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INHEALTH GROUP SA

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004



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INHEALTH GROUP SA

COMPANY INFORMATION

DIRECTORS

I H Bradbury (Chairman)
J G Rhodes
Sir A D Chessells
A J Gibson
P J Whitecross

COMPANY NUMBER

FC0022328

COMPANY SECRETARY

B R Ally

AUDITORS

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London
SE1 2AF

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INHEALTH GROUP SA

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Directors Report for the Year ended 31 March 2004

The Directors present their report and the financial statements of the Group for the year ended 31 March 2004.

Mission and Vision

The principal activity continues to be 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

We continued to experience strong organic growth with the demand for services strong across all of our businesses. The Company's order book continues to grow with the addition of further medium and long term contracts. Opportunities identified are already converting into new lines of activity and are expected to grow in future years. In keeping with our strategy of growth the Company added a number of new services during the year.

Some further acquisitions

Sterile Services International was acquired during the year. This business consists of contracts for equipment management at the Central Middlesex ACAD and facilities management at St David's Cardiff, both of which add further to the Company's service offering. Of even greater importance, it added a significant contract with Cardiff University Teaching Hospital for the provision of Decontamination services, augmenting the position the Company already established in this emerging market.

Teamwork and culture contribute to results

As the Company grows, significant time and effort has been invested in building the right working environment and ensuring that we get the best from our employees whilst recognising their contribution both individually and collectively. The results achieved are the result of teamwork as well as the hard work of our employees. 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.

Growing capacity and maintaining equipment to high standards

The Company 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 year are set out in the notes to the financial statements.

Directors Report for the Year ended 31 March 2004 (contd)

Satisfactory results

Once last year's figures are adjusted to exclude prior year discontinued activities, turnover grew by 17% during the year. Operating profit on these activities was £796,000 after £3.3million goodwill amortisation charge. It is anticipated that the Group will adopt International Accounting Standards as soon as possible (year ending 31 March 2006) under which the goodwill balances will cease to be amortised and a full impairment review will be required on an annual basis. Without the current year amortisation charge, the operating profit would have been £4.1million; an 18% increase on the previous year calculated on a like for like basis.

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

Dividends

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

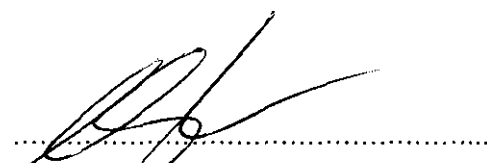
Directors' responsibilities for the financial statements

The Directors are responsible for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and 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 the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Alan Gibson
Chief Executive

Date 12/8/04

INHEALTH GROUP SA

Review of Trading Activities for the Year ended 31 March 2004

Lister InHealth

Lister InHealth provides managed services predominantly in general diagnostic and scanning. It operates facilities and staffing on both short and long term contracts.

Radiology services and MRI/CT

Lister InHealth continues to grow as the leading provider of managed scanning services to the NHS. We also continue to work with a number of private hospital groups as they seek to expand their own ranges of service provision. As in previous years new sites were brought on stream during the year and we contracted for a number of new services. These will come on stream in future accounting periods.

Increasingly the Company is providing a wider range of scanning and diagnostic services, covering all modalities but with particular focus on MRI, CT, X-Ray, Ultrasound and Vascular Imaging. Radiologist reading services are also supplied to a number of centres. Lister InHealth also runs a fleet of mobile MRI and CT units, capable of providing instant diagnostic capacity anywhere in the country. Together with Cardinal InHealth, the Group offers the widest range of scanning services and, with nearly 15 years of experience and a large number of fixed installations on NHS sites, it is amongst the most widely experienced in the sector. The fleet was both updated and extended during the year.

Positron Emission Tomography (PET)

Lister InHealth also runs the London PET centre, providing PET scans, primarily for cancer detection. The London PET Centre has carried out over 2000 scans, making it the most experienced provider outside of the NHS and a recognised leader in this field with strong associations with leading experts in PET scanning.

Further contracts for the delivery of PET services are at an advanced stage of negotiation and it is likely that this technology will start to grow strongly in the coming year.

Diagnostic Centres

These continue to be a focus for the Company leveraging our extensive skills and experience in Diagnostics and Imaging. The expansion of the Cornwall House Diagnostic Centre was completed and growth in this area was good. The enlarged centre supports a range of diagnostic services, working closely with the local PCT and GPs. It not only provides consultation rooms but also instant access to a wide range of diagnostics and scanning. As a model it is likely to be replicated in further opportunities.

Cardinal InHealth

Cardinal InHealth operates all the Group's cardiac services. As with Lister InHealth, it provides its facilities and staffing on both short and long term contracts, operating fully managed services. The business significantly complements activities undertaken by Lister InHealth.

Cardiac Catheterisation

Cardinal InHealth is the leading non NHS supplier of mobile, re-locatable and static cardiac catheterisation units to the NHS. Cardinal undertakes about 10% of NHS catheterisation procedures, performing in excess of 15,000 cases per year, and has the benefit of more than 10 years of cardiac catheterisation experience. Cardinal was the first UK Company to provide the more invasive angioplasty services at NHS sites and its static and mobile services increasingly include these procedures. As well as the permanent and semi permanent units throughout the UK, we also operate a fleet of mobiles and are the only UK operator able to provide this level and complexity of service.

Cardinal InHealth continues to deliver high levels of quality, clinical governance and service.

Cardiac MRI

Cardiac MRI continues to grow, is proving a useful addition to the service offering and is operational at a number of NHS hospitals.

Cardiac Perfusion

Quantum InHealth is the leading supplier, outside the NHS, of nuclear perfusion scans and reports. Most of these reports are used to diagnose heart conditions. The recent NICE report recommends a large increase in this procedure and the Company is well placed to assist the NHS in increasing its capacity in this area.

Modular Wards

Modular day recovery wards continue to be used at a number of NHS sites. This service not only ensures maximum throughput of cardiac procedures but also frees up beds for other uses.

Rociale InHealth

Rociale InHealth provides dressing packs for pre and post operative treatment; procedure packs for use in all types of clinical environments, in particular hospital operating theatres, and single use instruments. Services include procurement, sterilisation and direct delivery to the point of use and full traceability from production to the patient. With nearly 30 years practical experience, it has state of the art clean rooms, logistics capability and leading edge sterilisation processes.

Dressing Packs

Sales grew steadily in line with the market. The introduction of the Readyfield range was an innovative development that will appeal to Primary Care Markets in particular, giving improvements to the sterile field and ease of handling.

Procedure Packs

Procedure Pack sales in the UK continue to show good growth with NHS and private hospitals continuing to realise the benefits of the Procedure Pack model. The Company now supplies a large number of NHS hospitals with its packs with the benefits becoming more widely understood. The ability to tailor packs for specific procedures and or individual surgeons, combined with high levels of quality and service reliability, has enabled the Company to enjoy a continued market leading position. Our own sterilisation facilities and advanced logistics capability allow us to offer unsurpassed levels of service.

Instruments

Our single use instruments have been developed to the point where the quality matches that of re-usable instruments but with price points that make them more economical than recycling and cleaning re-usable instruments. They also offer an ability to address continuing concerns about cross infection and sterilisation through single use instruments.

National Decontamination Strategy

InHealth are one of a few companies to have made a number of short-lists for the provision of decontamination centres. We have continued to invest in this area and see significant opportunities for long term contracts. The acquisition of Sterile Services International was a significant move to further strengthen our offering in this area. Significant investment in resources to support our bids and further build our knowledge were made in the year and will, we hope, result in contracts in future years. These projects utilise the Company's wide ranging skills in design, build and operate together with our extensive knowledge of operating theatres and consumables. The Company has all the professionals and expertise necessary to deliver the projects.



.....
Alan Gibson
Chief Executive

Date 12/8/04

INHEALTH GROUP SA

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INHEALTH GROUP SA

We have audited the financial statements on pages 6 to 19 which have been prepared on the basis of the accounting policies set out on pages 11 and 12.

This report is made solely to the company's members, as a body. 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 our auditors' report and for no other purpose. 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

As described on page 2 the Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

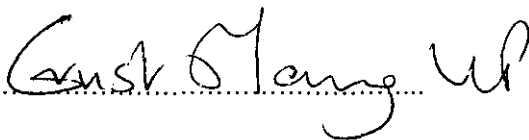
Basis of opinion

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 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.

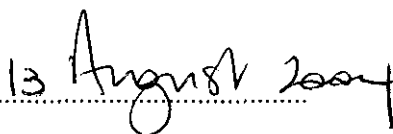
Opinion

In our opinion the accounts for the year ended 31 March 2004 have been properly prepared in accordance with the accounting policies set out on pages 11 and 12.



Ernst & Young LLP
Registered Auditor
London

Date



INHEALTH GROUP SA

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	Continuing operations 2004 £'000	Acquisitions 2004 £'000	Total 2004 £'000	Total 2003 £'000
TURNOVER	2	61,834	1,253	63,087	60,009
Cost of sales		<u>(43,274)</u>	<u>(891)</u>	<u>(44,165)</u>	<u>(43,354)</u>
GROSS PROFIT		18,560	362	18,922	16,655
Administrative expenses					
- general		(14,640)	(186)	(14,826)	(20,448)
- amortisation of goodwill		<u>(3,300)</u>	<u>-</u>	<u>(3,300)</u>	<u>(4,596)</u>
Total administration costs		<u>(17,940)</u>	<u>(186)</u>	<u>(18,126)</u>	<u>(25,044)</u>
OPERATING PROFIT / (LOSS)	3	620	176	796	(8,389)
Loss on sale of operations		-	-	-	(3,060)
Profit on sale of fixed assets		<u>27</u>	<u>-</u>	<u>27</u>	<u>3</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		647	176	823	(11,446)
Income from investments				18	-
Interest and finance charges payable	5			(1,504)	(1,189)
Interest receivable and similar income				<u>445</u>	<u>71</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(218)	(12,564)
Tax on loss on ordinary activities	6			<u>(899)</u>	<u>-</u>
RETAINED LOSS FOR THE FINANCIAL YEAR				<u>(1,117)</u>	<u>(12,564)</u>

The notes on pages 11 to 19 form part of these financial statements

INHEALTH GROUP SA**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 MARCH 2004**

	2004 £'000	2003 £'000
Loss for the financial year	(1,117)	(12,564)
Currency translation differences on foreign currency net investments	-	-
	<hr/>	<hr/>
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR	<u>(1,117)</u>	<u>(12,564)</u>

RECONCILIATION OF SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Total recognised losses for the year	(1,117)	(12,564)
Shareholders' funds brought forward	90,216	102,780
	<hr/>	<hr/>
Shareholders' funds carried forward	<u>89,099</u>	<u>90,216</u>

The notes on pages 11 to 19 form part of these financial statements

INHEALTH GROUP SA

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible assets	7	59,464	60,971
Tangible assets	8	43,874	34,649
Investments	9	506	1,470
		<u>103,844</u>	<u>97,090</u>
CURRENT ASSETS			
Stocks	10	6,978	5,013
Debtors	11	12,634	14,520
Liquid investments	12	-	3,272
Cash at bank and in hand		2,505	462
		<u>22,117</u>	<u>23,267</u>
CREDITORS: Amounts falling due within one year	13	<u>(17,458)</u>	<u>(26,225)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>4,659</u>	<u>(2,958)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>108,503</u>	<u>94,132</u>
CREDITORS: Amounts falling due after one year	14	<u>(17,589)</u>	<u>(2,755)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(1,815)</u>	<u>(1,161)</u>
		<u>89,099</u>	<u>90,216</u>
CAPITAL AND RESERVES			
Called up share capital	17	94,051	94,051
Exchange equalisation reserve	18	9,362	9,362
Profit and loss account	18	(14,314)	(13,197)
EQUITY SHAREHOLDERS' FUNDS		<u>89,099</u>	<u>90,216</u>

Approved by the board

Director

Director

Date

12/8/04

The notes on pages 11 to 19 form part of these financial statements

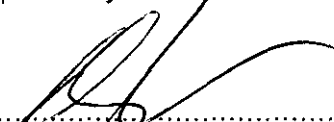
INHEALTH GROUP SA


COMPANY BALANCE SHEET

AS AT 31 MARCH 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible assets	7	53,828	56,992
Tangible assets	8	41,414	33,919
Investments	9	69,842	68,038
		<u>165,084</u>	<u>158,949</u>
CURRENT ASSETS			
Stocks	10	6,755	5,009
Debtors	11	10,912	14,209
Liquid investments	12	-	3,272
Cash at bank and in hand		1,848	224
		<u>19,515</u>	<u>22,714</u>
CREDITORS: Amounts falling due within one year	13	(77,203)	(87,612)
NET CURRENT LIABILITIES		<u>(57,688)</u>	<u>(64,898)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>107,396</u>	<u>94,051</u>
CREDITORS: Amounts falling due after one year	14	(16,477)	(2,314)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(1,706)	(1,161)
		<u>89,213</u>	<u>90,576</u>
CAPITAL AND RESERVES			
Called up share capital	17	94,051	94,051
Exchange equalisation reserve	18	9,362	9,362
Profit and loss account	18	(14,200)	(12,837)
EQUITY SHAREHOLDERS' FUNDS		<u>89,213</u>	<u>90,576</u>

Approved by the board


.....
Director


.....
Director

Date 12/8/04
.....

The notes on pages 11 to 19 form part of these financial statements

INHEALTH GROUP SA

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 £'000	2003 £'000
Net cash inflow/(outflow) from operating activities	20	7,262	(559)
Returns on investments and servicing of finance			
Bank interest paid and raising finance		(1,094)	(762)
Interest element of finance lease rental payments		(410)	(427)
Interest received		445	71
Income from investments		18	
Net cash outflow from returns on investments and servicing of finance		(1,041)	(1,118)
Taxation			
Corporation tax paid		61	(2,730)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(12,623)	(5,819)
Proceeds from sale of tangible fixed assets		183	300
Net cash acquired with subsidiaries		84	177
Net payments to acquire subsidiaries		(2,863)	(2,920)
Proceeds from sale of investments (net)		799	-
Net proceeds received from sale of operations		-	1,826
Net cash outflow from capital expenditure and financial investment		(14,420)	(6,436)
Net cash outflow before financing		(8,138)	(10,843)
Financing			
Repayments of capital element of finance lease rentals		(2,191)	(1,505)
Loan repayments		-	(2,137)
Other loans		15,000	706
Cash inflow from sale of current asset investments		3,272	2,034
Net cash inflow / (outflow) from financing		16,081	(902)
Increase/(decrease) in cash	20	7,943	(11,745)

The notes on pages 11 to 19 form part of these financial statements

INHEALTH GROUP SA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES

(a) **Basis of accounting**

These non-statutory accounts are prepared under the historical cost convention and in accordance with the accounting policies set out below. The Company's statutory accounts on which an unqualified audit opinion has been given, are prepared in accordance with the generally accepted accounting principles and regulations of the Grand Duchy of Luxembourg and are appended to these financial statements. The accounts have been drawn up in sterling which is the functional currency of the Group.

(b) **Basis of consolidation**

The Group accounts consolidate the accounts of InHealth Group SA and its subsidiary undertakings drawn up to 31 March each year.

(c) **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.

(d) **Depreciation and amortisation**

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 property	- 50 years straight line
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.

(e) **Fixed asset investments**

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(f) **Stocks**

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

(g) **Pension contributions**

The Group operates a number of pension schemes. The pension charge represents the amounts payable by the Group to the schemes in respect of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

(h) **Research and development**

Research and development expenditure is written off as incurred.

(i) **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Income and charges are translated at the year end rate. 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.

(j) **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.

(k) **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events have occurred and will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(l) **Liquid investments**

These are stated at the lower of cost or market value.

(m) **Leasing and hire purchase agreements**

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.

INHEALTH GROUP SA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Substantially all of the group's sales are made in the United Kingdom.

Prior year (2003) figures include £6.0 million of revenue in respect of discontinued activities.

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:	2004	2003
	£'000	£'000
Amortisation of goodwill	3,300	4,596
Auditors' remuneration	140	134
Depreciation of fixed assets	5,799	5,015
Operating lease rentals - land & buildings	705	661
- plant & machinery	1,486	2,267
Foreign exchange loss	-	14

4. STAFF COSTS

The cost of employing staff, including Directors, was:	2004	2003
	£'000	£'000
Wages and salaries	15,091	17,256
Social security costs	1,446	1,788
Pension costs	363	330
	16,900	19,374

The average monthly number of employees during the year was:	2004	2003
Sales and product development	40	61
Operations	594	538
Administration	91	107
	724	706

5. INTEREST PAYABLE

	2004	2003
	£'000	£'000
Overdraft interest	190	146
Loan interest and other finance charges	904	616
Finance lease interest	410	427
	1,504	1,189

INHEALTH GROUP SA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

6. TAXATION

	2004 £'000	2003 £'000
Based on profit/(loss) for the year:		
Corporation tax	652	-
Prior year adjustment	(298)	69
Total current tax	354	69
Deferred taxation	545	(69)
	899	-

In the year the tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £'000
Loss on ordinary activities before tax	(218)
Loss on ordinary activities multiplied by standard tax rate (30%)	(65)
Effect of:	
Amortisation, non qualifying depreciation and other disallowable expenses	1,219
Capital allowances in excess of depreciation	(480)
Short term timing differences	(22)
Losses hived up	-
Adjustments in respect of previous periods	(298)
	354

7. INTANGIBLE ASSETS

Goodwill

	Group 2004 £'000	Company 2004 £'000
Cost		
At 1 April 2003	65,968	61,938
Additions during the year	1,793	-
At 31 March 2004	67,761	61,938
Amortisation		
At 1 April 2003	4,997	4,946
Provided during the year	3,300	3,164
At 31 March 2004	8,297	8,110
Net book value		
At 31 March 2004	59,464	53,828
At 31 March 2003	60,971	56,992

INHEALTH GROUP SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004
8. TANGIBLE FIXED ASSETS
Group

	Leasehold Property	Freehold Property	Plant and Equipment	Motor Vehicles	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2003	8,317	9,555	22,454	915	3,798	45,039
Additions	1,546	-	10,078	603	825	13,052
Acquisitions of subsidiaries	1,109	-	780	-	238	2,127
Reclassification of assets	(204)	(40)	(83)	386	(59)	-
Disposals	(1)	(1)	(836)	(432)	(28)	(1,298)
At 31 March 2004	10,767	9,514	32,393	1,472	4,774	58,920
Depreciation						
At 1 April 2003	2,549	206	5,889	280	1,466	10,390
Charge for the year	778	210	3,632	325	854	5,799
Reclassification of assets	(55)	-	(38)	182	(89)	-
Disposals	(1)	(1)	(853)	(276)	(12)	(1,143)
At 31 March 2004	3,271	415	8,630	511	2,219	15,046
Net book values						
At 31 March 2004	7,496	9,099	23,763	961	2,555	43,874
At 31 March 2003	5,768	9,349	16,565	635	2,332	34,649

Company

	Leasehold Property	Freehold Property	Plant and Equipment	Motor Vehicles	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2003	8,229	9,469	21,759	915	3,781	44,153
Additions	1,546	-	10,078	603	804	13,031
Reclassification of assets	(204)	-	(93)	386	(89)	-
Disposals	(1)	-	(836)	(432)	(28)	(1,297)
At 31 March 2004	9,570	9,469	30,908	1,472	4,468	55,887
Depreciation						
At 1 April 2003	2,524	206	5,760	280	1,464	10,234
Charge for the year	690	203	3,331	325	832	5,381
Reclassification of assets	(55)	-	(19)	180	(106)	-
Disposals	(1)	-	(853)	(276)	(12)	(1,142)
At 31 March 2004	3,158	409	8,219	509	2,178	14,473
Net book values						
At 31 March 2004	6,412	9,060	22,689	963	2,290	41,414
At 31 March 2003	5,705	9,263	15,999	635	2,317	33,919

The net book value of plant, equipment, fixtures and fittings and motor vehicles above includes an amount of £3,493,902 in respect of assets held under finance leases and hire purchase contracts.

INHEALTH GROUP SA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

9. FIXED ASSET INVESTMENTS

Group

Cost	£'000
At 1 April 2003	1,470
Disposals	(799)
Change in value of Joint Arrangement	(165)
At 31 March 2004	<u>506</u>

Company

Cost	£'000
At 1 April 2003	68,038
Additions	2,768
Disposals	(799)
Change in value of Joint Arrangement	(165)
At 31 March 2004	<u>69,842</u>

During the year the company acquired the entire share capital of Sterile Services International Limited.

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.

10. STOCKS

	Group	Group	Company	Company
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Raw materials	2,650	2,300	2,629	2,300
Work in progress	517	263	333	263
Finished goods and goods for resale	3,811	2,450	3,793	2,446
	<u>6,978</u>	<u>5,013</u>	<u>6,755</u>	<u>5,009</u>

11. DEBTORS

	Group	Group	Company	Company
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	9,806	8,897	8,577	8,708
Other debtors	573	3,752	284	3,683
Prepayments and accrued income	2,255	1,871	2,051	1,818
	<u>12,634</u>	<u>14,520</u>	<u>10,912</u>	<u>14,209</u>

INHEALTH GROUP SA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

12. LIQUID INVESTMENTS

Group and Company

	2004 £'000	2003 £'000
Short-term treasury bonds and listed fixed income securities	-	79
Listed investments	-	3,193
	<u>-</u>	<u>3,272</u>
Market value at 31 March	<u>-</u>	<u>3,272</u>

13. CREDITORS: Amounts falling due within one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank overdraft and bank loans	-	5,900	-	5,900
Other loan	1,802	1,802	1,802	1,802
Net obligations under hire purchase agreements (note 15)	846	1,599	653	1,440
Trade creditors	4,370	5,496	4,124	5,417
Amounts owed to group undertakings	-	-	62,533	61,832
Corporate taxation	495	55	368	28
Other taxation and social security	351	770	234	740
Other creditors	2,348	2,311	1,156	2,309
Accruals and deferred income	7,246	8,292	6,333	8,144
	<u>17,458</u>	<u>26,225</u>	<u>77,203</u>	<u>87,612</u>

14. CREDITORS: Amounts falling due after more than one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Net obligations under hire purchase agreements (note 15)	2,589	2,755	1,477	2,314
Bank loan	15,000	-	15,000	-
	<u>17,589</u>	<u>2,755</u>	<u>16,477</u>	<u>2,314</u>

On 12th May 2003 InHealth Group completed 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.

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Group	2004 £'000	2003 £'000
The maturity of these amounts is as follows:		
Amounts payable:		
Within one year	846	1,599
In two to five years	2,589	2,755
	<u>3,435</u>	<u>4,354</u>

INHEALTH GROUP SA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Deferred tax provision	<u>1,815</u>	<u>1,161</u>	<u>1,706</u>	<u>1,161</u>
	<u>1,815</u>	<u>1,161</u>	<u>1,706</u>	<u>1,161</u>

17. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Ordinary shares of \$1 each	<u>282,079</u>	<u>282,079</u>	<u>94,051</u>	<u>94,051</u>

18. RESERVES

Group	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2003	9,362	(13,197)	(3,835)
Retained loss for the year	-	(1,117)	(1,117)
At 31 March 2004	<u>9,362</u>	<u>(14,314)</u>	<u>(4,952)</u>
Company	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2003	9,362	(12,837)	(3,475)
Retained loss for the year	-	(1,363)	(1,363)
At 31 March 2004	<u>9,362</u>	<u>(14,200)</u>	<u>(4,838)</u>

19. OTHER FINANCIAL COMMITMENTS

Group	Land and buildings £'000	Other £'000
Annual commitments under operating leases which expire:		
Within one year	66	558
Between two and five years	322	1,067
Over five years	284	-
	<u>672</u>	<u>1,625</u>
Company	Land and buildings £'000	Other £'000
Annual commitments under operating leases which expire:		
Within one year	66	303
Between two and five years	276	364
Over five years	200	-
	<u>542</u>	<u>667</u>

INHEALTH GROUP SA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

20. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2004	2003
	£'000	£'000
Operating profit / (loss)	823	(11,446)
Depreciation	5,799	5,313
Amortisation of goodwill	3,300	4,596
Increase in stocks	(1,965)	(329)
Decrease/(increase) in debtors	1,886	2,441
(Decrease)/increase in creditors	(2,554)	(3,293)
(Decrease)/increase in provision for deferred consideration	-	(3,000)
Profit on sale of fixed assets	(27)	(3)
Loss on sale of division and share options	-	1,129
Adjustments to carrying value of acquisitions	-	4,033
Net cash inflow /(outflow) from operating activities	7,262	(559)

Analysis of changes in net funds

	At 1 April 2003	Cash flows	Other Changes	At 31 March 2004
	£'000	£'000	£'000	£'000
Cash in hand, at bank	462	2,043	-	2,505
Overdrafts and bank loans	(5,900)	5,900	-	-
	<u>(5,438)</u>	<u>7,943</u>	<u>-</u>	<u>2,505</u>
Current asset liquid investments	3,272	(3,272)	-	-
Finance leases	(4,354)	2,191	(1,272)	(3,435)
Other loan repayable on demand	(1,802)	-	-	(1,802)
Other loans falling due after one year	-	(15,000)	-	(15,000)
	<u>(8,322)</u>	<u>(8,138)</u>	<u>(1,272)</u>	<u>(17,732)</u>

Reconciliation of net cash flow to movement in net funds	2004	2003
	£'000	£'000
Increase/(decrease) in cash in the year	7,943	(11,745)
Cash inflow/(outflow) from increase in debt and lease financing	(12,809)	2,936
Cash outflow from decrease in liquid resources	(3,272)	(2,034)
Change in net debt resulting from cash flows	(8,138)	(10,843)
New finance leases and finance leases acquired	(1,272)	(3,420)
Current asset investments acquired	-	3,193
Movement in net debt in the year	(9,410)	(11,070)
Net funds at 1 April 2003	(8,322)	2,748
Net funds at 31 March 2004	(17,732)	(8,322)