

Company Registration No. 2609976

Lodestone Patient Care Limited

Report and Financial Statements

30 June 2007

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Lodestone Patient Care Limited

Report and financial statements 2007

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Lodestone Patient Care Limited

Report and financial statements 2007

Officers and professional advisers

Directors

V P Byrne
D Vaux
G Barnier
C Hollis
C John
Dr S Davis

Secretaries

Abogado Nominees Limited
S Castle (resigned 12 December 2007)

Registered Office

100 New Bridge Street
London
EC4V 6JA

Bankers

National Westminster Bank plc
Piccadilly and New Bond St Branch
63 Piccadilly
London
W1A 2AG

Solicitors

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Lodestone Patient Care Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2007

Principal activities

The principal activity of the company during the year was the operation of diagnostic imaging services in England

Business review

Business environment

The company operates in a specialised segment of the UK healthcare market the provision of diagnostic imaging services The National Health Service ("NHS") delivers the majority of diagnostics procedures in the UK, alongside private and charitable hospital groups, all of which operates in-house diagnostic imaging services

The company is one of a few specialist providers which only operate diagnostics imaging services

The majority of diagnostic imaging services is funded by the NHS with a lower proportion of the services funded privately, either directly by patients or by private medical insurance companies Independent providers are typically contracted directly by the NHS or the private medical insurance companies and receive funds on a per patient basis

The market is generally considered to be growing due to an aging population and increased public funding although the total expenditure on these services in the UK is not accurately recorded or reported, mostly as a result of the services representing an intermediate product in the context of a multi-step healthcare procedure

Strategy

The company's overriding objective is to achieve attractive and sustainable rates of growth and returns through a combination of organic growth and acquisitions

The company believes that this is to be achieved by being the preferred choice for patients, clinicians and staff

Patients

The company is regularly reviewing its investment in facilities, medical equipment and staff to ensure patient satisfaction

Clinicians

In addition to clinicians who are directly employed, the group works with a well established network of clinicians, from referrers to reporting radiologists in the UK and Australia where the group parent company, I-MED Network operates

Staff

The company operates a dedicated education and development team in order to ensure its staff maintain the best service for patients and clinicians The company was also first recognised as an Investor in people in 1999, was re-accredited in 2003 and was again reviewed successfully during the last financial year

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks affecting the company are set out below

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company

Lodestone Patient Care Limited

Directors' report

Change in government's healthcare policy

The company's revenue is dependent on funding sources remaining available to the specialised diagnostic imaging providers. The NHS could decide to redeploy diagnostics services in-house although public private partnerships have been operating successfully in this sector for the last 16 years.

Erosion of revenue due to reduction in prices

As the independent market grows and access to diagnostic imaging technology is more widespread, prices could decrease, thereby reducing the company's operating margins.

Change in diagnostic imaging technology

The company's operations are reliant on the use of equipment that has to remain competitive and adequate for clinical needs. The company monitors developments in diagnostic imaging equipment and changes in medical practices.

Clinical malpractice

The company is dealing with complex medical procedures and is therefore exposed to a variety of clinical risks. The company limits clinical risks by a well founded clinical governance strategy, following recommended industry guidelines and monitoring clinical performance.

Revenue performance and outlook

During the year under review, revenue increased by 12.0% from £20,129,198 to £22,553,757. Existing clinics growth remained strong, in excess of 5.5%, and the company also benefited from the successful first full year of operations of three new clinics which supported the extension of the existing network.

The directors expect the general level of activity to remain in line with the trends observed during the year ended June 2007.

Cooperation with Carillion plc

In 2005, Lodestone Patient Care Limited identified Carillion plc as a partner to respond to a wave of Independent Sector Treatment Centres contracts procured by the NHS. An entity named Clinicenta was set up between Lodestone Patient Care Limited and Carillion plc, with the aim of providing clinical facilities and services in partnership with NHS Trusts.

At the start of the financial year under review, on 1st July 2006, Clinicenta was selected preferred bidder for the development, construction and operation of two Independent Sector Treatment Centres in Hertfordshire. Subsequently during the year, Clinicenta became preferred bidder on the London South, London North and South East Diagnostics schemes.

Following the preferred bidder appointments the Hertfordshire scheme was reduced to include the provision of only one Independent Sector Treatment Centre and the London South scheme was cancelled on 6th June 2007 by the Department of Health, taking into consideration strategic and operational considerations in the local health economy.

At the time of the balance sheet, Lodestone therefore remained involved in London North, South East Diagnostic and the revised Hertfordshire scheme. However subsequently, on 16 November 2007 the Department of Health, in consultation with the local NHS stakeholders decided to cancel the South East Diagnostics scheme.

At the time of signing the Directors' report, the remaining two schemes, London North and Hertfordshire, were still progressing to financial close although the group is in discussions with Carillion plc to potentially reduce or exit its involvement in the bidding process. It is not anticipated that these discussions would trigger additional exposures to ongoing or abortive bid costs other than for the amounts and commitments already recognised as at end of 30 June 2007.

Lodestone Patient Care Limited

Directors' report

Business profitability

The company uses Earnings Before Tax and Amortisation ("EBITA") as an appropriate measure of its performance

EBITA during the year ended 30 June 2007 was a loss of £1,007,457 (2006 profit of £2,154,405) This number includes a number of non-recurrent items which had a material impact on the operating results of the financial year under review

- £3,774,049 for the costs of bidding for the Independent Sector Treatment Centres via Clinicenta (2006 £1,300,000) The Company's accounting policy relating to bid costs is to capitalise costs where there is a high likelihood of recovery of the amounts This is generally the case once the company reaches preferred bidder status However in this instance, given that none of the Clinicenta schemes have reached financial close at the time the balance sheet was prepared, the cancellation of London South and changes to the Hertfordshire scheme, the Directors reached the view that all bid commitments should be expensed during the period under review to reflect the general level of uncertainty about the Independent Sector Treatment Centre procurement programme at the balance sheet date Subsequent to the year end the Department of Health consulted with the local NHS stakeholders and decided to cancel the South East diagnostic scheme
- £341,050 relating to accelerated depreciation of the MRI scanners due to technological advances (2006 nil)

Excluding the impact of the new Clinicenta contract bid costs and the fixed assets accelerated depreciation, EBITA was £3,107,642 for the year, or 13.8% of revenue (2006 £3,454,405, or 17.2% of revenue) This is lower than the previous year EBITA due to the strengthening of the management team, including increased reliance on resources from the parent company, I-MED Holdings Limited, a company incorporated in Australia

Excluding the impact of the non-recurrent charges outlined above, the directors expect the general level of EBITA to remain in line with the trends observed during the year ended June 2007

Financial risks management objectives and policies

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk The company does not use financial derivatives to manage these risks

Price risk

The company is not significantly exposed to variations in prices of its supplies, the majority of which are supplied under medium-term contracts with annual pricing reviews

Cash flow risk

The company trades exclusively in the UK and is not directly exposed to foreign exchange risk

The majority of the interest bearing net liabilities of the company are denominated in pound sterling and floating against GBPLIBOR rates Consequently the company is exposed to fluctuations in interest rates in the UK However the company is a wholly-owned subsidiary of I-MED Holdings Limited which manages its subsidiaries exposure to fluctuations in interest rates centrally, in line with I-MED Holdings Limited's financial objectives

Credit risk

The company's principal financial assets are bank balances, trade and other receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables

The credit risk on liquid funds is limited because the only permitted counterparties are banks with high credit ratings assigned by international credit rating agencies

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers reflective of its clinic network

Lodestone Patient Care Limited

Directors' report

Liquidity risk

The company relies on a mixture of free cash flow generated by the operations, bank borrowings and funding from its parent company to ensure that sufficient funds are available for ongoing operations and future developments

Future developments

The directors intend to develop the business through organic growth and suitable acquisition opportunities

Results and dividends

The loss for the year after taxation is £1,463,823 (2006 profit of £11,806,484) The directors do not recommend the payment of a dividend (2006 £nil)

Directors and their interests

The directors who held office during the year and those appointed subsequently were as follows

V P Byrne

D Vaux

G Barnier

C Hollis

C John

Dr S Davis (appointed 20 February 2007)

Each of the Directors benefit from an indemnity given by the company under its article of association This indemnity is in respect of liabilities incurred by the Directors in the execution and discharge of its duties

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business except where such an interest may arise in the ordinary course of business

Save as disclosed, no arrangements to which the company was a party existed at the end of the year, or at any time during the year, which would enable the Directors to acquire benefits through the acquisition of shares or debentures of the company or any body corporate within the Group

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 30 June 2007, the company had an average of 33 days (2006 32 days) purchases outstanding in trade creditors

Charitable donations

The Company's charitable donations during the financial year were £940 (2006 nil)

Lodestone Patient Care Limited

Directors' report

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with provisions of s234ZA of the Companies Act 1985

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

V P Byrne
Director


18 March 2007-2008.

Lodestone Patient Care Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable the director to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Lodestone Patient Care Limited

We have audited the financial statements of Lodestone Patient Care Limited for the year ended 30 June 2007, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 judgments 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.

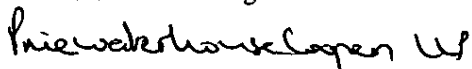
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report to the members of Lodestone Patient Care Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its loss for the year 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


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

18 March 2008

Lodestone Patient Care Limited

Profit and loss account Year ended 30 June 2007

	Note	2007 £	2007 £	Restated 2006 £	Restated 2006 £
Turnover	2		22,553,757		20,129,198
Cost of sales			<u>(4,994,564)</u>		<u>(3,719,889)</u>
Gross profit			17,559,193		16,409,309
Administrative expenses (excluding goodwill amortisation and development costs)		(14,792,601)		(12,954,904)	
Amortisation of goodwill	8	(1,127,643)		(1,127,643)	
Write off of development costs	3	<u>(3,774,049)</u>		<u>(1,300,000)</u>	
Total Administrative expenses			<u>(19,694,293)</u>		<u>(15,382,547)</u>
Operating (loss) / profit	3		(2,135,100)		1,026,762
Income from shares in group undertakings			-		11,410,999
Bank interest receivable			81,116		36,988
Interest payable and similar charges	5		<u>(52,017)</u>		<u>(117,805)</u>
(Loss) / profit on ordinary activities before taxation			(2,106,001)		12,356,944
Taxation	6		<u>642,178</u>		<u>(550,460)</u>
Retained (loss) / profit for the financial year	18		<u><u>(1,463,823)</u></u>		<u><u>11,806,484</u></u>

All amounts derive from continuing operations

Lodestone Patient Care Limited

Statement of total recognised gains and losses Year ended 30 June 2007

	2007	Restated
	£	2006
		£
Retained (loss) / profit for the financial year	<u>(1,463,823)</u>	<u>11,806,484</u>
Total recognised (losses) and gains relating to the year	(1,463,823)	<u>11,806,484</u>
Prior year adjustment (note 7)	<u>(6,505,824)</u>	
	<u>(7,969,647)</u>	

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

Lodestone Patient Care Limited

Balance sheet 30 June 2007

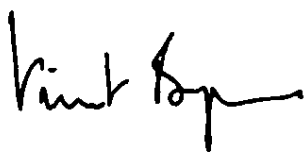
	Note	2007 £	Restated 2006 £
Fixed assets			
Intangible assets	8	16,148,865	17,634,159
Tangible assets	9	16,473,330	16,259,090
Investments	10	700,001	715,001
		<u>33,322,196</u>	<u>34,608,250</u>
Current assets			
Stocks	11	72,878	71,195
Debtors	12	4,075,090	3,634,287
Cash at bank and in hand		2,095,481	142,997
		<u>6,243,449</u>	<u>3,848,479</u>
Creditors: amounts falling due within one year	13	(25,906,383)	(22,694,407)
Net current liabilities		<u>(19,662,934)</u>	<u>(18,845,928)</u>
Total assets less current liabilities		13,659,262	15,762,322
Creditors: amounts falling due after more than one year	14	(167,374)	(372,175)
Provisions for liabilities and charges	16	(758,269)	(1,192,705)
		<u>12,733,619</u>	<u>14,197,442</u>
Capital and reserves			
Called up share capital	17	10,460,000	10,460,000
Profit and loss account	18	2,273,619	3,737,442
Total equity shareholders' funds	18	<u>12,733,619</u>	<u>14,197,442</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

18th March

2008

V P Byrne
Director



Lodestone Patient Care Limited

Notes to the financial statements **Year ended 30 June 2007**

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been consistently applied in both the current and prior year.

Accounting convention

The financial statements are prepared under the historical cost convention. Under the provisions of the Companies Act 1985, section 228, the company has not prepared consolidated financial statements because its immediate parent undertaking, Lodestone Holdings limited (formerly Lodestone Holdings plc), has prepared consolidated financial statements for the period which include the results of the company.

Cash flow statement

The company is a wholly owned subsidiary undertaking of a parent undertaking producing publicly available group financial statements, and as such has taken advantage of the exemption allowed under FRS 1 (Revised) not to produce a cash flow statement.

Turnover

Turnover, which is stated net of value added tax, represents amounts receivable for services provided in the normal course of business.

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, which is considered by its directors to be 20 years. It is reviewed for impairment at the end of the first full financial period following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Development costs

Pre-contract costs are expensed until the awarding of the contract to the company is considered to be virtually certain, which is not before the company has been appointed as sole preferred bidder. Once virtual certainty has been established and the contract is expected to be awarded, the pre-contract costs are deferred and amortised to the profit and loss account. Amortisation commences when the first revenues are generated and is expensed evenly over the life of the contract, typically 5 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, or, if held under a finance lease, over the lease term, or whichever is shorter, as follows:

Leasehold property	- over the term of the lease
Plant and machinery	- 10% - 25% per annum
Fixtures and fittings	- 10% - 25% per annum
Motor vehicles	- 25% per annum

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

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

1. Accounting policies (continued)

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment

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

Stocks

Stocks are stated on a first-in, first-out basis at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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 at that date that 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
- provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- 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

Leasing and hire purchase commitments

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 the profit and loss account on a straight line basis over the lease term

Pensions

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

2. Turnover

Turnover, which is stated net of value added tax, represents amounts earned from the provision of magnetic resonance imaging equipment and services, and arises wholly from activities in the United Kingdom

3. Operating (loss) / profit

This is stated after charging / (crediting)

	2007	Restated 2006
	£	£
Auditors' remuneration – audit services	50,000	53,620
– non audit services	-	15,840
Depreciation – owned assets	2,206,734	2,202,897
Depreciation – assets held under finance leases and hire purchase contracts	464,927	530,332
Accelerated depreciation	341,050	-
Operating lease rentals – other	523,677	441,645
Write off of development costs	3,774,049	1,300,000
(Profit) / loss on disposal of fixed assets	(105,371)	23,945

Development costs relating to bidding for the Independent Sector Treatment Centres via Clinicenta have been written off to reflect the general level of uncertainty about the Independent Sector market. Subsequent to the year end, it has been confirmed that the South East Diagnostic scheme has been cancelled by the Department of Health

4. Staff costs and directors' remuneration

	2007	2006
	£	£
Emoluments	276,086	241,407
Company contributions to money purchase pension schemes	17,408	7,890
Highest paid director		
Emoluments	138,787	112,750
Contributions to money purchase pension schemes	5,906	7,890
	No.	No.
Average number of persons employed (including directors);		
Administration	106	98
Technical	95	99
	201	197
	£	£
Staff costs during the year (including directors):		
Wages and salaries	5,786,313	5,075,484
Social security costs	588,012	492,644
Pension costs	232,476	130,335
	6,606,801	5,698,463

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

5. Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	15,869	73,478
Finance charges payable under finance leases and hire purchase contracts	36,148	44,327
	<u>52,017</u>	<u>117,805</u>

6. Taxation

	2007 £	2006 £
a) Analysis of (credit) / charge in year		
Current tax	-	466,645
Over provision in prior years	(207,742)	(7,095)
Total current tax (note 6b)	<u>(207,742)</u>	<u>459,550</u>
Deferred tax		
Origination and reversal of timing differences	(434,436)	90,910
Total deferred tax (note 16)	<u>(434,436)</u>	<u>90,910</u>
Total tax (credit) / charge for year	<u>(642,178)</u>	<u>550,460</u>

b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £	Restated 2006 £
(Loss) / profit on ordinary activities before tax	(2,106,001)	12,356,944
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(631,800)	3,707,083
Effects of		
Dividend from UK companies – non-taxable	-	(3,423,300)
Disallowed expenses	405,566	240,009
Depreciation in advance of capital allowances	346,464	(115,068)
Other timing differences	(10,478)	342
Group relief not paid	(385,563)	(218,232)
Goodwill amortisation	275,811	275,811
Adjustments to tax charge in respect of previous years	(207,742)	(7,095)
Current tax for the year (note 6a)	<u>(207,742)</u>	<u>459,550</u>

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

7. Prior year adjustment

The results for the year ended 30 June 2006 have been restated as a result of an error where goodwill arising from the acquisition of Health South was not recognised when the clinics were transferred to Lodestone Patient Care Limited in 2004. The goodwill balance was incorrectly treated as an investment. The prior year adjustment relates to both annual amortisation and an impairment charge.

The impact on the profit on ordinary activities after taxation for the year ended 30 June 2007 was a charge of £919,370 (30 June 2006 £919,370) and the impact on equity shareholders' funds as at 30 June 2005 a reduction of £5,586,454.

8. Intangible fixed assets

	Goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 July 2006	4,165,464	357,651	4,523,115
Prior year adjustment	20,405,955	-	20,405,955
At 1 July 2006 – restated	24,571,419	357,651	24,929,070
Write off	-	(357,651)	(357,651)
At 30 June 2007	24,571,419	-	24,571,419
Amortisation			
At 1 July 2006	789,087	-	789,087
Prior year adjustment	6,505,824	-	6,505,824
At 1 July 2006 – restated	7,294,911	-	7,294,911
Charge for the year	1,127,643	-	1,127,643
At 30 June 2007	8,422,554	-	8,422,554
Net book value			
At 30 June 2007	16,148,865	-	16,148,865
At 30 June 2006 – restated	17,276,508	357,651	17,634,159

See note 7 and note 10 for details on prior year adjustment.

The £357,651 write off of development costs has been included in the £3,774,049 bid costs balance on the face of the profit and loss account.

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

9. Tangible fixed assets

	Leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Work In Progress	Total £
Cost						
At 1 July 2006	8,551,649	15,501,775	491,213	15,682	-	24,560,319
Additions	421,664	2,643,962	15,770	-	212,339	3,293,735
Disposals	(47,000)	(1,343,282)	-	-	-	(1,390,282)
At 30 June 2007	8,926,313	16,802,455	506,983	15,682	212,339	26,463,772
Depreciation						
At 1 July 2006	1,614,279	6,390,269	281,000	15,681	-	8,301,229
Accelerated depreciation	-	341,050	-	-	-	341,050
Charge for the year	883,643	1,756,235	31,783	-	-	2,671,661
Disposals	-	(1,323,498)	-	-	-	(1,323,498)
At 30 June 2007	2,497,922	7,164,056	312,783	15,681	-	9,990,442
Net book value						
At 30 June 2007	6,428,391	9,638,399	194,200	1	212,339	16,473,330
At 30 June 2006	6,937,370	9,111,506	210,213	1	-	16,259,090

An impairment review of certain assets was performed during the year following technological development and as a result additional depreciation was provided

The net book value of plant and machinery above includes an amount of £691,056 (2006 £1,360,029) in respect of assets held under finance leases

The net book value of land and buildings is made up as follows

	2007 £'000	2006 £'000
Freehold land and buildings	114,739	124,249
Short-term leasehold premises	6,313,652	6,813,121
	<u>6,428,391</u>	<u>6,937,370</u>

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

10. Fixed asset investments

	Trade investments £	Subsidiary undertakings £	Total £
Cost			
At 1 July 2006	15,000	21,105,956	21,120,956
Prior year adjustment	-	(20,405,955)	(20,405,955)
	<hr/>	<hr/>	<hr/>
At 1 July 2006 - restated	15,000	700,001	715,001
Disposals	(15,000)	-	(15,000)
	<hr/>	<hr/>	<hr/>
30 June 2007	-	700,001	700,001
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2007	-	700,001	700,001
	<hr/>	<hr/>	<hr/>
At 30 June 2006 - restated	15,000	700,001	715,001
	<hr/>	<hr/>	<hr/>

In 2004 the assets and liabilities of Lodestone Radiology Limited, Lodestone Imaging Limited and Lodestone MRI Limited were transferred to Lodestone Patient Care Limited. At that time the investment was not adjusted to goodwill and consequently the amount of investment has been transferred to goodwill as a prior year adjustment.

Details of the investment in subsidiary undertakings at the year end are listed below. In order to avoid a statement of excessive length, details of investments in dormant subsidiary undertakings whose carrying value of investment is nil have been omitted.

Company Name	Holding	Proportion of voting rights and shares held	Nature of business
Lodestone Radiology Limited	Ordinary shares	100%	Dormant Company
Lodestone Imaging Limited	Ordinary shares	100%	Dormant Company
St Peter's Imaging Centre Limited	Ordinary shares	100%	Dormant Company

In the opinion of the directors, the aggregate value of the investments in subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

11. Stocks

	2007 £	2006 £
Consumables	<u>72,878</u>	<u>71,195</u>

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

12. Debtors

	2007 £	2006 £
Trade debtors	2,270,550	2,228,408
Corporation tax	300,000	-
Prepayments and accrued income	1,504,540	1,405,879
	<u>4,075,090</u>	<u>3,634,287</u>

13 Creditors: amounts falling due within one year

	2007 £	2006 £
Obligations under finance leases and hire purchase contracts (note 15)	186,957	399,143
Trade creditors	476,667	654,768
Amounts due to group undertakings	20,450,787	19,445,088
Other taxes and social security costs	263,648	244,183
Corporation tax	-	224,806
Other creditors	17,295	105,763
Accruals and deferred income	4,511,029	1,620,656
	<u>25,906,383</u>	<u>22,694,407</u>

14. Creditors: amounts falling due after more than one year

	2007 £	2006 £
Obligations under finance leases and hire purchase contracts (note 15)	<u>167,374</u>	<u>372,175</u>

15 Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	2007 £	2006 £
Amounts payable		
Within one year (note 13)	186,957	399,143
In two to five years (note 14)	167,374	372,175
	<u>354,331</u>	<u>771,318</u>

These amounts are secured on the related assets

Lodestone Patient Care Limited

Notes to the financial statements Year ended 30 June 2007

16. Provisions for liabilities and charges

Deferred taxation provided in the financial statements is

	2007 £	2006 £
Accelerated capital allowances	769,980	1,169,679
Other timing differences	(11,711)	23,026
Undiscounted provision for deferred tax	<u>758,269</u>	<u>1,192,705</u>
Movement in the year		£
At 1 July 2006		1,192,705
Deferred tax charge in profit and loss account for the year (note 6(a))		(434,436)
At 30 June 2007		<u>758,269</u>

There were no unprovided deferred tax amounts

In March 2007 it was proposed that the rate of UK corporate tax be reduced from 30% to 28% with effect from 1st April 2008. This was substantially enacted on 26th June 2007 and a rate of 28% has been used.

17. Share capital

	2007 £	2006 £
Authorised		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Called up, allotted and fully paid:		
10,460,000 ordinary shares of £1 each	<u>10,460,000</u>	<u>10,460,000</u>

18. Reconciliation of equity shareholders' funds and movement on reserves

	Share capital £	Profit and loss account 2007 £	Profit and loss account 2006 £	Total shareholders' funds 2007 £	Total shareholders' funds 2006 £
At 1 July – as previously reported	10,460,000	10,243,266	(2,482,588)	20,703,266	7,977,412
Prior year adjustment	-	(6,505,824)	(5,586,454)	(6,505,824)	(5,586,454)
At 1 July – as restated	10,460,000	3,737,442	(8,069,042)	14,197,442	2,390,958
(Loss) / profit for the year	-	(1,463,823)	11,806,484	(1,463,823)	11,806,484
At 30 June	<u>10,460,000</u>	<u>2,273,619</u>	<u>3,737,442</u>	<u>12,733,619</u>	<u>14,197,442</u>