000
Group			
Cost			
Additions	25,558	473	26,031
Adjustment	(796)	-	(796)
Disposals	(192)	-	(192)
	<u>24,570</u>	<u>473</u>	<u>25,043</u>
Amortisation			
Charged in period	1,523	-	1,523
At end of period	<u>1,523</u>	<u>-</u>	<u>1,523</u>
Net book value			
At 30 September 2006	<u>23,047</u>	<u>473</u>	<u>23,520</u>

As outlined in the Directors' Report a significant focus within the period has been to secure long term growth of the Group by tendering and negotiating for new diagnostic contracts. In particular, a contract to supply a wide range of diagnostics procedures in the London region was awarded to InHealth Netcare Limited (a joint venture between InHealth Diagnostics & Imaging and Netcare UK). This contract was signed in December 2006 with service delivery commencing in April 2007. Under this contract Lister InHealth will be responsible for the provision of the majority of imaging procedures, including MRI and X-Ray, through both existing static and new mobile sites. The additions to intangible assets during the period relate to post preferred bidder costs incurred in relation to this contract. These costs have been capitalised as the contract did not commence until after the period end. These costs will be amortised over the contract period of 5 periods.

The reduction in the Goodwill value of £796,000 relates to the release of contingent consideration in relation to the acquisition of the BDF Group. The conditions for full payment of the contingent consideration, which totalled £1 million, have not been met and therefore the excess provision of £796,000 has been released and the Goodwill value reduced accordingly. As shown on note 16 £500,000 has been released from provisions, the remaining £296,000 being a reduction in accruals.

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

11 Tangible fixed assets

	Short term Leasehold Property	Freehold Property	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	Total
Group	£000	£000	£000	£000	£000	£000
Cost						
Additions	8,145	9,720	28,315	1,995	2,605	50,780
Reclassification	56	-	47	(274)	127	(44)
Disposals	(65)	(6)	(1,810)	(372)	(352)	(2,605)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	8,136	9,714	26,552	1,349	2,380	48,131
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
Reclassification	(1)	-	(7)	28	(98)	(78)
Charge for year	509	199	5,551	402	809	7,470
Disposals	(58)	(6)	(1,465)	(256)	(137)	(1,922)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	450	193	4,079	174	574	5,470
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 30 September 2006	7,686	9,521	22,473	1,175	1,806	42,661
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	Total
	£000	£000	£000	£000
Cost	1,045	66	18	1,129
Depreciation charge	(331)	(35)	(6)	(372)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2006	714	31	12	757
	<hr/>	<hr/>	<hr/>	<hr/>

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

12 Fixed asset investments

Company	Investment in Subsidiaries £000	Total £000
Cost		
Additions	54,064	54,064
At end of period	54,064	54,064

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 period end is more than 20% are as follows

	Country of incorporation	Principal Activity	Description of Shares held	Percentage of shares held
Subsidiaries of InHealth Group PLC				
Direct Subsidiary				
InHealth Group Limited	England and Wales	Investment holding company	£1 Ordinary Shares	100%
Subsidiaries of InHealth Group Limited				
InHealth Diagnostic & Imaging Ltd	England and Wales	Administration services	£1 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%
InHealth Properties Ltd	England and Wales	Property administration	£1 Ordinary Shares	100%
InHealth Facilities Management Ltd	England and Wales	Provision of Facilities management	£1 Ordinary Shares	100%
Subsidiaries of InHealth Diagnostic and Imaging Limited				
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%
Quantum Imaging Ltd	England and Wales	Providing myocardial perfusion imaging services	50p Ordinary Shares	100%
InHealth (ACAD) Ltd	England and Wales	Provision and Servicing of medical equipment	£1 Ordinary Shares	100%
Molecular Imaging Solutions Ltd	England and Wales	Provision of Scanning Services	£1 Ordinary Shares	100%
Mobile P E T Leasing Ltd	England and Wales	Leasing PET scanners	£1 Ordinary Shares	100%
Subsidiaries of InHealth Sterile Services Limited				
InHealth Decontamination Services (Cardiff) Ltd	England and Wales	Provision of Sterilisation services	£1 Ordinary Shares	100%
Subsidiaries of InHealth Clinical Solutions Limited				
Rocaille InHealth Ltd	England and Wales	Provide theatre and procedure packs	£1 Ordinary Shares	100%
BDF Holdings Ltd	Scotland	Administration services	£1 Ordinary Shares	100%

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

12 Fixed asset investments (*continued*)

Subsidiaries of BDF Holdings Limited

BDF Healthcare Limited	Scotland	Provision of medical supplies	£1 Ordinary Shares	100%
BDF Limited	Scotland	Manufacture of medical textiles and dental floss	£1 Ordinary Shares	100%

Subsidiaries of InHealth Properties Limited

Primary Care Advisory Limited	England and Wales	Dormant	£1 Ordinary Shares	100%
InHealth Limited	England and Wales	Dormant	£1 Ordinary Shares	100%

13 Stocks

	Group 2006 £000	Company 2006 £000
Raw materials	4,651	-
Consumables	270	-
Work in progress	246	-
Finished goods and goods for resale	3,034	-
	<hr/>	<hr/>
	8,201	-
	<hr/>	<hr/>

14 Debtors

	Group 2006 £000	Company 2006 £000
Trade debtors	14,534	-
Amounts owed by group undertakings	2,808	13
Other debtors	511	18
Prepayments and accrued income	2,509	-
	<hr/>	<hr/>
	20,362	31
	<hr/>	<hr/>

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

15 Creditors amounts falling due within one year

	Group	Company
	2006	2006
	£000	£000
Bank Loans and overdrafts (secured)	4,867	-
Obligations under finance leases and hire purchase contracts	495	-
Trade creditors	7,466	-
Other creditors	1,003	18
Taxation and social security	2,957	-
Corporate taxation	534	-
Accruals and deferred income	4,478	-
	<u>21,800</u>	<u>18</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

16 Creditors amounts falling due after more than one year

	Group	Company
	2006	2006
	£000	£000
Bank loans (Secured)	18,937	-
Obligations under finance leases and hire purchase contracts	135	-
Deferred income – Government Grants	630	-
	<u>19,702</u>	<u>-</u>

Deferred income – government grants

Deferred income represents Government grants of £630,000 which are being amortised over the life of the grant

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

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

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 (£5 million of which is drawn), £7 million committed working capital facility. These facilities are secured by full legal charge over all of the assets of the Group.

	Group 2006 £000	Company 2006 £000
The drawn loan facility can be analysed as falling due		
Within 1 Year	1,063	-
Between two and five years	18,937	-
	<hr/>	<hr/>
	20,000	-
	<hr/>	<hr/>

The interest margin on the loan will depend on the company's debt to EBITDA ratio and varies between 1.15% and 1.75% over base rate.

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

	Group 2006 £000	Company 2006 £000
Within one year	495	-
In the second to fifth years	135	-
	<hr/>	<hr/>
	630	-
	<hr/>	<hr/>

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

17 Provisions for liabilities and charges

	Other Provisions £000	Taxation including deferred taxation £000	Total £000
Group			
At beginning of period	-	-	-
Acquired with subsidiaries	500	2,371	2,871
Credit to the profit and loss account (see note 9)	-	(1,474)	(1,474)
Reclassification	-	(778)	(778)
Release of contingent consideration on acquisition (see note 10)	(500)	-	(500)
	<hr/>	<hr/>	<hr/>
At end of period	-	119	119
	<hr/>	<hr/>	<hr/>

The elements of deferred taxation are as follows

	2006
	£000
Deferred tax liability	
Accelerated capital allowances	277
Other timing differences	(158)
	<hr/>
	119
	<hr/>

The company has no provisions for liabilities or charges during the period or at 30 September 2006

The unrecognised deferred tax asset is made up as follows

	2006
	£000
Group	
Accelerated capital allowances	(290)
Other timing differences	(20)
Utilised losses	(235)
	<hr/>
Accelerated capital allowances	(545)
	<hr/>

Deferred tax assets are only recognised to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. The company did not recognise a deferred tax asset in the period due to uncertainty as to the timing of the realisation of the amount. There are no unprovided deferred tax liabilities.

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

18 Acquisitions

On 10 October 2005 the Company acquired all of the ordinary shares of InHealth Group Limited. The resulting goodwill of was capitalised and will be written off 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.

	Book value	Fair value
	£000	£000
Fixed assets		
Intangible	24,746	24,746
Tangible	41,474	41,474
Investments	435	435
	<hr/>	<hr/>
Current assets		
Stock	7,933	7,933
Debtors	17,143	17,143
	<hr/>	<hr/>
Total assets	91,731	91,731
	<hr/>	<hr/>
Short term liabilities	(19,174)	(19,174)
Long term liabilities	(16,433)	(16,433)
Provisions	(2,871)	(2,871)
	<hr/>	<hr/>
Total liabilities	(38,478)	(38,478)
	<hr/>	<hr/>
Net assets	53,253	
	<hr/>	
Goodwill		811
		<hr/>
Purchase consideration and costs of acquisition		54,064
		<hr/>

For all assets and liabilities the book value is considered to be the fair value at the acquisition date, as InHealth Group Limited has continued operations as it had previously.

The purchase consideration was settled by way of a share for share exchange. In return for shares in InHealth Group Limited, Pegasus Management Holdings S C A, received shares in InHealth Group Holdings PLC.

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

19 Called up share capital

	2006 £000
Authorised	
1,050,000 ordinary shares of £1 each	1,050
Allotted, called up and fully paid	
1,050,000 ordinary shares of £1 each	1,050

On incorporation the company held an authorised share capital of 20,000,000 ordinary shares of £1 each, of which two shares were issued at par. One share was issued to Dragon Nominees Limited and the other to Cannon Nominees Limited. On the same day these shares were transferred from these two companies, to Pegasus Management (Holdings) S C A at par value.

On 3 October 2005 49,998 ordinary shares of £1 each were issued at £0.25 to Pegasus Management (Holdings) S C A, which have been settled in cash. On the same date a further 1,000,000 ordinary shares of £1 each were issued to the same company for £54,026,500. This second issue of shares were issued as consideration for the purchase of InHealth Group Limited (see note 18) and are therefore fully paid.

On 10 October the 49,998 ordinary shares of £1 each that had been originally issued at £0.25 on 3 October 2005 each were re-issued at par. The additional £0.75 generated from this issue was paid for by way of consideration for the purchase of InHealth Group Limited (see note 18).

20 Reserves

	Share Premium £000	Profit and loss account £000	Total £000
Group			
Premium on issuance of shares (see note 19)	53,027	-	53,027
Loss for the period	-	(1,311)	(1,311)
Actuarial loss recognised in the pension scheme	-	(22)	(22)
Deferred tax arising on losses in the pension scheme	-	94	94
At end of period	53,027	(1,239)	51,788
Company			
Premium on issue of shares (see note 19)	53,027	-	53,027
Loss for the period	-	-	-
At end of period	53,027	-	53,027

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

21 Commitments

Annual commitments under non-cancellable operating leases are as follows

Group	Land and buildings £000	2006
		Other £000
Operating leases which expire		
Within one year	147	-
In the second to fifth years inclusive	148	767
Over five years	650	-
	<hr/>	<hr/>
	945	767
	<hr/>	<hr/>

The company has no other financial commitments as at the period end

22 Pension Scheme

InHealth Group operates both defined contribution and defined benefit pension schemes

The pension cost for the defined contribution scheme for the period ended 30 September 2006, which represents contributions payable by the group amounted to £432,000 (2005 £439,000)

Contributions amounting to £41,000 (2005 £157,000) were payable to the scheme and are included in creditors

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 30 September 2006.

A full actuarial valuation of the scheme was carried out as at 30 September 2006 by a qualified independent actuary. The results of the actuarial valuation have shown the scheme to be in deficit by £407,000 at 30 September 2006.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,101,000 at 30 September 2006 and the assets of the scheme comprise a unitised with-profits policy held with Norwich Union.

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.

The major assumptions used by the actuary were (in normal terms)

	Valuation at 30 September 2006
Investment return	5 50% pa
Pensionable salary growth	4 60% pa
Pension escalation in payment	5 00% pa
Discount rate	5 10% pa
Inflation	3 10% pa

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

22 Pension Scheme (*continued*)

The assets in the Scheme and the expected rate of return were

	Expected return for 2005/06	Value at 30 September 2006 £000
Utilised with profits policy	5.50%	1,101
Total market value of assets		1,101
Present value Scheme liabilities		(1,508)
Deficit in the Scheme		(407)
Related deferred tax asset		122
Net pension liability		(285)

Analysis of other pension costs charged in arriving at operating loss

	For the period ended 30 September 2006 £000
Current service cost	(133)
Past service cost	(57)
Total operating charge	(190)

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.

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

22 Pension Scheme (*continued*)

Analysis of the amount credited to other finance income

	2006 £000
Expected return on pension Scheme assets	59
Interest on pension Scheme liabilities	(67)
	<hr/>
Net return	(8)
	<hr/>

Analysis of the amount recognised in the statement of total recognised gains and losses

	2006 £000
Experience gains and losses arising on the Scheme liabilities	
Actual return less expected return on pension Scheme assets	45
Experience gains and losses arising on the Scheme liabilities	19
Changes in assumptions underlying the present value of the Scheme liabilities	(86)
	<hr/>
Actuarial loss recognised in statement of recognised gains and losses	(22)
	<hr/>

Movement in the present value of defined benefit obligation

	2006 £000
Deficit in Scheme at the beginning of the period	(309)
<i>Movement in period</i>	
Current service cost	(133)
Contributions paid by the employer	122
Past service costs	(57)
Other finance income	(8)
Actuarial loss	(22)
	<hr/>
Deficit in Scheme at the end of the period	(407)
	<hr/>

Over the period to 30 September 2006 the employer contributed £114,000. The cost of insuring the death in service benefits was paid in addition to this amount.

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

22 Pension Scheme (*continued*)

History of experience gains and losses

	For the period ended 30 September 2006 £000
Difference between the expected and actual return on Scheme assets	
Amount (£)	45
Percentage of Scheme assets	4%
Experience gains and losses on Scheme liabilities	
Amount (£)	19
Percentage of present value of Scheme liabilities	1%
Total amount recognised in the Statement of recognised gains and losses	
Amount (£)	(22)
Percentage of present value of Scheme liabilities	-1%

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

23 Reconciliation of operating profit to operating cash flows

	2006 Total £000
Operating loss	(2,408)
Depreciation and write down of Fixed Assets	7,470
Amortisation of Goodwill and fair value adjustment	1,523
Profit on sale of fixed assets	(137)
(Increase) in stocks	(268)
(Increase) in debtors	(3,207)
Increase in creditors	2,792
Reclassification of Investment	411
	<hr/>
Net cash inflow from operating activities	6,176
	<hr/>

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*) PERIOD ENDED 30 SEPTEMBER 2006

24 Analysis of cash flows

Period ended
30 September 2006

Returns on investment and servicing of finance

Interest received	1,315	
Net interest paid	(2,544)	
Interest element of finance lease rental payments	(61)	
		<u>(1,290)</u>

Capital expenditure and financial investment

Purchase of intangible fixed assets	(473)	
Sale of tangible fixed assets	(9,306)	
Sale of tangible fixed assets	786	
		<u>(8,993)</u>

Acquisitions and disposals

Purchase of subsidiary undertaking	-	
Net overdrafts acquired with subsidiary	(4,481)	
		<u>(4,481)</u>

Management of liquid resources

Cash inflow from sale of investments	24	
		<u>24</u>

Financing

Debt due after more than one year		
Increase in long term borrowings	5,000	
Capital element of finance lease rental payments	(628)	
		<u>4,372</u>

INHEALTH GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) PERIOD ENDED 30 SEPTEMBER 2006

25 Analysis of net debt

	At beginning of period £000	Cash flow £000	30 September 2006 £000
Overdrafts	-	(3,804)	(3,804)
	-	(3,804)	(3,804)
Debt due within one period	-	(1,063)	(1,063)
Debt due after one period	-	(18,937)	(18,937)
Finance leases	-	(630)	(630)
Total	-	(24,434)	(24,434)

26 Post balance sheet event

Following the successful consolidation of the manufacturing operations of Rocialle InHealth to the South Wales site, the second phase then progressed after the period end to start relocating the various support services from Cambridge to Wales in order to further improve the service Rocialle can offer to its customer base. This was communicated to all stakeholders during December 2006 and is anticipated to be completed by summer 2007. The projected costs are estimated to be no greater than £450,000.

On the 12th June 2007 the Group completed the sale of InHealth Clinical Solutions Limited and InHealth Sterile Services Limited to The Sunlight Service Group Limited, a subsidiary of The Davis Service Group PLC.

27 Related Party transactions

During the period the Group received £1,750,000 (2005: £1,250,000) from Pegasus Management (Holdings) SCA for management services and reimbursed aborted bid costs. Included within debtors there is an amount of £2,807,500 (2005: £1,250,000) outstanding at the period end.

On 4 July 2006 InHealth Group Limited shares were issued to directors as follows: 445 'A' ordinary shares were issued at a value of £22,472 per share, 668 'B' ordinary shares were issued at a value of £7,485 per share, and 890 'C' ordinary shares were issued at a value of £3,371 per share were settled in full for cash. No dividends or other distributions shall be paid on the A Ordinary Shares, the B Ordinary Shares or the C Ordinary Shares and the holders are not entitled to vote at general meetings of InHealth Group Limited. These shares have participation rights based on future company performance criteria for the sale of InHealth Group Limited. InHealth Group Limited shares were issued to directors as follows:

	'A' Ordinary Shares of £1 each		'B' Ordinary Shares of £1 each		'C' Ordinary Shares of £1 each	
	30 September 2006	1 October 2005	30 September 2006	1 October 2005	30 September 2006	1 October 2005
A J Gibson	250	-	375	-	500	-
P J Whitecross	125	-	188	-	250	-

28 Ultimate parent company and parent undertaking of larger group

The ultimate parent undertaking and controlling party is Pegasus Management (Holdings) SCA, a société en commandite par actions incorporated in Luxembourg. 'Pegasus'. The general partner of Pegasus is Pegasus Management SARL, a Luxembourg company controlled by Ivan Bradbury.