

Registered number 06993831

InHealth UK Holdings Limited

**Director's report and financial statements
for the year ended 30 September 2012**

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InHealth UK Holdings Limited
Director's report and financial statements
for the year ended 30 September 2012

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InHealth UK Holdings Limited
Director's report and financial statements
for the year ended 30 September 2012

COMPANY INFORMATION

DIRECTOR: I H Bradbury

SECRETARY S L Bricknell

REGISTERED OFFICE: Beechwood Hall
Kingsmead Road
High Wycombe
Buckinghamshire
HP11 1JL

REGISTERED NUMBER: 06993831 (England and Wales)

AUDITOR. KPMG LLP
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

InHealth UK Holdings Limited
Director's report and financial statements
for the year ended 30 September 2012

DIRECTOR'S REPORT

The Director presents his report and audited financial statements for the Company and the Group for the year ended 30 September 2012

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year under review was that of a holding Company. The principal activity of the Group is the provision of a broad range of diagnostic services and healthcare solutions from a range of community and hospital based locations throughout the UK. The business provides both patient scans and procedures in community based and hospital care environments, working in close partnership with the NHS, as well as private healthcare providers.

The Group has a reputation for delivering market-leading services over the course of long-term relationships and for providing excellent clinical practice, best value and best support to its customers.

BUSINESS REVIEW

The Group's trading activity increased from £96.9 million in 2011 to £98.0 million in 2012, a 1% increase, continuing the history of revenue growth.

The activities are focussed on the provision of services in collaboration with both community healthcare and hospitals.

The Group believes that the market opportunities within the diagnostics sector continue to be significant albeit the market is currently fragmenting as services are being reconfigured between primary and secondary care. Demand for the Group's services is driven by a combination of demographic trends, increasing patient choice and knowledge, as well as technological advancements.

The economic pressures on the NHS are leading to greater consideration of cost, whilst requiring high quality and innovative partnerships and solutions. Business growth was achieved through the continued expansion in existing modalities as well as newer services in audiology and endoscopy.

The Group continues to focus on

- Growth from the establishment and expansion of strong customer relationships, and
- Operational and clinical excellence in the delivery of all services.

Continued price pressure in both NHS and private markets means that focus on maximising operational efficiencies will continue over the next year to maintain margins and create value for customers.

The Group has an established reputation for high quality service and a track record in the mobilisation of new services. The Group will continue to explore wider opportunities for growth as the emerging market for healthcare establishes opportunities where our skills and capabilities can offer efficiency and productivity benefits to our customers.

During the year the Group purchased a majority shareholding in Prime Diagnostics Limited (PDL) – a fast growing provider of endoscopy services. PDL has established itself as a leading provider of JAG quality accredited endoscopy services with 11 NHS service contracts and excellent opportunities for further growth nationally. Endoscopy services are an additional and attractive market for the Group with significant growth prospects over the next 5 years.

GROWING CAPACITY AND MAINTAINING EQUIPMENT TO HIGH STANDARDS

Throughout the year and since the year end the Group has continued to invest heavily in growing equipment capacity, often ahead of contracted demand. The Group also follows a rigorous policy of keeping all of its assets maintained to a high standard including regular upgrades to keep equipment current with technology developments. Movements in fixed assets during the year are set out in the notes to the financial statements on pages 20 to 21.

InHealth UK Holdings Limited
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DIRECTOR'S REPORT *(continued)*

DIVIDENDS

The Director does not recommend the payment of a dividend (2011 £nil)

POLITICAL AND CHARITABLE DONATIONS

The Group made charitable donations of £7,775 (2011 £2,300) and no political donations (2011 £nil)

TAXATION

The Group has an effective tax rate of 31% The Group is committed to acting with integrity and transparency in all tax matters as part of its corporate responsibility

FINANCIAL INSTRUMENTS

Financial risk management

During the year the Group's operations exposed it to certain financial risks such as foreign currency risk, credit risk, liquidity risk and interest rate risk as described below

Foreign currency risk

The Group's transactions are predominantly in Sterling, but some transactions are in other currencies and the Group is therefore exposed to the movement in foreign currency exchange rates The risk is considered low due to the number and value of transactions that occur

Credit risk

The Group's principal financial assets are bank balances and trade debtors, which represent the Group's maximum exposure to credit risk in relation to financial assets The Group's credit risk is primarily attributable to its trade debt The Director provides robust guidelines to minimise credit risk however given the nature of its customers, the Group does not have significant exposure in this area

Liquidity risk

The Group's policy has been to ensure continuity of funding for operations via additional credit facilities to aid short-term flexibility The Group has a strong cash position and held £11.5 million in cash at 30 September 2012 The Group has cash generation ability and maintains overdraft facilities (that have yet to be drawn upon) to ensure that obligations associated with the financial liabilities of any subsidiary can be met The Director is satisfied that the Group can meet the obligations associated with its financial liabilities and that no material risk exists of the Group not being able to do so

Interest rate risk

The interest rates on the Group's borrowings are at market rates The Group'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 Director monitors the overall level of cash, borrowings and interest cost to limit any adverse effect on financial performance of the Group overall

Impairment of assets

Assets are reviewed for impairment during the financial year and in addition a review is carried out where there are indicators that the assets may be impaired

DIRECTOR

I H Bradbury held office during the whole of the period from 1 October 2011 to the date of this report

InHealth UK Holdings Limited

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for the year ended 30 September 2012

DIRECTOR'S REPORT (*continued*)

EMPLOYEES

The Group's people are central to its success in both delivering existing business and winning new contracts. Investment in people and in building the right working environment will continue to be a priority. The Group holds accreditation with Investors In People and employs 880 highly skilled and trained professionals with many years of experience working within the health sector.

The Board remains grateful for the contributions made by all individuals.

Employee involvement

The Group's policy is to consult with employees on matters likely to affect the 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 Group's performance.

Employment of disabled people

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 wherever 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.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

It is the Company'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 2012 the Company had 31 days purchases outstanding in creditors (2011: 30 days).

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InHealth UK Holdings Limited

Director's report and financial statements
for the year ended 30 September 2012

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS

The Director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, the Director is 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

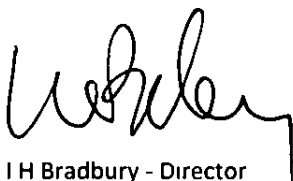
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Director who held office at the date of approval of this Director's report confirms that, so far as he is aware, there is no relevant audit information of which the Group's auditor is unaware, and the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

INDEPENDENT AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board



I H Bradbury - Director

Date 22 January 2013

KPMG LLP
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INHEALTH UK HOLDINGS LIMITED

We have audited the financial statements of InHealth UK Holdings Limited for the year ended 30 September 2012 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

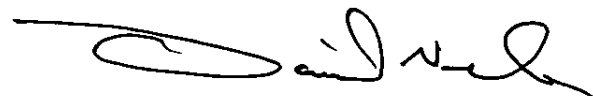
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

Date 22/01/2013

InHealth UK Holdings Limited
 Director's report and financial statements
 for the year ended 30 September 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2012

	Notes	2012 £000	*Restated 2011 £000
Revenue Group and share of joint ventures	3	98,045	96,949
Less share of joint ventures		(217)	-
Group revenue		97,828	96,949
Cost of sales		(66,159)	(66,056)
GROSS PROFIT		31,669	30,893
Administrative expenses		(24,957)	(26,256)
GROUP OPERATING PROFIT	4	6,712	4,637
Share of operating loss in joint ventures	11	(10)	-
Total operating profit		6,702	4,637
Other interest receivable and similar income	6	137	361
Interest payable and similar charges	7	(588)	(1,359)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,251	3,639
Tax on profit on ordinary activities	8	(1,924)	(2,481)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,327	1,158
Minority interests	18	7	-
PROFIT FOR THE FINANCIAL YEAR		4,334	1,158

*Restated – see note 4 for full details

CONTINUING OPERATIONS

None of the Group's activities were acquired or discontinued during the current year or previous year, with the exception of Prime Diagnostics Limited, information on which is disclosed in note 2 of the financial statements

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material

The notes from pages 13 to 28 form part of these financial statements

• InHealth UK Holdings Limited

- Director's report and financial statements for the year ended 30 September 2012

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 September 2012

	Notes	2012 £000	2011 £000
PROFIT FOR THE FINANCIAL YEAR		4,334	1,158
Actuarial gain	21	<u>8</u>	<u>135</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>4,342</u>	<u>1,293</u>

The notes from pages 13 to 28 form part of these financial statements

InHealth UK Holdings Limited
 Director's report and financial statements
 for the year ended 30 September 2012

CONSOLIDATED BALANCE SHEET
At 30 September 2012

	Notes	2012		2011	
		£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	9		14,933		11,755
Tangible assets	10		48,006		48,195
Investments	11				
Investments in joint ventures					
Share of net assets			122		-
Share of net liabilities			(132)		-
			(10)		-
Other investments			-		275
			(10)		275
			62,929		60,225
CURRENT ASSETS					
Stocks	12		793		763
Debtors amounts falling due within one year	13		21,229		19,423
Cash at bank			11,544		9,667
			33,566		29,853
CREDITORS Amounts falling due within one year	14		(28,873)		(29,381)
NET CURRENT ASSETS			4,693		472
TOTAL ASSETS LESS CURRENT LIABILITIES			67,622		60,697
CREDITORS Amounts falling due after more than one year	15		(7,124)		(4,548)
PENSION LIABILITY	21		(232)		(333)
NET ASSETS			60,266		55,816
CAPITAL AND RESERVES					
Called up share capital	16		-		-
Other reserves	17		52,070		52,070
Profit and loss account	17		8,088		3,746
SHAREHOLDERS' FUNDS	19		60,158		55,816
Minority interests	18		108		-
EQUITY			60,266		55,816

These financial statements were approved by the Board on 4th January 2013 and were signed on its behalf by



I H Bradbury - Director

Company registration number 06993831

The notes from pages 13 to 28 form part of these financial statements

InHealth UK Holdings Limited
 Director's report and financial statements
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COMPANY BALANCE SHEET
At 30 September 2012

	Notes	2012		2011	
		£000	£000	£000	£000
CREDITORS Amounts falling due within one year	14	(758)		(270)	
NET CURRENT LIABILITIES			(758)		(270)
NET LIABILITIES			(758)		(270)
CAPITAL AND RESERVES					
Called up share capital	16		-		-
Profit and loss account	17		(758)		(270)
SHAREHOLDERS' DEFICIT			(758)		(270)

These financial statements were approved by the Board on 22 January 2013 and were signed on its behalf by



I H Bradbury - Director

Company registration number 06993831

InHealth UK Holdings Limited
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CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2012

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities	1	19,040	14,821
Returns on investments and servicing of finance	2	(398)	(998)
Taxation		(1,912)	(1,250)
Capital expenditure	2	(8,505)	(4,538)
Acquisitions and disposals	2	238	(211)
		<u>8,463</u>	<u>7,824</u>
Financing	2	(6,586)	(8,077)
Increase/(decrease) in cash in the year		<u>1,877</u>	<u>(253)</u>

	Notes	2012 £000	2011 £000
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		1,877	(253)
Cash outflow from hire purchase agreements		6,586	8,077
		<u>8,463</u>	<u>7,824</u>
Change in net debt resulting from cash flows		(1,792)	(1,009)
New hire purchase agreements		(1,792)	(1,009)
		<u>6,671</u>	<u>6,815</u>
Movement in net debt in the year		<u>6,671</u>	<u>6,815</u>
Net debt at 1 October		<u>(1,250)</u>	<u>(8,065)</u>
Net debt at 30 September		<u>5,421</u>	<u>(1,250)</u>

The notes on page 12 form part of the consolidated cash flow statement

InHealth UK Holdings Limited
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Notes to the Consolidated Cash Flow Statement

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012	2011
	£000	£000
Operating profit	6,702	4,637
Depreciation and amortisation charges	12,240	12,587
Loss/(profit) on disposal of fixed assets	284	(112)
Profit on disposal of investments	(569)	-
Impairment of fixed assets	-	115
Purchase of directors' / employees' shares	-	(2,100)
Increase in stocks	(30)	(75)
(Increase)/decrease in debtors	(1,541)	210
Increase/(decrease) in creditors	1,944	(441)
Operating loss in joint ventures	10	-
Net cash inflow from operating activities	19,040	14,821

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012	2011
	£000	£000
Returns on investments and servicing of finance		
Interest received	89	321
Interest paid	(59)	(391)
Interest element of hire purchase payments	(428)	(928)
Net cash outflow for returns on investments and servicing of finance	(398)	(998)
Capital expenditure		
Purchase of tangible fixed assets	(10,014)	(5,107)
Sale of tangible fixed assets	924	569
Purchase of other intangibles	(259)	-
Sale of investments	844	-
Net cash outflow for capital expenditure	(8,505)	(4,538)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(21)	(98)
Net cash/(overdraft) acquired with subsidiary undertaking	259	(113)
Net cash inflow/(outflow) for acquisitions and disposals	238	(211)
Financing		
Capital element of hire purchase agreements	(6,586)	(8,077)
Net cash outflow from financing	(6,586)	(8,077)

3. ANALYSIS OF CHANGES IN NET DEBT

	1 Oct 2011 £000	Cash flow £000	Other non- cash charges £000	30 Sept 2012 £000
Net cash				
Cash at bank and in hand	9,667	1,877	-	11,544
Debt				
Hire purchase	(10,917)	6,586	(1,792)	(6,123)
Total	(1,250)	8,463	(1,792)	5,421

InHealth UK Holdings Limited
Director's report and financial statements
for the year ended 30 September 2012

Notes to the Financial Statements

1. ACCOUNTING POLICIES

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

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition and up to the date of disposal.

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

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 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Going concern

The Director has considered the factors that impact the Company's future development, performance, cash flows and financial position along with the Company's current liquidity in forming his opinion on the going concern basis. The Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

In the Group's financial statements, unlisted investments are stated at cost less amounts written off.

Investment assets are reviewed for impairment at the end of the financial year and are reviewed for impairment when there are indications that the asset may be impaired.

InHealth UK Holdings Limited
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Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably

Licences purchased by the Group are amortised to nil by equal instalments over their useful economic lives of between one and three years

Subsequent to the appointment of 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

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over the life of the goodwill but is subject to annual review for impairment

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold property	-	50 years straight line
Short term leasehold improvements	-	over the term of the lease
Plant and machinery	-	4 – 10 years straight line
Fixtures and fittings	-	3 – 6 years straight line
Motor vehicles	-	2 – 6 years straight line

No depreciation is provided on freehold land

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction or if there is a forward currency contract hedge in place, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included within the profit and loss account

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Group also participates in a multi-employer defined benefit pension scheme. The assets of the scheme are held under one combined scheme and are not separately identifiable. Accordingly this scheme is accounted for as if it were a defined contribution pension scheme with the amount charged to the profit and loss account representing the contributions payable to the scheme in respect of the accounting period.

A small number of the Group's employees are members of a defined benefit scheme operated by InHealth Facilities Management Limited, a Group company. This scheme exists as part of legacy Transfer of Undertakings (Protection of Employment) ("TUPE") arrangements in relation to previous contracts that required such a pension scheme to be provided to employees coming into the Group. Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. 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.

Leases and hire purchase arrangements

Assets acquired under finance leases or hire purchase arrangements are capitalised and the outstanding future obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

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

Taxation

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

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 as otherwise required by FRS19 Deferred Taxation.

Revenue

Revenue represents the amounts invoiced for the provision of diagnostic and healthcare solutions (excluding value added tax). Revenue is recognised on the provision of services.

Share transactions

Where a member of the Group grants equity settled awards to the company's employees, and the company has no obligation to settle the award, the company accounts for these share based payments as equity settled. In the event of any modification to terms of any share schemes the company elects to maintain the original treatment of the scheme (i.e. either equity settled or cash settled).

InHealth UK Holdings Limited
 Director's report and financial statements
 for the year ended 30 September 2012

Notes to the Financial Statements (continued)

2. ACQUISITION OF BUSINESS

On 24 February 2012 the Group purchased 76% of Prime Diagnostics Limited and two further entities which are each owned 50% by Prime Diagnostics Limited. The resulting goodwill of £3,950,000 was capitalised and will be written off over 20 years, which is line with Group policy, and accordingly £93,000 of goodwill was amortised in the period. The value of goodwill is based on current best estimates and this will be reviewed in future years in light of experience.

	Book value £000	Fair value adj £000	Fair value £000
Fixed Assets			
Intangible fixed assets	756	(756)	-
Tangible fixed assets	408	-	408
Current Assets			
Debtors	445	-	445
Cash	197	-	197
	<u>1,806</u>	<u>(756)</u>	<u>1,050</u>
Liabilities			
Creditors	(1,441)	-	(1,441)
Net Assets/(Liabilities) acquired	365	(756)	(391)
Goodwill			<u>3,950</u>
Purchase consideration and costs of acquisition			<u>3,559</u>

Included in the above costs of acquisition is £21,000 of legal costs, plus £1 cash consideration. The total purchase consideration includes the current best estimate of contingent deferred consideration discounted for any amounts estimated to be payable over two years and this amounts to £3,538,000. The contingent deferred consideration dependent on the EBIT performance of Prime Diagnostics Limited and its two joint ventures over the next three to four years. The possible outcomes are in a range up to £3,900,000. The value of the contingent deferred consideration included in the table is the current best estimate of this amount discounted as noted above. This will be updated in future years in light of the performance of the acquisition. During the period 24 February 2012 to 30 September 2012, Prime Diagnostics Limited and its joint ventures generated revenue of £3,065,000 and a loss after tax of £105,000.

3. REVENUE

The Group's revenue is substantially related to activities in the UK.

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Notes to the Financial Statements (continued)

4. NOTES TO THE PROFIT AND LOSS ACCOUNT

The operating profit is stated after charging/(crediting)

	2012	2011
	£000	£000
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned	6,101	5,977
Leased	4,868	5,050
Loss / (profit) on disposal of fixed assets	284	(112)
Impairment of tangible fixed assets	-	115
Profit on disposal of investments	(569)	-
Amortisation of goodwill	826	987
Amortisation of other intangibles	445	573
Hire of plant and machinery – operating leases	117	481
Hire of other assets – operating leases	1,910	1,624
Exchange differences	12	24
	<hr/>	<hr/>
<i>Auditor's remuneration</i>	2012	2011
	£000	£000
Audit of these financial statements	126	102
Other services provided by the audit firm	542	56
	<hr/>	<hr/>

The audit firm also provided services relating to current year taxation of £0.1 million (2011 £0.1 million), services relating to previous years' taxation for both direct and indirect taxes totalling £0.3 million (2011 £nil), and a review of the Group I T strategy totalling £0.1 million (2011 £nil)

In order to ensure consistency with the current period presentation of cost of sales, a prior period adjustment has been made on the face of the profit and loss account to transfer certain costs from administrative expenses to cost of sales so that all Group companies applied the same methodology of classification. Corresponding reclassifications have also been made to the individual financial statements of the companies concerned and these presentational reclassifications have had no effect on the reported results of operations.

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group during the year, analysed by category, was as follows

	2012	2011
	Number	Number
Sales	11	7
Operations	650	634
Administrative	122	117
	<hr/>	<hr/>
	783	758

The aggregate payroll costs of these people were as follows

	2012	2011
	£000	£000
Wages and salaries	28,720	27,351
Social security costs	2,931	2,716
Other pension costs	729	613
	<hr/>	<hr/>
	32,380	30,680

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Notes to the Financial Statements *(continued)*

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2012	2011
	£000	£000
Bank interest	89	321
Expected return on defined benefit pension plan assets	48	40
	<u>137</u>	<u>361</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£000	£000
Bank interest	49	341
Other finance charges	53	36
Interest on defined benefit pension plan obligation	58	59
Hire purchase	428	923
	<u>588</u>	<u>1,359</u>

8. TAXATION

Analysis of charge in period		2012	2011
		£000	£000
<i>UK corporation tax</i>			
Current tax on income for the period		1,774	1,976
Adjustments in respect of prior periods		(153)	(39)
Current tax		<u>1,621</u>	<u>1,937</u>
<i>Deferred tax (see note 13)</i>			
Origination and reversal of timing differences		32	440
Adjustments in respect of prior periods		226	-
Effect of decreased tax rate		45	104
Deferred tax		<u>303</u>	<u>544</u>
Total tax on profit on ordinary activities		<u>1,924</u>	<u>2,481</u>
Tax relates to the following			
	Parent and subsidiaries	1,923	-
	Joint ventures	<u>1</u>	<u>-</u>

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Notes to the Financial Statements (continued)

8. TAXATION (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2011 higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2012	2011
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,251	3,639
Current tax at 25.0% (2011 27.0%)	1,563	983
<i>Effects of</i>		
Expenses not deductible for tax purposes	286	923
Capital allowances for year in excess of depreciation	-	(247)
Depreciation for year in excess of capital allowances	111	172
Group relief	-	14
Adjustments in respect of prior periods	(153)	(39)
Other short term timing differences	(13)	185
Amounts credited directly to STRGL	2	-
Unrelieved tax losses and other deductions arising in the period	21	-
Utilisation of tax losses and other deductions	(196)	(54)
Tax on profit on ordinary activities	1,621	1,937

Factors that may affect future, current and total tax charges

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2011) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 30 September 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It is not anticipated that the effect of the announced further 1% rate reduction will have a significant impact on the Group's results, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

The elements of unrecognised deferred taxation are as follows:

	2012	2011
	£000	£000
Fixed asset timing differences	119	155
Other timing differences	49	53
Unutilised losses	743	900
Unrecognised deferred tax asset	911	1,108

Deferred tax assets are only recognised to the extent that the Director considers it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. The Group did not recognise the above 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.

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Notes to the Financial Statements (continued)

9 INTANGIBLE FIXED ASSETS

Group	Goodwill £000	Bid costs £000	Other intangibles £000	Total £000
COST				
At 1 October 2011	20,650	2,809	-	23,459
Additions	4,190	-	259	4,449
Disposals	(852)	(1,653)	-	(2,505)
At 30 September 2012	23,988	1,156	259	25,403
AMORTISATION				
At 1 October 2011	9,397	2,307	-	11,704
Disposals	(852)	(1,653)	-	(2,505)
Amortisation for year	826	385	60	1,271
At 30 September 2012	9,371	1,039	60	10,470
NET BOOK VALUE				
At 30 September 2012	14,617	117	199	14,933
At 30 September 2011	11,253	502	-	11,755

10 TANGIBLE FIXED ASSETS

Group	Short term leasehold improvements £000	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
COST						
At 1 October 2011	14,588	6,390	62,780	10,158	2,402	96,318
Additions	2,018	1	7,475	1,350	961	11,805
Acquired through business combinations	13	-	229	15	-	257
Disposals	(1,866)	-	(6,028)	(181)	(745)	(8,820)
Reclassifications	(1,072)	1,372	(304)	4	-	-
At 30 September 2012	13,681	7,763	64,152	11,346	2,618	99,560
DEPRECIATION						
At 1 October 2011	5,958	620	33,585	6,854	1,106	48,123
Charge in the year	886	127	7,469	1,883	604	10,969
Disposals	(1,471)	-	(5,272)	(132)	(663)	(7,538)
Reclassifications	(545)	590	(49)	4	-	-
At 30 September 2012	4,828	1,337	35,733	8,609	1,047	51,554
NET BOOK VALUE						
At 30 September 2012	8,853	6,426	28,419	2,737	1,571	48,006
At 30 September 2011	8,630	5,770	29,195	3,304	1,296	48,195

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Notes to the Financial Statements (continued)

10. TANGIBLE FIXED ASSETS (continued)

There were no indications of impairment on the Group's fixed assets over the year. In the prior year an impairment charge of £115,000 was incurred where the Directors believed that the carrying value of the plant and machinery held under hire purchase exceeded the fair value.

Included in the total net book value of plant and machinery is £8,446,000 (2011 £14,111,000) in respect of assets held under hire purchase. Depreciation for the year on these assets was £3,934,000 (2011 £3,787,000).

Included in the total net book value of fixtures and fittings is £184,000 (2011 £1,120,000) in respect of assets held under hire purchase. Depreciation for the year on these assets was £897,000 (2011 £1,226,000).

Included in the total net book value of motor vehicles is £nil (2011 £62,000) in respect of assets held under hire purchase. Depreciation for the year on these assets was £37,000 (2011 £37,000).

11. FIXED ASSET INVESTMENTS

Group	Interest in joint ventures £000	Unlisted investments £000
COST		
At 1 October 2011	-	375
Disposals	-	(375)
At 30 September 2012	-	-
SHARE OF POST ACQUISITION RESERVES		
Retained profits less losses	(10)	-
At 30 September 2012	(10)	-
PROVISIONS		
At 1 October 2011	-	100
Disposals	-	(100)
At 30 September 2012	-	-
NET BOOK VALUE		
At 30 September 2012	(10)	-
At 30 September 2011	275	275

During the year the Group sold its investment for £844,000

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Notes to the Financial Statements (continued)

11. FIXED ASSET INVESTMENTS (continued)

The investments in Group undertakings include the following companies in which the Company's interest at the year end is more than 20%

	Principal activity	Percentage of shares held	Class of shares held (all ordinary)
Direct subsidiary undertaking			
InHealth Group Holdings PLC	Holding company	100%	£1
Pegasus Management S A R L	Dormant	100%	€25
Pegasus Management Holdings SCA	Dormant	100%	USD\$100
Subsidiary undertakings of InHealth Group Holdings PLC			
InHealth Group Limited	Holding company	100%	£1
Subsidiary undertakings of InHealth Group Limited			
InHealth Limited	Provision of healthcare services	100%	£1
InHealth Properties Limited	Property administration	100%	£1
InHealth Facilities Management Limited	Holding company	100%	£1
InHealth (London) Limited	Provision of diagnostic services	100%	£1
Subsidiary undertakings of InHealth Limited			
InHealth Molecular Imaging Limited	Provision of scanning services	100%	£1
Vista Diagnostics Limited	Provision of scanning services	100%	£1
Preventicum UK Limited	Holding company	100%	10p
Medical Imaging Group Limited	Holding company	100%	£1
Prime Diagnostics Limited	Diagnostic medical procedures	76%	£1
Lister InHealth Limited	Dormant	100%	£1
Cardinal InHealth Limited	Dormant	100%	1p
InHealth (ACAD) Limited	Dormant	100%	£1
Mobile P E T Leasing Limited	Dormant	100%	£1
Molecular Imaging Solutions Limited	Dormant	100%	£1
Quantum Imaging Limited	Dormant	100%	50p
Subsidiary undertaking of Preventicum UK Limited			
Euroclinics (UK) Limited	Provision of health screening	100%	£1
Subsidiary undertaking of Medical Imaging Group Limited			
e-Locum Services Limited	Scan reporting services	100%	£1
Medical Imaging Audit and Accreditation Limited	Dormant	100%	£1
Participating interests of Prime Diagnostics Limited			
Dorset Diagnostics Limited	Diagnostic medical procedures	50%	£1
Prime Endoscopy (Bristol) Limited	Diagnostic medical procedures	50%	£1
Subsidiaries of InHealth Properties Limited			
Primary Care Advisory Limited	Dormant	100%	£1
InHealth Diagnostic & Imaging Limited	Dormant	100%	£1

All of the companies above are incorporated in England and Wales with the exception of the two Pegasus entities listed above which are registered in Luxembourg

12 STOCKS

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Consumables	793	763	-	-

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Notes to the Financial Statements (continued)

13. DEBTORS

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Amounts falling due within one year				
Trade debtors	11,697	11,491	-	-
Other debtors	1,396	1,087	-	-
Deferred tax assets	543	864	-	-
Prepayments and accrued income	7,593	5,981	-	-
	<u>21,229</u>	<u>19,423</u>	<u>-</u>	<u>-</u>

Deferred tax asset

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Fixed asset timing differences	94	244	-	-
Other short term timing differences	339	338	-	-
Tax losses carried forward	110	282	-	-
	<u>543</u>	<u>864</u>	<u>-</u>	<u>-</u>

Deferred tax assets are only recognised to the extent that the Director considers it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. There are no unprovided deferred tax liabilities.

14. CREDITORS. amounts falling due within one year

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Hire purchase contracts (see note 15)	2,872	6,432	-	-
Trade creditors	4,569	3,469	-	1
Amounts owed to Group undertakings	-	-	711	264
Taxation and social security	2,261	2,853	-	-
Other creditors	5,904	5,732	-	-
Accruals and deferred income	13,267	10,895	47	5
	<u>28,873</u>	<u>29,381</u>	<u>758</u>	<u>270</u>

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Notes to the Financial Statements (continued)

15. CREDITORS: amounts falling after more than one year

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Hire purchase contracts	3,251	4,485	-	-
Other creditors	3,873	63	-	-
	<u>7,124</u>	<u>4,548</u>	<u>-</u>	<u>-</u>

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

Group	Hire purchase contracts	
	2012 £000	2011 £000
Net obligations payable		
Within one year	2,872	6,432
Between one and five years	3,251	4,485
	<u>6,123</u>	<u>10,917</u>

16. CALLED UP SHARE CAPITAL

	2012 £000	2011 £000
<i>Allotted, called up and fully paid</i>		
3 Ordinary shares of £1 each	-	-

17. RESERVES

Group	Other reserves £000	Profit and loss account £000	Total £000
At 1 October 2011	52,070	3,746	55,816
Profit for the year	-	4,334	4,334
Actuarial gain	-	8	8
At 30 September 2012	<u>52,070</u>	<u>8,088</u>	<u>60,158</u>

Company	Profit and loss account £000
At 1 October 2011	(270)
Loss for the year	(488)
At 30 September 2012	<u>(758)</u>

18. MINORITY INTERESTS

	2012 £000	2011 £000
At beginning of year	-	-
Retained profit for the year	7	-
Acquisition of subsidiary undertakings	101	-
	<u>108</u>	<u>-</u>

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Notes to the Financial Statements (continued)

19. RECONCILIATION OF SHAREHOLDERS' FUNDS

Group	2012	2011
	£000	£000
Profit for the financial year	4,334	1,158
Actuarial gain in relation to pension scheme	8	135
Minority interest	108	-
Net addition to shareholders' funds	4,450	1,293
Opening shareholders' funds	55,816	54,523
Closing shareholders' funds	60,266	55,816

Company	2012	2011
	£000	£000
Loss for the financial year	(488)	(270)
Net reduction to shareholders' deficit	(488)	(270)
Opening shareholders' deficit	(270)	-
Closing shareholders' deficit	(758)	(270)

20. COMMITMENTS

Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2012	2011
	£000	£000
Contracts placed for future capital expenditure not provided for in the financial statements	1,519	-

Capital commitments represent agreements to purchase additional relocatable units, ultrasound and MRI equipment and the build of two new catheterisation laboratories

Annual commitments under non-cancellable operating leases are as follows

	2012		2011	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire				
Within one year	1,136	2	85	17
Between one and five years	499	69	1,338	-
In more than five years	214	175	74	-
	1,849	246	1,497	17

Notes to the Financial Statements (continued)

21. PENSION SCHEMES

The pension cost charged to the profit and loss account for the year represents contributions payable by the Group to all pension schemes and amounts to £692,000 (2011 £587,000)

Contributions amounting to £58,000 (2011 £56,000) were payable to the schemes at the end of the year relating to the final month and are included in creditors

Defined contribution pension scheme

The Group operates a number of defined contribution pension schemes

Multi-employer defined benefit pension scheme

The Group participates in a multi-employer defined benefit pension scheme whose assets are held under one combined scheme. There are 4 current employees and 1 deferred member in this scheme. The scheme uses a weighted approach in relation to its actuarial assumptions and asset allocation strategy. Insufficient information is available for the Group to account for the scheme as a defined benefit scheme. Contributions are set at a level to make good a deficit but the Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The contributions from the Group are set at a common level rather than reflecting the characteristics of the workforces of individual employers. On this basis the Group is accounting for this scheme as if it were a defined contribution scheme and its contributions are included above.

Defined benefit pension scheme

The Group operates a pension scheme providing benefits based on final pensionable pay. The latest actuarial valuation was carried out at 1 October 2010, which has been agreed between the Trustees and the relevant Group companies.

The information disclosed below is in respect of the whole of the Group for the periods shown.

The amounts recognised in the balance sheet are as follows

	2012	2011
	£000	£000
Present value of funded obligations	(1,186)	(1,143)
Fair value of plan assets	954	810
	<u>(232)</u>	<u>(333)</u>

The amounts recognised in the profit and loss account are as follows

	2012	2011
	£000	£000
Current service cost	71	75
Interest on defined benefit pension plan obligation	58	59
Expected return on defined benefit pension plan assets	(48)	(40)
	<u>81</u>	<u>94</u>
Actual return on plan assets	<u>8</u>	<u>43</u>

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

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Notes to the Financial Statements (continued)

21. PENSION SCHEMES (continued)

Changes in the present value of the defined benefit obligation are as follows

	2012	2011
	£000	£000
Opening defined benefit obligation	1,143	1,191
Current service cost	71	75
Contributions by scheme participants	12	12
Interest on defined benefit pension plan obligation	58	59
Actuarial (gains)	(48)	(132)
Benefits paid	(50)	(62)
	<u>1,186</u>	<u>1,143</u>

Changes in the fair value of scheme assets are as follows

	2012	2011
	£000	£000
Opening fair value of scheme assets	810	721
Contributions by employer	174	96
Contributions by scheme participants	12	12
Expected return on defined benefit pension plan assets	48	40
Actuarial (gains)/losses	(40)	3
Benefits paid	(50)	(62)
	<u>954</u>	<u>810</u>

The amounts recognised in the statement of total recognised gains and losses are as follows

	2012	2011
	£000	£000
Actuarial gains	<u>8</u>	<u>135</u>
Cumulative amount of actuarial losses	<u>(186)</u>	<u>(194)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2012	2011
Unitised with profits policy	83.3%	87.6%
Cash	16.7%	12.4%
	<u>100.0%</u>	<u>100.0%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2012	2011
Discount rate	4.60%	5.00%
Expected return on scheme assets	4.42%	5.47%
Future salary increases	3.55%	4.80%
Pension escalation in payment to Oct 05	5.00%	5.00%
Pension escalation in payment from 1 Oct 05 to 30 Sept 12	2.80%	3.30%
Inflation assumption	2.80%	3.30%
Pension revaluation in deferment	2.00%	2.80%
Pension escalation in payment from 1 Oct 12	2.80%	-

Notes to the Financial Statements (continued)

21. PENSION SCHEMES (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

- Current pensioner aged 65 24 years (male), 26 years (female)
- Future retiree upon reaching 65 26 years (male), 27 2 years (female)

Amounts for the current and previous four periods are as follows

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Defined benefit pension plans					
Defined benefit obligation	(1,186)	(1,143)	(1,191)	(1,287)	(978)
Fair value of scheme assets	954	810	721	1,030	1,258
(Deficit)/surplus	<u>(232)</u>	<u>(333)</u>	<u>(470)</u>	<u>(257)</u>	<u>280</u>
Experience adjustments on scheme liabilities	(7)	88	(19)	(54)	189
Experience adjustments on scheme assets	(40)	3	22	(251)	(96)

22. RELATED PARTY DISCLOSURES

Total sales by the Group to its joint ventures were £107,000 (2011 £nil). The outstanding balance at the year end with the joint ventures was £175,000 debit (2011 £nil). This balance is included in other debtors in note 14.

Total purchases by the Group from the joint ventures were £171,000 (2011 £nil). The outstanding balance at the year end with the joint ventures was £391,000 credit (2011 £nil). This balance is included in other creditors in note 15.

23. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking and controlling party is the Damask Trust, the Trustees of which are I H Bradbury and the Embleton Trust Corporation Limited.