

**FINAL VERSION****VINDON HEALTHCARE PLC**

("Vindon Healthcare" or the "Company")

(Environmental control products and services to the pharmaceutical, life sciences and food sectors)

**Unaudited Interim Financial Statements for the Six Months Ended 30 June 2007**

	<b>Unaudited Six months to 30 June 2007</b>	Unaudited Six months to 30 June 2006	<b>% Change</b>
<b>Turnover</b>	<b>2,112</b>	1,812	<b>16.6%</b>
<b>Gross Profit</b>	<b>1,346</b>	1,100	<b>22.4%</b>
<b>Operating profit</b>	<b>603</b>	506	<b>19.2%</b>
<b>Profit before tax</b>	<b>557</b>	434	<b>28.3%</b>
<b>Basic earnings per share (pence)</b>	<b>0.47</b>	0.38	<b>23.7%</b>
<b>Diluted earnings per share (pence)</b>	<b>0.46</b>	0.37	<b>24.3%</b>

- \* **Record results**
- \* **Focus on higher margin value added services**
- \* **Final instalment of £175,000 for Vindon Scientific paid**
- \* **Successfully raised £1.9 million net to fund new UK facility**
- \* **First significant manufacturing order from the USA**
- \* **New plant opened in southern Ireland**
- \* **Total committed revenues of £4 million**
- \* **Strong demand across all product areas**
- \* **Looking forward to the future with enthusiasm and confidence**

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**Background Note**

Vindon Healthcare along with its subsidiaries (the “Group”), is engaged in the manufacture of environmental control products for the pharmaceutical industry, life sciences and food sectors together with the provision of related services. The Group provides products and services for the management of temperature, humidity and light, where controlled storage is required. Its product range includes controlled environment rooms and chambers, blood bank storage units and plant growth chambers. Vindon Healthcare also offers controlled environment storage facilities for its clients at its sites in Diggle, Oldham and Tramore, Ireland.

The Group is an acknowledged leader in the field of controlled Environmental Rooms and Chambers.

Vindon Healthcare was admitted to trading on the AIM Market of London Stock Exchange plc on 11 April 2005.

***Products:***

- \* **Environmental Chambers**
- \* **Plasma Freezers**
- \* **Plant Growth Cabinets**
- \* **Incubators**

***Services***

- \* **Stability Storage Services**
- \* **Validation, Service and Repair**
- \* **Sentinel - Disaster Recovery management**

**VINDON HEALTHCARE PLC**

(Environmental control products and services to the pharmaceutical, life sciences and food sectors)

**Unaudited Interim Financial Statements for the Six Months Ended 30 June 2007****Chairman's Statement**

On behalf of the Board of Vindon Healthcare, I am pleased to present the interim results for the six months ended 30 June 2007.

The Group is a provider of environmental control products and services to the pharmaceutical, life sciences and food sectors and has operational bases in the UK and Ireland. Vindon Healthcare provides products and services for the management of temperature, humidity and light where precise conditions are required. The product range includes controlled environment chambers, blood banks, plasma freezers and plant growth chambers. The Group's services include controlled environment storage and the service, maintenance and validation of controlled environment chambers, blood banks, plasma freezers and plant growth chambers.

**Financial Highlights**

Turnover was £2,112,000 which is an increase of 16.6% over the corresponding period, and the gross profit margin was 63.7% against a corresponding 60.7%. This generated an operating profit of £603,000 which is an increase of 19.2% over the corresponding period. This reflects our focus on higher margin value added services. Costs include revenue expenditure on the establishment of a new storage facility in southern Ireland and the strengthening of our service, maintenance and validation capability.

Activity levels in manufacturing were comparatively high in June 2007 and this temporarily raised working capital requirements at period end. July deliveries have reduced this to normal levels.

The acquisition by the Group of Vindon Scientific Limited in 2005 involved deferred consideration of £350,000 payable in two equal instalments. During the period the final instalment of £175,000 was paid.

The Company achieved a successful share issue of 10 million new ordinary shares which raised £1,910,000 after costs. These funds have been allocated to the development of a new UK facility close to our existing site which will, we believe, provide market leading capability in our sector and should enable the achievement of our growth plans. The precise timing of this development is subject to the successful conclusion of current negotiations.

**Dividend**

A dividend is not proposed at this stage.

**Current Trading**

Activity levels have remained high during July and August, and demand remains strong across all product areas.

The storage facility in southern Ireland is now open and is currently undergoing audit and inspection by prospective clients with a view to the first products going into store this autumn.

**Marketing**

The opening of the new plant in southern Ireland has increased our ability to offer our clients an enhanced service capability and the initial response is encouraging.

We are pleased to report our first significant manufacturing order from the USA. We consider that this market has considerable potential for us in the future.

**Employees**

The continued strong performance of the Group is the direct result of the hard work and dedication of our staff. I would like to thank everyone involved for their commitment and support in this exciting phase of the Group's development.

**Future Prospects**

The Group's immediate future prospects are underpinned by committed revenue arising on storage and service contracts. The Group currently has committed revenue of £2.0 million for the next 12 months with a further £2.0 million thereafter, giving total committed revenues of £4.0 million. This represents a £0.3 million increase since 31 December 2006.

We plan to continue as the UK's leading supplier to the pharmaceutical industry of controlled environment products by building a market defining facility in 2008.

The pharmaceutical market is subject to positive influences from increasing wealth and lifestyle aspirations throughout the world. Our entry into the Irish and American markets are intended to extend the benefit we already derive from this market sector.

We look forward to the future with enthusiasm and confidence.

**Liam Ferguson**  
**4 September 2007**

**Consolidated Income Statement  
for the six months ended 30 June 2007**

	Note	<b>Unaudited</b> <b>Six months to</b> <b>30 June 2007</b> <b>£000</b>	Unaudited Six months to 30 June 2006 £000	Audited Year ended 31 December 2006 £000
<b>Revenue</b>		<b>2,112</b>	1,812	3,840
Cost of sales		<b>(766)</b>	(712)	(1,450)
<b>Gross profit</b>		<b>1,346</b>	1,100	2,390
Distribution expenses		<b>(216)</b>	(155)	(333)
Administrative expenses		<b>(479)</b>	(396)	(865)
Equity settled share-based payment expenses		<b>(48)</b>	(43)	(87)
<b>Operating profit</b>		<b>603</b>	506	1,105
Financial income		<b>13</b>	2	4
Financial expenses		<b>(59)</b>	(74)	(137)
<b>Net financing costs</b>		<b>(46)</b>	(72)	(133)
<b>Profit before tax</b>		<b>557</b>	434	972
Taxation	2	<b>(167)</b>	(143)	(310)
<b>Profit for the period attributable to equity shareholders of the parent</b>		<b>390</b>	291	662
<b>Basic earnings per share</b>	3	0.47p	0.38p	0.86p
<b>Diluted earnings per share</b>	3	0.46p	0.37p	0.84p

There were no recognised gains and losses in the period, or in the prior periods shown, other than the results shown above.

**Consolidated Balance Sheet  
at 30 June 2007**

	<b>Unaudited 30 June 2007 £000</b>	Unaudited 30 June 2006 £000	Audited 31 December 2006 £000
<b>Non-current assets</b>			
Property, plant and equipment	<b>1,108</b>	802	1,001
Intangible assets	<b>2,361</b>	2,361	2,361
<b>Total non-current assets</b>	<b>3,469</b>	3,163	3,362
<b>Current assets</b>			
Inventories	<b>682</b>	385	412
Trade and other receivables	<b>1,086</b>	919	685
Cash and cash equivalents	<b>1,954</b>	316	386
<b>Total current assets</b>	<b>3,722</b>	1,620	1,483
<b>Total assets</b>	<b>7,191</b>	4,783	4,845
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	<b>(421)</b>	(379)	(422)
Trade and other payables	<b>(339)</b>	(329)	(256)
Current tax payable	<b>(443)</b>	(247)	(276)
Accruals and deferred income	<b>(299)</b>	(277)	(231)
Other financial liabilities	<b>(54)</b>	(36)	(47)
Other liabilities	<b>(57)</b>	(188)	(191)
<b>Total current liabilities</b>	<b>(1,613)</b>	(1,456)	(1,423)
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	<b>(1,104)</b>	(1,513)	(1,288)
Other financial liabilities	<b>(49)</b>	(36)	(55)
Current tax payable	<b>-</b>	(144)	-
Deferred tax liabilities	<b>(86)</b>	(56)	(86)
<b>Total non-current liabilities</b>	<b>(1,239)</b>	(1,749)	(1,429)
<b>Total liabilities</b>	<b>(2,852)</b>	(3,205)	(2,852)
<b>Net assets</b>	<b>4,339</b>	1,578	1,993
<b>Equity</b>			
Share capital	<b>888</b>	789	789
Share premium	<b>1,950</b>	141	141
Retained earnings	<b>1,501</b>	648	1,063
<b>Total equity attributable to equity shareholders</b>	<b>4,339</b>	1,578	1,993

**Consolidated Cash Flow Statement  
for the six months ended 30 June 2007**

	<b>Unaudited 30 June 2007 £000</b>	Unaudited 30 June 2006 £000	Audited 31 December 2006 £000
<b>Cash flows from operating activities</b>			
Profit attributable to equity shareholders of the parent	390	291	662
Adjustments for:			
Depreciation	74	46	104
Financial income	(13)	(2)	(4)
Financial expense	59	74	137
Loss on sale of property, plant and equipment	-	-	3
Equity settled share-based payment expenses	48	43	87
Taxation	167	143	310
	<hr/>	<hr/>	<hr/>
<b>Operating profit before changes in working capital and provisions</b>	725	595	1,299
(Increase)/ decrease in trade and other receivables	(401)	(62)	145
Increase in inventories	(270)	(90)	(117)
Increase/ (decrease) in trade and other payables	192	23	(121)
Increase in provisions	-	-	30
	<hr/>	<hr/>	<hr/>
<b>Cash generated from the operations</b>	246	466	1,236
Tax paid	-	-	(226)
	<hr/>	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	246	466	1,010
	<hr/>	<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest received	13	2	4
Deferred consideration on business acquisition	(175)	(175)	(175)
Acquisition of property, plant and equipment	(181)	(33)	(234)
	<hr/>	<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>	(343)	(206)	(405)
	<hr/>	<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	1,908	-	-
Interest paid	(59)	(74)	(137)
Repayment of borrowings	(185)	(173)	(355)
Payment of finance lease liabilities	(26)	(17)	(47)
Advance on finance leases	27	-	-
	<hr/>	<hr/>	<hr/>
<b>Net cash inflow/ (outflow) from financing activities</b>	1,665	(264)	(539)
	<hr/>	<hr/>	<hr/>
Net increase/ (decrease) in cash and cash equivalents	1,568	(4)	66
Opening cash and cash equivalents	386	320	320
	<hr/>	<hr/>	<hr/>
<b>Closing cash and cash equivalents</b>	1,954	316	386
	<hr/>	<hr/>	<hr/>

**Statement of Changes in Shareholders' Equity**

<b>Unaudited 30 June 2007</b>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
Issue of new shares	99	1,809	-	1,908
Share options	-	-	48	48
<b>Net income recognised directly in equity</b>	<b>99</b>	<b>1,809</b>	<b>48</b>	<b>1,956</b>
Profit for the period	-	-	390	390
<b>Total recognised income and expense</b>	<b>99</b>	<b>1,809</b>	<b>438</b>	<b>2,346</b>
Opening shareholders' funds at 1 January 2007	789	141	1,063	1,993
<b>Closing shareholders' funds at 30 June 2007</b>	<b>888</b>	<b>1,950</b>	<b>1,501</b>	<b>4,339</b>
<b>Unaudited 30 June 2006</b>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
Share options	-	-	43	43
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>43</b>
Profit for the period	-	-	291	291
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>334</b>	<b>334</b>
Opening shareholders' funds at 1 January 2006	789	141	314	1,244
<b>Closing shareholders' funds at 30 June 2006</b>	<b>789</b>	<b>141</b>	<b>648</b>	<b>1,578</b>
<b>Unaudited 31 December 2006</b>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
Share options	-	-	87	87
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>87</b>	<b>87</b>
Profit for the year	-	-	662	662
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>749</b>	<b>749</b>
Opening shareholders' funds at 1 January 2006	789	141	314	1,244
<b>Closing shareholders' funds at 31 December 2006</b>	<b>789</b>	<b>141</b>	<b>1,063</b>	<b>1,993</b>

## Notes

*(forming part of the interim financial statements)*

### 1 Basis of preparation

The consolidated interim financial statements of the Group for the period ended 30 June 2007 are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

From 1 January 2007, Vindon Healthcare is required to prepare its consolidated financial statements in accordance with adopted International Financial Reporting Standards (IFRS) as adopted by the European Union ('adopted IFRS'). Reconciliations and descriptions of the effect of the transition from UK GAAP to adopted IFRS on the Group's balance sheet and its income statement are provided on pages 9 to 20 of this interim report.

This consolidated interim financial information has been prepared on the basis of the recognition and measurement requirements of endorsed IFRS as at 30 June 2007 that are effective (or available for early adoption) at 31 December 2007, the Group's first annual reporting date at which it is required to apply adopted IFRS. Based on these adopted IFRS, the directors have applied the accounting policies set out in the restatement report, included in this document, which they expect to apply when the first annual financial statements are prepared in accordance with adopted IFRS for the year ending 31 December 2007.

Standards currently in issue and adopted by the EU are subject to interpretation issued from time to time by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the International Accounting Standards Board that will be adopted for financial years beginning on or after 1 January 2007. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2007.

The comparative figures for the financial year ended 31 December 2006 are not the Group's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

### 2 Taxation

The tax charge is based on the estimated tax rate for the year ended 31 December 2007.

### 3 Earnings per share

The calculation of the basic earnings per share is based on the profit after taxation divided by the weighted average number of shares in issue, being 81,501,934 (*period ended 30 June 2006: 76,850,000; year ended 31 December 2006: 76,850,000*).

The diluted earnings per share takes the weighted average number of ordinary shares in issue during the period and adjusts this for dilutive share options existing at the period end. The diluted weighted average number of shares in the period ended 30 June 2007 was 83,501,934 (*period ended 30 June 2006: 78,850,000; year ended 31 December 2006: 78,850,000*).

### 4 Segment reporting

The Group's primary reporting segment is by business. The Group only has one business segment.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

**IFRS Restatement report (unaudited)****Vindon Healthcare Plc transition to IFRS**

From 1 January 2007 the Group is required to prepare its consolidated accounts under International Accounting Standards and International Financial Reporting Standards (collectively referred to as “adopted IFRS” throughout this document) as adopted by the European Union (“EU”) having previously prepared its accounts under UK Generally Accepted Accounting Principles (“UK GAAP”). The transition date for the Group is 1 January 2006 and this report covers the restatement of the opening consolidated balance sheet as at 1 January 2006, the consolidated accounts for the year ended 31 December 2006 and the consolidated accounts for the six months ended 30 June 2006. This report shows the impact of the transition to adopted IFRS on the Group’s reported performance and financial position; reconciles this to previously reported financial information; and explains the reasons for the adjustments.

**Transitional arrangements – Application of IFRS 1**

The Group’s financial statements for the year ended 31 December 2007 will be the Group’s first annual financial statements in compliance with adopted IFRS. The Group’s transition date is 1 January 2006 and the Group prepared its opening IFRS balance sheet at that date.

On transition to adopted IFRS an entity is generally required to apply adopted IFRS retrospectively, except where an exemption is available under IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’.

The Group has considered the key elections from IFRS 1 and has elected to adopt the IFRS 1 exemption in relation to business combinations and will only apply IFRS 3 ‘Business Combinations’ prospectively from 1 January 2006. As a result the balance of goodwill under UK GAAP as at 31 December 2005 will be deemed the cost of goodwill at 1 January 2006.

**International Financial Reporting Standards – Changes in accounting policies**

The interim results for the period ended 30 June 2007 have been prepared in accordance with accounting policies under adopted IFRS. The Group’s revised accounting policies under IFRS are included in note 2 to this restatement report.

## IFRS Restatement report (continued)

## Reconciliation of income statement from UK GAAP to adopted IFRS (unaudited)

	UK GAAP		IFRS		UK GAAP		IFRS	
	30 June	Goodwill amortisation (note 1)	30 June	31 Dec	Goodwill amortisation (note 1)	31 Dec	2006	2006
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Revenue</b>	1,812	-	1,812	3,840	-	3,840		
Cost of sales	(712)	-	(712)	(1,450)	-	(1,450)		
<b>Gross profit</b>	<b>1,100</b>	<b>-</b>	<b>1,100</b>	<b>2,390</b>	<b>-</b>	<b>2,390</b>		
Distribution expenses	(155)	-	(155)	(333)	-	(333)		
Administration expenses	(501)	62	(439)	(1,075)	123	(952)		
<b>Operating profit</b>	<b>444</b>	<b>62</b>	<b>506</b>	<b>982</b>	<b>123</b>	<b>1,105</b>		
Financial income	2	-	2	4	-	4		
Financial expenses	(74)	-	(74)	(137)	-	(137)		
<b>Net financing costs</b>	<b>(72)</b>	<b>-</b>	<b>(72)</b>	<b>(133)</b>	<b>-</b>	<b>(133)</b>		
<b>Profit before tax</b>	<b>372</b>	<b>62</b>	<b>434</b>	<b>849</b>	<b>123</b>	<b>972</b>		
Taxation	(143)	-	(143)	(310)	-	(310)		
<b>Profit for the period, all attributable to equity shareholders of the parent</b>	<b>229</b>	<b>62</b>	<b>291</b>	<b>539</b>	<b>123</b>	<b>662</b>		
Basic earnings per share	0.30p	0.08p	0.38p	0.70p	0.16p	0.86p		
Diluted earnings per share	0.29p	0.08p	0.37p	0.68p	0.16p	0.84p		

## IFRS Restatement report (continued)

## Reconciliation of balance sheet from UK GAAP to adopted IFRS (unaudited)

	UK GAAP		IFRS		IFRS	
	30 June 2006 £000	Goodwill amortisation (note 1) £000	30 June 2006 £000	31 Dec 2006 £000	Goodwill amortisation (note 1) £000	31 Dec 2006 £000
<b>Non current assets</b>						
Property plant and equipment	802	-	802	1,001	-	1,001
Intangible assets	2,299	62	2,361	2,238	123	2,361
<b>Total non current assets</b>	<b>3,101</b>	<b>62</b>	<b>3,163</b>	<b>3,239</b>	<b>123</b>	<b>3,362</b>
<b>Current assets</b>						
Inventories	385	-	385	412	-	412
Trade and other receivables	919	-	919	685	-	685
Cash and cash equivalents	316	-	316	386	-	386
<b>Total current assets</b>	<b>1,620</b>	<b>-</b>	<b>1,620</b>	<b>1,483</b>	<b>-</b>	<b>1,483</b>
<b>Total assets</b>	<b>4,721</b>	<b>62</b>	<b>4,783</b>	<b>4,722</b>	<b>123</b>	<b>4,845</b>
<b>Current liabilities</b>						
Other interest-bearing loans and borrowings	(379)	-	(379)	(422)	-	(422)
Trade and other payables	(329)	-	(329)	(256)	-	(256)
Current tax payable	(247)	-	(247)	(276)	-	(276)
Accruals and deferred income	(277)	-	(277)	(231)	-	(231)
Other financial liabilities	(36)	-	(36)	(47)	-	(47)
Other liabilities	(188)	-	(188)	(191)	-	(191)
<b>Total current liabilities</b>	<b>(1,456)</b>	<b>-</b>	<b>(1,456)</b>	<b>(1,423)</b>	<b>-</b>	<b>(1,423)</b>
<b>Non current liabilities</b>						
Other interest-bearing loans and borrowings	(1,513)	-	(1,513)	(1,288)	-	(1,288)
Other financial liabilities	(36)	-	(36)	(55)	-	(55)
Current tax payable	(144)	-	(144)	-	-	-
Deferred tax liabilities	(56)	-	(56)	(86)	-	(86)
<b>Total non current liabilities</b>	<b>(1,749)</b>	<b>-</b>	<b>(1,749)</b>	<b>(1,429)</b>	<b>-</b>	<b>(1,429)</b>
<b>Total liabilities</b>	<b>(3,205)</b>	<b>-</b>	<b>(3,205)</b>	<b>(2,852)</b>	<b>-</b>	<b>(2,852)</b>
<b>Net assets</b>	<b>1,516</b>	<b>62</b>	<b>1,578</b>	<b>1,870</b>	<b>123</b>	<b>1,993</b>
<b>Equity</b>						
Share capital	789	-	789	789	-	789
Share premium	141	-	141	141	-	141
Retained earnings	586	62	648	940	123	1,063
<b>Total equity attributable to equity shareholders</b>	<b>1,516</b>	<b>62</b>	<b>1,578</b>	<b>1,870</b>	<b>123</b>	<b>1,993</b>

## IFRS Restatement report (continued)

## Reconciliation of balance sheet from UK GAAP to adopted IFRS (unaudited) (continued)

	UK GAAP		IFRS
	1 January 2006 £000	Goodwill amortisation (note 1) £000	1 January 2006 £000
<b>Non current assets</b>			
Property plant and equipment	815	-	815
Intangible assets	2,361	-	2,361
<b>Total non current assets</b>	<b>3,176</b>	<b>-</b>	<b>3,176</b>
<b>Current assets</b>			
Inventories	295	-	295
Trade and other receivables	830	-	830
Cash and cash equivalents	320	-	320
<b>Total current assets</b>	<b>1,445</b>	<b>-</b>	<b>1,445</b>
<b>Total assets</b>	<b>4,621</b>	<b>-</b>	<b>4,621</b>
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	(348)	-	(348)
Trade and other payables	(324)	-	(324)
Current tax payable	(221)	-	(221)
Accruals and deferred income	(189)	-	(189)
Other financial liabilities	(36)	-	(36)
Other liabilities	(257)	-	(257)
<b>Total current liabilities</b>	<b>(1,375)</b>	<b>-</b>	<b>(1,375)</b>
<b>Non current liabilities</b>			
Other interest-bearing loans and borrowings	(1,717)	-	(1,717)
Other financial liabilities	(54)	-	(54)
Deferred tax liabilities	(56)	-	(56)
<b>Total non current liabilities</b>	<b>(2,002)</b>	<b>-</b>	<b>(2,002)</b>
<b>Total liabilities</b>	<b>(3,377)</b>	<b>-</b>	<b>(3,377)</b>
<b>Net assets</b>	<b>1,244</b>	<b>-</b>	<b>1,244</b>
<b>Equity</b>			
Share capital	789	-	789
Share premium	141	-	141
Retained earnings	314	-	314
<b>Total equity attributable to equity shareholders</b>	<b>1,244</b>	<b>-</b>	<b>1,244</b>

**IFRS Restatement report (continued)****Reconciliation of cash flow statements from UK GAAP to adopted IFRS (unaudited)**

With the exception of reclassifications, there were no material differences between cash flows presented under adopted IFRS and the cash flows presented under UK GAAP.

**Reconciliation of retained earnings from UK GAAP to adopted IFRS (unaudited)**

	UK GAAP	Goodwill amortisation (note 1)	IFRS 30 June 2006 £000	UK GAAP 31 Dec 2006 £000	Goodwill amortisation (note 1)	IFRS 31 Dec 2006 £000
Profit for the financial period	229	62	291	539	123	662
Share options	43	-	43	87	-	87
<b>Total recognised income in the period</b>	<b>272</b>	<b>62</b>	<b>334</b>	<b>626</b>	<b>123</b>	<b>749</b>
Opening retained earnings	314	-	314	314	-	314
<b>Closing retained earnings</b>	<b>586</b>	<b>62</b>	<b>648</b>	<b>940</b>	<b>123</b>	<b>1,063</b>

## Notes to the IFRS Restatement report

### 1. IFRS 3 '*Business combinations*' – income statement

The Group has elected to take the exemption available under IFRS 1 in respect of restating business combinations and therefore the net book value of goodwill as at the transition date, 1 January 2006, is deemed to be cost.

The adoption of IFRS 3 '*Business Combinations*' has resulted in the write back of goodwill amortised since 1 January 2006 (see note 2). In the six months ended 30 June 2006 £62,000 amortisation has been added back and £123,000 has been added back for the year ended 31 December 2006.

Under UK GAAP goodwill is amortised over its useful estimated life. Under IFRS goodwill is not amortised but assessed at least every 12 months for impairment. The Group undertook an impairment review as at the date of transition, 1 January 2006, and at least every 12 months since transition in accordance with IAS 36.

### 2. Accounting policies

The following accounting policies represent the Group's revised policies under IFRS which will be adopted by the Group in its financial statements for the year ended 31 December 2007.

#### *Basis of consolidation*

The Group financial statements comprise the financial statements of the Company and all of its subsidiary undertakings made up to the financial year end. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The results of subsidiary undertakings acquired or disposed of in the year are included in the Group Income Statement from the effective date of acquisition or to the effective date of disposal. Accounting policies are consistently applied throughout the Group. Inter-company balances and transactions have been eliminated. Material profits from inter company sales, to the extent that they are not yet realised outside the Group, have also been eliminated.

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

## Notes to the IFRS Restatement report (continued)

### 2. Accounting policies (continued)

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	-	2% per annum on cost
Plant and machinery	-	15% per annum on cost
Motor vehicles	-	25% per annum on reducing balance
Computer equipment	-	25% per annum on reducing balance

#### *Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost is calculated as the cost of materials, direct labour and appropriate production overheads estimated based on normal capacity levels. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

#### *Work in progress*

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress. Long-term contracts are those extending in excess of 12 months and any of a shorter duration which are material in the activity of the period. Attributable profit is recognised once the outcome of a long term contract can be assessed with reasonable certainty. Attributable profit is recognised on the cost percentage completion method. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

#### *Intangible assets*

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 January 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to cash generating units and is not amortised, but is tested annually for impairment. An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its fair value.

In respect of acquisitions prior to 1 January 2006, goodwill is included at 1 January 2006 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

**Notes to the IFRS Restatement report (continued)****2. Accounting policies (continued)*****Intangible assets (continued)***

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

***Revenue***

Revenue represents the amounts derived from the provision of goods and services, stated net of Value Added Tax.

In respect of income relating to annual service contracts which are invoiced in advance at the inception of the agreement, it is the group's policy to defer a proportion of the income as each contract has an element of associated costs which are incurred throughout the contract's life.

***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

***Interest bearing borrowings***

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

***Provisions***

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

***Impairment of assets***

The carrying amounts of the Group's assets other than, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

## Notes to the IFRS Restatement report (continued)

### 2. Accounting policies (continued)

#### Impairment of assets (continued)

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1 January 2006, the date of transition to Adopted IFRS, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Notes to the IFRS Restatement report (continued)****2. Accounting policies (continued)*****Expenses******Operating lease payments***

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

***Finance lease payments***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

***Net financing costs***

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

***Employee benefits******Defined contribution plan***

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the income statement.

***Share based payments***

The share option programme allows Group's employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share appreciation rights are also granted by the Group to employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured based on an option valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is re-measured at each balance sheet date and at settlement date and any changes in fair value recognised in profit or loss spread equally over the vesting period.

## Notes to the IFRS Restatement report (continued)

### 2. Accounting policies (continued)

#### *Financial instruments*

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

The Group does not hold or issue derivative financial instruments for trading purposes.

#### *Non-current assets held for sale and discontinued operations*

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement. In accordance with IFRS 5, the above policy is effective from 1 January 2006; no reclassifications are made in prior periods.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement (including the comparative period) as a column analysing the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

This statement is being sent to the shareholders of the Company and will also be available at the Company's registered office at Kiln Green, Diggle, Oldham, Lancashire, OL3 5JY and on the website [www.vindonhealthcare.com](http://www.vindonhealthcare.com).