

Vindon

creating the perfect environment

Vindon Healthcare plc Annual Report 2007



Vindon Healthcare

...is an **international** provider of environmental control products and services to the pharmaceutical, life sciences and medical sectors.

...has a **heritage** of providing products and services for the management of temperature, humidity and light where controlled storage is required.

...is **performing** well with **potential** for future **growth** from increasing demand in existing markets and **expansion** into new countries.

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Key issues:

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How will Vindon finance its expansion plans? p10

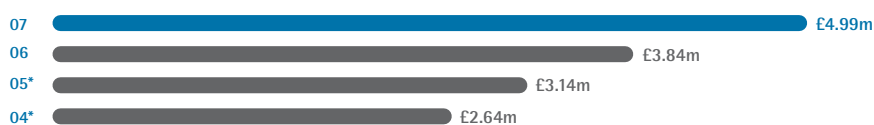
Highlights of 2007

Trading conditions in our core markets of manufacturing and stability storage remained buoyant throughout 2007. In addition we made promising progress with our new disaster recovery service for which we secured the first major order. In September 2007 we opened a new facility in Tramore, County Waterford, Ireland, which allows customers to perform stability storage trials and provides a local base for our Irish service and validation engineers.

- > Record results.
- > Maiden dividend.
- > New facility in Ireland.
- > First sales to USA.
- > First sales to Belgium.
- > Excellent visibility of revenues.
- > Well placed for future growth.

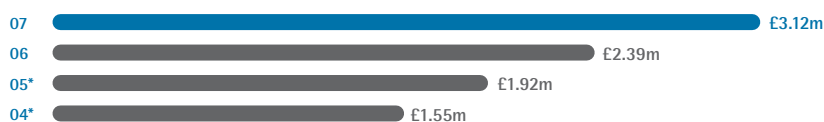
Turnover

£4.99m +29.8%



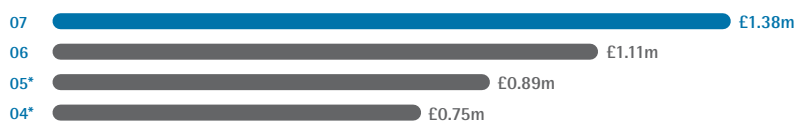
Gross profit

£3.12m +30.5%



Operating profit

£1.38m +25.1%



* proforma figures

Chairman's statement

The Group has a distinctive business, capable of substantial growth, which is backed by a robust financial platform and an enviable client list and track record.



Results and dividend

For the year ended 31 December 2007, the Group increased its profit before tax by 37% to £1,338,000 (2006 - £972,000) having opened a new facility in Ireland and made its first sales in the United States of America and Belgium.

Having achieved the Group's financial and operational objectives for the year, the Board is pleased to announce the Company's intention to pay a maiden dividend of 0.1 pence per ordinary share.

A year of sound progress

Vindon supports global pharmaceutical development via its range of controlled environment products and services. Trading conditions in Vindon's core markets of manufacturing and stability storage remained buoyant throughout 2007. In addition, the Group made promising progress with its new disaster recovery service for which the first major order was secured. In September 2007, Vindon opened a new facility in Tramore, County Waterford, Ireland, which allows customers to perform stability storage trials and provides a local base for the Group's Irish service and validation engineers.

Vindon's capability in the United Kingdom, Ireland, the United States of America and Europe enables clients to deploy one stability storage solution across all their countries of operation.

Further progress for 2008

The Group will consolidate all its UK operations into one new site at Kingsway in Rochdale, 9 miles from its existing premises. The financial aspects of this move are dealt with in more detail in the financial review. The new site will facilitate a significant expansion in manufacturing capability and will offer impressive independent facilities for stability storage.

The Tramore facility offers improved service and validation to the Group's Irish customers. Vindon has four large stability storage chambers available and storage has commenced for five customers. The Board expects the Group to develop this market further in 2008.

The Group benefits from visibility of future income, arising both from annual service contracts and the unexpired term of stability storage trials in progress. As at the year end, the visible income amounted to £3.75 million (2006 - £3.70 million). This income is expected to be received over the next five years, with approximately half anticipated to be in 2008.

In recognition of the current trend for outsourcing in the pharmaceutical, medical and healthcare sectors, the Group has focused its sales team in these key market segments and has a service offering that the Directors believe is highly attractive and competitive. In addition, plans have been made to move the business into new and emerging markets. The early success achieved in winning orders in the United States of America and Belgium is evidence of the potential benefits.

The Group benefits from visibility of future income, arising both from annual service contracts and the unexpired term of stability storage trials in progress. As at the year end, the visible income amounted to £3.75 million (2006 – £3.70 million). This income is expected to be received over the next five years.

Income Visibility 2008:	Income Visibility 2009:	Income Visibility 2010:	Income Visibility 2011:	Income Visibility 2012:
£2,026,000	£1,166,000	£458,000	£67,000	£32,000

Our people

I would like to pay tribute to our employees who have delivered all that has been asked of them in the highly technical industry in which the Group operates. I am constantly impressed by the skill, dedication and enthusiasm of the Vindon team.

Current trading

Vindon has made a good start to 2008 and the Board is pleased with the present order book position and new business enquiry levels.

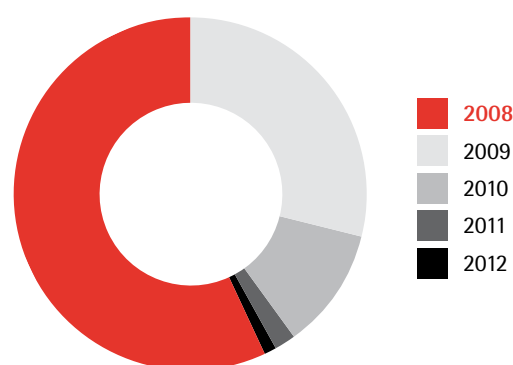
Outlook

The Board believes that Vindon is well positioned for the future. The Group has a distinctive business, capable of substantial growth, which is backed by a robust financial platform and an enviable client list and track record. This, combined with its loyal and knowledgeable staff and excellent facilities, means that Vindon can face the challenges of the future with confidence.



Liam Ferguson
Chairman
18 March 2008

Income Visibility 2008-2012



Income Visibility 2008:

£1,479,000

Stability Storage

£547,000

Service Contracts

Vindon in more detail

An acknowledged leader in the field of stability storage rooms and chambers, the Company provides products and services for the management of temperature, humidity and light.

Vindon is an internationally recognised provider of controlled environment testing chambers and off-site storage of samples and laboratory research material.

Our products are controlled environment testing chambers, blood banks and plant growth chambers. Our services include stability storage trials, disaster recovery, service of controlled environment testing chambers and validation of controlled environment testing chambers.

Based in Greater Manchester, we are close to Manchester and Leeds airports, which enables efficient transportation of equipment and samples to anywhere in the world.

Our rooms are compliant with all the requirements of part 11 of Title 21 of the Code of Federal Regulations. Products are manufactured in accordance with ISO9001:2000.

Our Products and Services



Controlled environment testing chambers

Vindon designs, manufactures and installs a range of environmental cabinets, reach-in rooms and walk-in rooms. All products are designed to meet the demanding requirements of the pharmaceutical, medical and healthcare industries. Vindon provides accurately controlled temperature and humidity environments across a wide range of conditions.



Stability storage trials

Over 60 Walk-In Stability Rooms and Chambers – a complete range of World Climatic ICH Zone II conditions is available as well as many unique environments.

Chambers can be customised and validated for specific customer requirements such as off-site storage of quarantine samples, freeze/thaw testing or aerosol testing.

Fast facts

40
years of successful growth

50
employees based at two
facilities within the UK and Eire



Blood banks

Designed, developed and manufactured to meet the strict requirements of BS 4376, Vindon blood banks provide the stable and reliable conditions necessary for the safe storage of whole blood and red cell components. Blood banks vary from bench-top models, to single-entry or pass-through models, through to large volume reach-in and walk-in rooms.



Disaster recovery

SENTINEL, Vindon's disaster recovery management system, was launched as a recovery plan for stability stored product. Disaster Management plans are tailored to suit each company's requirements. It incorporates strategic recovery procedures to minimise disruptions to the stability storage operation. Customers are therefore able to minimise the risk of financial loss and disruption to their operations.



Service of controlled environmental testing chambers

Our service also includes inspections, maintenance and repairs. Vindon engineers correct defects, replace wearing parts and install technological advances to ensure long term reliability.



Validation

Vindon performs temperature and humidity mapping utilising the latest technology. This mapping validates temperature and/or humidity controlled equipment, ensuring that it is maintaining the specified temperature and humidity tolerance.

£4.99m

Turnover (2007)

+89%

Sales Growth (2004 - 2007)



Opportunities for growth

New and expanding global healthcare markets present Vindon with excellent opportunities to grow the business.

Disaster recovery

The Group has achieved its first major sale of its Sentinel Disaster Recovery Service, providing, with less than 24 hours' notice, 100 cubic metres of fully validated stability storage capacity. The service is designed to minimise delays to market where a client's own stability trials suffer disruption or delay.

Irish markets

The Group's Irish clients now have access to local stability storage trials at all ICH* conditions together with local service and validation engineers. As a result, business in Ireland continues to grow. The Group's premises have been designed with significant additional space to cater for expected future expansion. Vindon's objective is to be the premier specialist stability storage provider in Ireland.

(*The International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use)

American markets

Vindon has established its operational capability in the United States of America. The Board is confident that Vindon can achieve a pricing structure that will allow the exploitation of its capability in the United States of America in the future.

Developments in the United Kingdom

Vindon's ability to control temperature and humidity is ideally suited to the preservation of works of art, books and films. The Directors were pleased to win a design and engineering contract from the Tate Gallery for the storage of film canisters and other artefacts in the most favourable environment.

More stringent regulations for blood handling are leading to greater interest and increased sales of the Group's high quality blood banks, which range in size from mobile cabinets to large rooms.

Increasing wealth and greater life expectancy encourages the development of needs based and elective drugs, which in turn drives demand for Vindon's products and services.

New premises

Vindon's new premises will allow it to showcase the Group's products and to supply standard items from stock. The Board anticipates that lead-time on standard items will be eliminated.

The increased capacity of the storage suite will enable the Group to capitalise on new market opportunities within the chemical and healthcare sectors.

Building on our success into 2008

Vindon has an international reputation and a well-established client base. The Directors plan to build on the sales successes of last year by targeting selected segments in the pharmaceutical, healthcare and chemical sectors. In addition, the Group will develop markets outside these core target areas, where our skills and technology give Vindon a competitive advantage.

The Board regards the pharmaceutical market as very important. The growth in global wealth and increasing life expectancy are positive influences on the demand for our products and services. Vindon's collaborative contracts involving stability storage services and equipment manufacture for blue-chip pharmaceutical companies ensure that the Group benefits from those positive influences. The Vindon brand will maintain its emphasis on quality and reliability with well-planned solutions throughout 2008.



Patrick Jackson
Business Development Director
18 March 2008

The global pharmaceutical industry

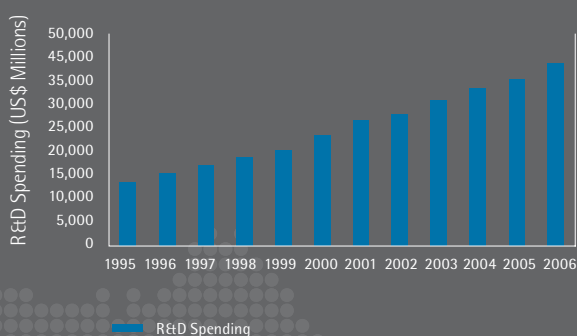
Demand for effective medicines is rising, as the population ages, new medical needs emerge and the disease burden of the developing world increasingly resembles that of the developed world.

Source: PricewaterhouseCoopers, "Pharma2020: The vision"

The ageing of the population, together with dietary changes and more sedentary lifestyles, will also increase the burden of chronic disease. The World Health Organisation estimates that 60% of all the deaths that took place in 2005 could be attributed to chronic conditions, and predicts that the number of deaths from chronic diseases will increase by 17% over the next 10 years.

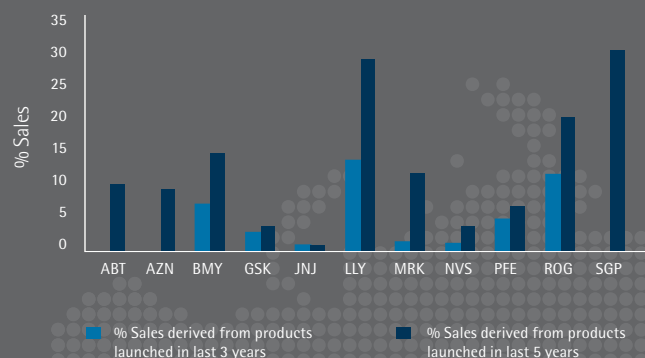
Source: World Health Organisation, "Preventing chronic disease: A vital investment" (2005)

Research and development expenditure is increasing



Sources: FDA/CDER Data, PhRMA data, PricewaterhouseCoopers analysis

Patent expiries drive the requirement for new drug development



ABT	Abbott Laboratories	MRK	Merck
AZN	Astra Zeneca	NVS	Novartis
BMY	Bristol-Myers Squibb	PFE	Pfizer
GSK	GlaxoSmithKline	ROG	Roche
JNJ	Johnson and Johnson	SGP	Schering-Plough
LLY	Eli Lilly		

Sources: IMS Health and PricewaterhouseCoopers analysis

What does this mean for Vindon?

- Every potential new drug has to undergo stability storage trials
- Vindon provides stability storage equipment and services
- Vindon has a good reputation in the UK and Irish markets
- Vindon has the potential to replicate its success in European and American markets.

Business review – operations

Sales margins remain strong across all product sectors. The Group continued to increase the proportion of higher margin value added services such as validation, servicing and storage.

New UK facility

In December 2007, a contract was signed for the construction of a purpose-built facility on Rochdale's Kingsway Business Park. This facility, with approximately 60,000 square feet of useable space, is planned to be operational by the autumn of 2008. Once complete, the facility will provide modern and efficient surroundings for staff and will provide the business with a platform for growth. This will enable the Group to increase manufacturing capacity and provide a storage and disaster recovery service for pharmaceutical and biotech companies across Europe.

The design incorporates modern security systems in line with Home Office guidelines to enable Vindon to accept new areas of product storage.

Technical developments

As a company dealing with clients at the cutting edge of their particular technologies, Vindon is committed to provide goods and services that enable clients to attain these levels of technical excellence.



Vindon Scientific – Kingsway Ground Floor



Data logging and ease of operation are key client requirements. Data logging is now digital and available in real time. Ease of operation will be further enhanced with touch screen technology.

Vindon in the international arena

The second half of 2007 saw the installation of the first Vindon room in the United States of America. The temperature and humidity controlled room was delivered to Atlanta and was installed under our close supervision.

A major pharmaceutical company has placed orders for three temperature and humidity rooms, one of which has been installed in Belgium, again another first for Vindon. The client was very impressed by the 'Vindon Experience' and discussions are taking place regarding a fourth room required for its facility in Italy.

Environment

Care for the environment can be achieved at many different levels.

When drawing up the specification for the heating system for our new facility, efficient heating systems were placed high on the agenda in order to meet the 'Part L' requirements of the building regulations. In addition, we have found a way for the reject heat from the chillers of all of our stability storage rooms, some 30kw of energy, to be used to help heat the manufacturing area of the factory during the winter months.

On a much smaller scale we were delighted to adopt the suggestion of one member of the team to use the waste paper from our cross-cut shredders in place of plastic bubble wrap when returning samples to clients.

Ian Gordon
Operations Director
18 March 2008



New Rochdale facility:

- Environmentally friendly design
- 42% increase in manufacturing space
- 304% increase in storage space
- Sets the standard for stability storage
- Well located for UK marketplace and for exports

Financial review

We are pleased to announce our intention to pay a maiden dividend of 0.1 pence per share.



29.8%

Increase in sales

37.7%

Increase in profit before tax

0.1p

Maiden dividend per share

Results summary

The results have been prepared under International Financial Reporting Standards ("IFRS"). The impact of converting to IFRS was shown in the Group's accounts for the six months to 30 June 2007.

Sales for the year ended 31 December 2007 were £4,986,000 which is an increase of 30% over the prior year sales of £3,840,000. Gross margins remained healthy and, notwithstanding the revenue costs of opening a facility in Ireland of £67,000, operating profit increased by 25% to £1,382,000.

Operating profits are stated after share option charges of £96,000 (2006 – £87,000), although the share options do not have a cash cost to the Group.

Dividend

The Board are pleased to announce the Company's intention to pay a maiden dividend of 0.1 pence per ordinary share. This will be proposed at the forthcoming Annual General Meeting and, if approved, will be paid on 30 June 2008.

The Company does not intend to pay interim dividends at this stage in its development.

The strength of our balance sheet has enabled us to embark on our expansion programme. The significant growth in turnover during the year reflects the maturing of our sales footprint here in the UK and in Europe, and also our initial steps into the US market.

Earnings per share

Basic earnings per share of 1.07 pence represent an increase of 24% over the prior year. In May 2007, the Company issued 10,000,000 new ordinary shares at 20 pence each in order to fund the acquisition of new premises. This fundraising increased the issued share capital to 88,850,000 ordinary shares.

Cashflow, capital investment and financing

Cashflow from operating activities before changes in working capital rose by £352,000 to £1,651,000 and in addition a further £1,909,000 was raised from the placing during the year. The Company was able to repay a net £544,000 of borrowings and deferred consideration as well as to invest £907,000 in fixed assets, leaving the Company un-g geared with net cash of £267,000 at the year end.

The increase in fixed assets of £907,000 includes the purchase of land and associated costs for the new premises at Kingsway in Rochdale of £462,000 and £265,000 in respect of plant and equipment at the new facility in Ireland.

Further to the fundraising in May last year, the new premises at Kingsway will be funded from existing funds and new bank debt.

Financial risk management objectives and policies

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

The Group has implemented policies that require appropriate credit checks in potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

The Group maintains a mixture of long and short term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest. The Group has a policy of maintaining some debt at a fixed rate to ensure certainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Supplier payment policy

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based upon the timely receipt of an accurate invoice.

The Group's trade creditor days for the year ended 31 December 2007 was 40 days (2006: 47 days), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the period and the amounts due, at the period end, to trade creditors within one year.



Martin Burrill
Finance Director
18 March 2008

Board of Directors

LIAM FERGUSON

Chairman

Liam Ferguson has a twenty three year track record of transforming technology based manufacturing businesses. Chairman of the Company, he was previously a director of a multinational engineering group and co-founder of a market leading engineering design business.

Liam, an economics graduate, originally trained as a Chartered Accountant with Price Waterhouse. He has lectured at Manchester Business School and is a director of The Manufacturing Institute.

IAN GORDON

Operations Director

Ian Gordon has more than twenty five years' experience in management roles within manufacturing environments. Ian joined Vindon eleven years ago as Project Manager and was subsequently appointed Works Manager in 1998.

As Operations Director, Ian has direct responsibility for the entire manufacturing process and is the customers' primary point of contact in all major projects.

RICHARD HUGHES

Non Executive Director

Richard Hughes has over twenty years' experience in corporate finance including flotations, capital raisings, public to private transactions and mergers & acquisitions for both public and private companies.

Richard is also a director of a number of private and quoted companies.

PATRICK JACKSON

Business Development Director

Patrick Jackson is a qualified engineer who was recruited in 2005. He has over twenty five years' experience in project management and business development.

Patrick's focus is the development of new markets both in the UK and overseas.



MARTIN BURRILL**Finance Director**

Martin Burrill, a maths graduate and Chartered Accountant, is the Finance Director of the Company.

Having qualified in 1984, he took his first Finance Director role in 1987. He has worked at Board level for more than twenty years and has a track record of realising shareholder value.

DAVID EVANS**Non Executive Director**

David Evans has significant experience within the diagnostics industry. As Financial Director, he was key to the flotation of Shield Diagnostics Ltd. in 1993 and was CEO responsible for the merger that created Axis-Shield plc in 1999.

David Evans is also Non Executive Chairman of Epistem Holdings plc, Immunodiagnostic Systems Holdings plc and Omega Diagnostics Group plc – all AIM quoted medical diagnostic groups.

**Advisers and Registered Office****Bankers**

The Co-operative Bank plc
1 Balloon Street
Manchester
M60 4EP

Legal Advisers

DWF
Centurion House
129 Deansgate
Manchester
M3 3AA

Auditors

Chadwick LLP
Chartered Accountants & Registered Auditors
The Lexicon
10/12 Mount Street
Manchester
M2 5NT

Financial Advisers

Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT

Broker and Nominated Adviser

W H Ireland Limited
11 St James's Square
Manchester
M2 6WH

Registrars

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA
Tel: 0121 585 1131

Financial Public Relations Advisers

Cubitt Consulting Limited
30 Coleman Street
London
EC2R 5AL

Registered Office

Kiln Green
Diggle
Oldham
Lancashire
OL3 5JY

Directors' report

year ended 31 December 2007

The Directors present their annual report and the consolidated financial statements of the Group for the year ended 31 December 2007.

ACTIVITIES AND REVIEW OF THE BUSINESS

The Group's activities include the manufacture of environmental control products for the pharmaceutical industry, life sciences and food sectors together with the provision of related services.

The results for the year and future prospects are reviewed in the Chairman's statement. Key performance indicators and consideration of financial risk management objectives and policies are discussed in the Financial review.

RESULTS AND DIVIDENDS

The Group has achieved a turnover of £4,986,000 (2006: £3,840,000), an operating profit of £1,382,000 (2006: £1,105,000) and a profit before tax of £1,338,000 (2006: £972,000). The Directors recommend that a final dividend of 0.1 pence per share be paid in accordance with a resolution to be proposed at the Annual General Meeting to be held on 16 May 2008. The final dividend amounts to £86,850 (2006: £nil) and has not been included as a liability in these accounts.

DIRECTORS AND THEIR INTERESTS

Details of the membership of the Board and Directors' interests in the Company's Ordinary share capital are disclosed below.

	At 31 December 2007		At 1 January 2007	
	Beneficial Number	Options Number	Beneficial Number	Options Number
M L Ferguson	4,150,000	–	4,150,000	–
M H Burrill	300,000	–	300,000	–
R I Hughes*	15,200,349	–	15,200,349	–
T P Jackson	3,000,000	–	3,000,000	–
I Gordon	–	2,000,000	–	2,000,000
D E Evans	–	500,000	–	500,000

*R I Hughes and I W Currie who are connected persons being directors of Zeus Capital Limited, hold an aggregate of 30,400,698 ordinary shares, representing 34.22% of the issued share capital of the Company.

The options granted to Directors, and outstanding as at 31 December 2007, are as follows (2006: 2,500,000):

	Class of share	31 December 2007	Vesting period
I Gordon	Ordinary 1p	2,000,000	2008 – 2015
D E Evans	Ordinary 1p	500,000	2009 – 2016

The options are exercisable no earlier than three years following the date of grant and no later than ten years following the date of grant.

There have been no changes in the above interests between 31 December 2007 and the date of this report.

REPORT ON REMUNERATION

The remuneration committee comprises the two Non Executive Directors and the Chairman. The committee reviews the terms of employment and total remuneration of the Executive Directors at least twice a year to ensure that the Company can attract, retain and motivate Directors capable of delivering the Company's objectives. Full details of Directors' remuneration are given in note 4 to the financial statements.

Executive Director packages comprise a basic salary and other benefits. The committee has regard to rates of pay for similar positions in comparable companies as well as internal factors such as performance. The objective of the Company's remuneration policy is to ensure that members of the executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The Executive Directors are eligible for share options under the Company's share option scheme. The exercise of options granted under these share option schemes is not dependent on performance criteria.

SUBSTANTIAL SHAREHOLDINGS

Save for the Directors' interests disclosed above and the following shareholders, as at 3 March 2008 the Directors are not aware of any other shareholdings representing 3% or more of the issued share capital of the Company.

	No. of ordinary shares	% of issued share capital
Euroclear Nominees	4,475,167	5.04
The Bank of New York (Nominees) Limited	3,750,000	4.22
John Geoffrey Bolitho	3,700,000	4.16
Richard Leslie Matthewman	3,377,855	3.80

EMPLOYEE RELATIONS

The Group supports the employment of disabled people, both in recruitment and by retention of those who become disabled during their employment.

Appropriate steps are taken to inform and consult employees regarding matters affecting them and the Group.

The Group's policy regarding health and safety is to ensure that, as far as is practical, there is a working environment that will minimise the risk to health and safety of employees and those persons who are authorised to be on its premises.

AUDIT COMMITTEE

The audit committee is appointed by the board and must comprise a minimum of two members, including one Non Executive Director. During the period M H Burrill and R I Hughes served on the audit committee. The committee meets not less than twice a year.

The audit committee may examine any matters relating to the financial affairs of the Group. This includes reviews of the annual accounts and announcements, internal control procedures, accounting policies, compliance with accounting standards, the appointment of external auditors and other such related functions as the Board may require.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law, they are required to prepare Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

Directors' report (continued)

year ended 31 December 2007

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

A resolution to re-appoint Chadwick LLP as auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

By order of the Board

M H Burrill
Secretary

Approved by the Directors on 18 March 2008

APPLICATION OF THE PRINCIPLES OF GOOD GOVERNANCE

The Group is committed to applying the highest principles of corporate governance commensurate with its size.

THE BOARD

The Group is managed by a Board, consisting of a Chairman, three executive members and two Non Executive members, who retain responsibility for the formulation of corporate strategy, approval of acquisitions, divestments and major capital expenditure and treasury policy. The appointment of new directors is a matter reserved for the Board as a whole rather than for a separate nomination committee.

The Board meets regularly and has a schedule of matters specifically referred to it for decision. All Directors have access to advice from the company secretary and training is available for Directors as necessary.

The Board considers the Non Executive Directors to be independent.

INTERNAL CONTROL

The Directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives. However, there are inherent limitations in any system of internal control and, accordingly, even the most effective system can only provide reasonable and not absolute assurance. The Board has reviewed the operation and effectiveness of the system of internal control in operation during the year.

The Board is also responsible for assessing and minimising all significant business risks, supported by Group personnel able to provide specific assistance in matters relating to regulatory compliance, health and safety, environment, quality systems and insurance cover for property and liability risks.

Monthly accounts, with commentary on current year performance compared with planned performance, together with key ratio analysis and working capital information, are prepared in accordance with Group accounting policies and principles. They are consolidated and reviewed by the Board in order to monitor overall performance and produce appropriate management intervention.

The Board monitors the funding requirements and banking facilities provided to the Group in addition to the management of investment and treasury procedures. Capital and significant investment expenditure is approved against performance criteria.

The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". The Board has considered the need for an internal audit function but has concluded that the size and complexity of the Group does not justify the expense at present. The need for an internal audit function will continue to be reviewed periodically.

RELATIONS WITH SHAREHOLDERS

The Board attaches great importance to maintaining good relationships with shareholders. The Board regards the Annual General Meeting as an opportunity to communicate directly with investors, who are encouraged to participate.

COMPLIANCE

In the opinion of the Directors, the Company has complied throughout the period with the provisions of Section 1 of the Combined Code.

GOING CONCERN

The Directors report, in connection with paragraph C1.2 of the Combined Code that, after making enquiries, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Report of the independent auditor

year ended 31 December 2007

We have audited the Group and Parent Company financial statements (the "financial statements") of Vindon Healthcare plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders, as a body for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Group Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU, and for preparing the Parent Company financial statements in accordance with applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice UK GAAP) are set out in the Statement of Directors' Responsibilities on page 15.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Business Review, the Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the Group's financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2007;
- the Parent Company 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.

CHADWICK LLP

Chartered Accountants and Registered Auditors

Manchester

18 March 2008

Consolidated income statement

year ended 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Turnover	2		4,986		3,840
Cost of sales			(1,867)		(1,450)
Gross profit			3,119		2,390
Administrative expenses		(1,641)		(1,198)	
Equity settled share-based payment expenses		(96)		(87)	
			(1,737)		(1,285)
Operating profit	3		1,382		1,105
Financial income	5		67		4
Financial expenses	6		(111)		(137)
Net financing costs			(44)		(133)
Profit before tax			1,338		972
Income tax expense	7		(450)		(310)
Profit for the year attributable to equity shareholders of the parent	18		888		662
Earnings per share	8				
Basic			1.07p		0.86p
Diluted			1.04p		0.84p

The Group has no recognised income or expense other than the profit for the current financial year. Accordingly, a separate Consolidated Statement of Recognised Income and Expense has not been prepared.

Consolidated balance sheet

as at 31 December 2007

	Note	2007 £'000	2006 £'000
Non-current assets			
Property, plant and equipment	9	1,736	1,001
Intangible assets	10	2,361	2,361
Total non-current assets		4,097	3,362
Current assets			
Inventories	11	468	412
Trade and other receivables	12	1,138	685
Cash and cash equivalents		1,710	386
Total current assets		3,316	1,483
Total assets		7,413	4,845
Current liabilities			
Other interest-bearing loans	13	(416)	(422)
Trade and other payables	15	(226)	(256)
Current tax payable		(290)	(276)
Accruals and deferred income		(341)	(231)
Other financial liabilities	13	(63)	(47)
Other liabilities		(135)	(191)
Total current liabilities		(1,471)	(1,423)
Non-current liabilities			
Other interest-bearing loans and borrowings	13	(914)	(1,288)
Other financial liabilities	13	(50)	(55)
Deferred tax liabilities	16	(92)	(86)
Total non-current liabilities		(1,056)	(1,429)
Total liabilities		(2,527)	(2,852)
Net assets		4,886	1,993
Equity			
Share capital	17	889	789
Share premium	18	1,950	141
Retained earnings	18	2,047	1,063
Total equity attributable to equity shareholders		4,886	1,993

The financial statements were approved by the Board on 18 March 2008 and signed on its behalf by:

M H Burrill
18 March 2008

The notes on pages 23 to 34 form part of these financial statements.

Consolidated cash flow statement

year ended 31 December 2007

	2007 £'000	2006 £'000
Cash flows from operating activities		
Profit attributable to equity shareholders of the parent	888	662
Adjustments for:		
Depreciation	171	104
Financial income	(67)	(4)
Financial expense	111	137
Loss on sale of property, plant and equipment	2	3
Equity settled share-based payment expenses	96	87
Taxation	450	310
Operating profit before changes in working capital and provisions	1,651	1,299
(Increase)/decrease in trade and other receivables	(500)	145
Increase in inventories	(56)	(117)
Increase/(decrease) in trade and other payables	245	(121)
Increase in provisions	-	30
Cash generated from operations	1,340	1,236
Tax paid	(430)	(226)
Net cash inflow from operating activities	910	1,010
Cash flows from investing activities		
Interest received	67	4
Deferred consideration on business acquisition	(175)	(175)
Acquisition of property, plant and equipment	(907)	(234)
Net cash outflow from investing activities	(1,015)	(405)
Cash flows from financing activities		
Proceeds from the issue of share capital	1,909	-
Interest paid	(111)	(137)
Repayment of borrowings	(380)	(355)
Payment of finance lease liabilities	(58)	(47)
Advance on finance leases	69	-
Net cash inflow/(outflow) from financing activities	1,429	(539)
Net increase in cash and cash equivalents	1,324	66
Opening cash and cash equivalents	386	320
Closing cash and cash equivalents	1,710	386

The notes on pages 23 to 34 form part of these financial statements.

Statement of changes in shareholders' equity

Year ended 31 December 2007	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Issue of new shares	100	1,809	-	1,909
Share options	-	-	96	96
Net income recognised directly in equity	100	1,809	96	2,005
Profit for the year	-	-	888	888
Total recognised income and expense	100	1,809	984	2,893
Opening shareholders' funds at 1 January 2007	789	141	1,063	1,993
Closing shareholders' funds at 31 December 2007	889	1,950	2,047	4,886

Year ended 31 December 2006	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Share options	-	-	87	87
Net income recognised directly in equity	-	-	87	87
Profit for the year	-	-	662	662
Total recognised income and expense	-	-	749	749
Opening shareholders' funds at 1 January 2006	789	141	314	1,244
Closing shareholders' funds at 31 December 2006	789	141	1,063	1,993

The notes on pages 23 to 34 form part of these financial statements.

Notes to the consolidated financial statements

year ended 31 December 2007

1 ACCOUNTING POLICIES

The consolidated financial statements of Vindon Healthcare plc have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold property. The principal accounting policies adopted by the Group are set out below.

IFRS transitional arrangements

Vindon Healthcare plc reported under UK GAAP in its previous financial statements for the year ended 31 December 2006. A reconciliation of profits as reported under UK GAAP for the year ended 31 December 2006 to the revised profit and net assets reported under IFRS at that date was provided in the Company's interim announcement issued on 4 September 2007. Copies of the interim statement are available on the Company's website at www.vindonhealthcare.com.

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 and 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.

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 the basis set out below over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates applied are as follows:

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

Notes to the consolidated financial statements (continued)

year ended 31 December 2007

1 ACCOUNTING POLICIES (continued)

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 to 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.

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, together with 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.

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.

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.

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.

Notes to the consolidated financial statements (continued)

year ended 31 December 2007

1 ACCOUNTING POLICIES (continued)

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.

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.

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.

2 SEGMENT REPORTING

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

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

	2007 £'000	2006 £'000
United Kingdom	3,958	3,119
Europe	964	721
North America	46	-
Rest of World	18	-
	4,986	3,840

Notes to the consolidated financial statements (continued)

year ended 31 December 2007

3 OPERATING PROFIT

	2007 £'000	2006 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets		
– Owned assets	132	73
– Leased assets	39	31
Loss on disposal of tangible fixed assets	2	3
Directors' remuneration	241	153
Auditors' remuneration		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	5	4
– Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	6	5
Tax services	2	2
Other services	1	1

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors' remuneration

	Salary/ Fees £	Benefits in Kind £	Pension £	Total 2007 £	Total 2006 £
Non Executive Directors					
R I Hughes	19,992	–	–	19,992	19,992
D E Evans	12,000	–	–	12,000	1,000
Executive Directors					
M L Ferguson	20,000	–	–	20,000	20,000
M H Burrill	15,000	–	–	15,000	15,000
T P Jackson	86,150	7,264	8,250	101,664	66,073
I Gordon	79,400	6,914	–	86,314	43,908
	232,542	14,178	8,250	254,970	165,973

(b) Information regarding employees

	2007 No.	2006 No.
The average number of employees (including directors) was:		
Service, validation and manufacturing	32	27
Selling and distribution	5	5
Administration	13	10
	50	42

	2007 £'000	2006 £'000
Staff cost incurred in respect of these employees were:		
Wages and salaries	1,513	1,196
Social security costs	173	124
Pension costs	8	7
Equity-settled share-based payments	96	87
	1,790	1,414

The Group's equity-settled share-based payments comprise the Unapproved Share Option Scheme and the Enterprise Management Incentive Scheme. The amount of shares held by the Employee Share Option Plans and details of shares and share options subject to equity-settled share-based payments are set out in note 19.

5 FINANCIAL INCOME

	2007 £'000	2006 £'000
Bank interest receivable	67	4

6 FINANCIAL EXPENSES

	2007 £'000	2006 £'000
Bank loan interest	104	130
Finance charges	7	7
	111	137

7 INCOME TAX

Analysis of tax charge on ordinary activities

	2007 £'000	2006 £'000
Current income tax expense:		
UK Corporation tax charge for the year	440	280
Adjustment re prior year	4	-
	444	280
Deferred income tax expense:		
Origination and reversal of timing differences	6	30
Total income tax expense in income statement	450	310

Reconciliation of income tax charge to accounting profit

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	1,338	972
Profit on ordinary activities by rate of tax of 30%	401	292
Effects of:		
Capital allowances in excess of depreciation	(7)	(28)
Marginal corporation tax relief	(10)	(10)
Unutilised losses in overseas subsidiary	27	-
Adjustment re prior year	4	-
Equity-settled share-based payments	29	26
Current corporation tax charge for the year	444	280

8 EARNINGS PER SHARE

The calculation of basic earning per share is based upon the profit after taxation of £888,000 (2006: £662,000) divided by the weighted average number of ordinary shares in issue during the year of 83,206,164 (2006: 76,850,000). In accordance with UITF 38 "Accounting for ESOP Trusts" the shares held by the Employee Benefit Trust EBT have not been included within the basic earnings per share calculation.

The diluted earnings per share takes the weighted average number of ordinary shares in issue during the year, and adjusts this for dilutive share options existing at the year end. The diluted weighted average number of shares in the year ended 31 December 2007 was 85,206,164 (2006: 78,850,000). In accordance with IAS 33 "Earnings per share" the effects of anti dilutive potential ordinary shares are ignored when calculating diluted earnings per share.

Notes to the consolidated financial statements (continued)

year ended 31 December 2007

9 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Property £'000	Plant & Machinery £'000	Motor Vehicles £'000	Equipment £'000	Total £'000
Cost					
At 1 January 2007	375	757	247	30	1,409
Additions	463	380	66	1	910
Disposals	-	-	(11)	-	(11)
At 31 December 2007	838	1,137	302	31	2,308
Depreciation					
At 1 January 2007	34	268	84	22	408
Charge for the period	8	110	51	2	171
On disposals	-	-	(7)	-	(7)
At 31 December 2007	42	378	128	24	572
Net book value					
At 31 December 2007	796	759	174	7	1,736
At 31 December 2006	341	489	163	8	1,001

Finance lease agreements

Included within the net book value of £1,736,000 is £197,000 (2006: £136,000) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £39,000 (2006: £31,000).

10 INTANGIBLE ASSETS

	Goodwill £'000
Cost	
Brought forward and at 31 December 2007	2,464
Amortisation	
Brought forward and at 31 December 2007	103
Net Book Value	
At 31 December 2007	2,361
At 31 December 2006	2,361

Goodwill relates to the acquisition of Vindon Scientific Limited and is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2007 was assessed on the basis of value in use. As this exceeded carrying value no impairment loss was recognised.

The key assumptions in the calculation to assess value in use are the future revenue and the ability to generate future cash flows. The most recent financial results and initial budgets for the next year were used and extrapolated for four further years with no subsequent growth assumed, and discounted at a rate of 10% per annum.

11 INVENTORIES

	2007 £'000	2006 £'000
Raw materials and consumables	168	145
Work in progress	300	267
	468	412

12 TRADE AND OTHER RECEIVABLES

	2007 £'000	2006 £'000
Trade receivables	1,066	663
Amounts recoverable on long-term contracts	18	12
Other receivables	54	10
	1,138	685

13 INTEREST-BEARING BORROWINGS

	2007 £'000	2006 £'000
Non-current		
Bank loans	914	1,288
Finance leases	50	55
	964	1,343
Current		
Bank loans	416	422
Finance leases	63	47
	479	469

The above debt is repayable as follows:

Within one year	479	469
Between one to two years	435	441
Between two to five years	353	678
Over five years	176	224
	1,443	1,812

The bank loans are secured by a debenture comprising fixed and floating charges over all the assets and undertakings of the Group. The debenture includes a legal charge over the property at Ceramyl Works, Kiln Green, Diggle.

Obligations under finance leases are secured on the related leased assets.

Notes to the consolidated financial statements (continued)

year ended 31 December 2007

14 FINANCIAL INSTRUMENTS

At 31 December 2007 borrowings comprised:

- A sterling bank loan of £478,000 at an interest rate of LIBOR plus a margin of 1.75%. This bank loan is repayable by equal monthly instalments between April 2005 and March 2015.
- A sterling bank loan of £852,000 with a three year fixed interest rate of 5.1875% plus a margin of 1.75%. After the three year period the interest rate reverts to the same basis as the above loan. This bank loan is repayable in equal monthly instalments between April 2005 and March 2010.
- Fixed interest finance leases of £113,000 which are secured on the assets to which they relate.

There is no difference between the fair value of the Group's financial assets and liabilities at the year end and their book value.

The above disclosures do not include short term debtors and creditors as permitted by IFRS 7.

15 TRADE AND OTHER PAYABLES

	2007 £'000	2006 £'000
Trade payables	152	171
Non-trade payables and accrued expenses	74	85
	226	256

16 DEFERRED TAX

	2007 £'000	2006 £'000
Balance at 1 January 2007	86	56
Amounts arising in the year	6	30
Balance at 31 December 2007	92	86
Analysis of Deferred Tax		
Depreciation in excess of capital allowances	92	86

17 CALLED-UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised:		
120,000,000 Ordinary shares of £0.01 each	1,200	1,200
Allotted, issued and fully paid:		
88,850,000 Ordinary shares of £0.01 each (2006: 78,850,000)	889	789

On 9 May 2007 the Company issued 10,000,000 new Ordinary shares in a placing, at a price of 20 pence per share, raising £2,000,000 before expenses.

As at 31 December 2007, options over 2,500,000 Ordinary shares were outstanding under Employee Share Option Plans. Details of outstanding share options awarded to employees including executive and non-executive directors are set out below:

Date of grant	At 1 Jan and 31 Dec 2007	Exercise share price	Exercise vesting period
8 December 2005	2,000,000	0.05p	2008 – 2015
27 November 2006	500,000	20p	2009 – 2016

18 RESERVES

	Share Premium £'000	Retained Earnings £'000
At 1 January 2007	141	1,063
Profit for the year	–	888
Share premium on equity shares issued	1,900	–
Costs	(91)	–
Adjustment in respect of employee share schemes	–	96
At 31 December 2007	1,950	2,047

19 EQUITY-SETTLED SHARE-BASED PAYMENTS

The Unapproved Share Option Plan and Enterprise Management Incentive Schemes were introduced in December 2005. Under these plans the trustees of the EBT can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price. Options may be exercised no earlier than the third anniversary of the date of grant and no later than the tenth anniversary of the date of grant. Awards under the schemes are generally reserved for employees at senior management level and above and two employees are currently participating.

There are no vesting conditions attached to the options and no performance criteria have been set. Exercise of an option is subject to continued employment. Options were valued using the Black Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

	8 December 2005	27 November 2006
Grant date		
Share price at grant date	£0.13	£0.20
Exercise price	£0.0005	£0.20
Number of employees	1	1
Shares under option	2,000,000	500,000
Vesting period	3 years	3 years
Expected volatility	31.8%	32.2%
Option life	10 years	10 years
Expected life	3 years	3 years
Expected dividends expressed as a dividend yield	0%	0%
Fair value per option	£0.1296	£0.0561

The expected volatility is based on historical volatility from the date of flotation to the date of grant. The expected life is the average expected period to exercise. The total charge for the year relating to employee share-based payment plans was £95,748 (2006: £87,179), all of which related to equity-settled share-based payment transactions.

The Vindon Healthcare plc EBT Trust ("the Trust") holds 2,000,000 Ordinary shares with a total cost of £488. In accordance with UITF 38, this shareholding has been shown as a deduction from shareholder funds. These shares were acquired in November 2005 by the Trust. The Trust used funds provided by Vindon Healthcare plc to meet the Group's obligations under the Share Option Scheme. Share options are granted to employees at the discretion of Vindon Healthcare plc and shares are awarded to employees by the Trust in accordance with the wishes of Vindon Healthcare plc.

All shares in the Trust are held to satisfy the Group's obligation in respect of share options granted.

Notes to the consolidated financial statements (continued)

year ended 31 December 2007

20 CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2007 £'000	2006 £'000
Property, plant and equipment	1,887	–

21 RELATED PARTY TRANSACTIONS

Zeus Capital Limited is a connected party by reason of R I Hughes' interest in both Zeus Capital Limited and Vindon Healthcare plc.

The Company has entered into a consultancy agreement with Zeus Capital Limited dated 14 February 2005 under which the Company has appointed Zeus Capital Limited to act as financial advisers. The Company has agreed to pay Zeus Capital Limited a fee of £20,000 plus VAT per annum for this service.

During the period, fees totalling £20,000 were paid to Zeus Capital Limited and the total amount owing to them at the 31 December 2007 was £Nil.

22 DIVIDENDS

The directors recommend that a final dividend of 0.1 pence per share be paid to shareholders on the register at the close of business on 6 June 2008 in accordance with a resolution to be proposed at the Annual General Meeting to be held on 16 May 2008. The final dividend amounts to £86,850 (2006: £nil) and has not been included as a liability in these accounts.

Company balance sheet

as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	2	3,978	4,064
		3,978	4,064
Current assets			
Debtors	3	10	8
Cash at bank and in hand		1,662	-
		1,672	8
Creditors: amounts falling due within one year	4	(475)	(633)
Net current assets/(liabilities)		1,197	(625)
Total assets less current liabilities		5,175	3,439
Creditors: amounts falling due after more than one year	5	(2,215)	(2,485)
Net assets		2,960	954
Capital reserves			
Called up share capital	6	889	789
Share premium account	7	1,950	141
Profit and loss account	7	121	24
Equity shareholders' funds	8	2,960	954

The financial statements were approved by the Board on 18 March 2008 and signed on its behalf by:

M H Burrill
18 March 2008

Notes to the Company balance sheet

as at 31 December 2007

1 ACCOUNTING POLICIES

These separate financial statements of the Parent Company, Vindon Healthcare plc, which have been prepared in accordance under the historical cost convention and in accordance with applicable accounting standards under UK GAAP, are presented as required by the Companies Act 1985.

The particular accounting policies adopted by the Company are described below.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value.

Income and expenditure arising on financial instruments is recognised on the accruals basis and charged or credited to the profit and loss account in the financial year to which it relates.

Share-based payments

In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by the Black Scholes option pricing model. Further details are set out in note 9.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment and less the value of any equity-settled share-based payments.

Impairment

The Company evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying amount of such asset may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, the impairment loss is recognised in the profit and loss account.

Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred taxation is recognised on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2 INVESTMENTS

	Shares in subsidiary undertaking £'000
Cost	
Brought forward and at 31 December 2007	4,150
Adjustment for equity-settled share-based premiums	
At 1 January 2007	(86)
Equity-settled share-based payments	(86)
At 31 December 2007	(172)
Net Book Value	
At 31 December 2007	3,978
At 31 December 2006	4,064

The Company has the following principal subsidiaries:

	Country of incorporation and operation	Activity	Holding
Vindon Scientific Limited	England and Wales	Manufacturing and services	100%
Vindon Scientific (Ireland) Limited	Ireland	Services	100%

3 DEBTORS

	2007 £'000	2006 £'000
Other debtors	10	8

4 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank overdraft (Note 5)	–	3
Bank loans (Note 5)	416	422
Debt due within one year	416	425
Corporation tax	23	12
Other tax and social security	9	2
Deferred consideration	–	175
Accruals and deferred income	27	19
	475	633

5 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Bank loans due after one year	914	1,289
Amounts owed to the subsidiary undertaking	1,301	1,196
	2,215	2,485

The above debt is repayable as follows:

	2007 £'000	2006 £'000
Within one year	416	425
Between one to two years	400	400
Between two to five years	338	666
Over five years	1,477	1,419
	2,631	2,910

The bank loans are secured by a debenture comprising fixed and floating charges over all the assets and undertakings of the Group. The debenture includes a legal charge over the property at Ceramyl Works, Kiln Green, Diggle.

Notes to the company balance sheet (continued)

as at 31 December 2007

6 CALLED-UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised:		
120,000,000 Ordinary shares of £0.01 each	1,200	1,200
Allotted, issued and fully paid:		
88,850,000 Ordinary shares of £0.01 each (2006: 78,850,000)	889	789

As at 31 December 2007, options over 2,500,000 Ordinary shares were outstanding under Employee Share Option Plans. Details of outstanding share options awarded to employees including executive and non-executive directors are set out below:

Date of grant	At 1 Jan and 31 Dec 2007	Exercise share price	Exercise vesting period
8 December 2005	2,000,000	0.05p	2008 – 2015
27 November 2006	500,000	20p	2009 – 2016

7 RESERVES

	Share Premium	Profit & Loss
At 1 January 2007	141	24
Profit for the year	–	88
Share premium on equity shares issued	1,900	–
Costs	(91)	–
Adjustment in respect of employee share schemes	–	9
At 31 December 2007	1,950	121

8 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS FUNDS

	2007 £'000	2006 £'000
Shareholders' funds at 1 January 2007	954	966
Profit/(loss) for the year	88	(13)
Equity shares issued in the year	100	–
Share premium on equity shares issued	1,900	–
Costs	(91)	–
Adjustment in respect of employee share schemes	9	1
Shareholders' funds at 31 December 2007	2,960	954

9 SHARE-BASED PAYMENTS

The Unapproved Share Option Plan and Enterprise Management Incentive Schemes were introduced in December 2005. Under these plans the trustees of the EBT can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price. Options may be exercised no earlier than the third anniversary of the date of grant and no later than the tenth anniversary of the date of grant. Awards under the schemes are generally reserved for employees at senior management level and above and two employees are currently participating.

There are no vesting conditions attached to the options and no performance criteria have been set. Exercise of an option is subject to continued employment. Options were valued using the Black Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	8 December 2005	27 November 2006
Share price at grant date	£0.13	£0.20
Exercise price	£0.0005	£0.20
Number of employees	1	1
Shares under option	2,000,000	500,000
Vesting period	3 years	3 years
Expected volatility	31.8%	32.2%
Option life	10 years	10 years
Expected life	3 years	3 years
Expected dividends expressed as a dividend yield	0%	0%
Fair value per option	£0.1296	£0.0561

The expected volatility is based on historical volatility from the date of flotation to the date of grant. The expected life is the average expected period to exercise.

10 RELATED PARTY TRANSACTIONS

Zeus Capital Limited is a connected party by reason of R I Hughes' interest in both Zeus Capital Limited and Vindon Healthcare plc.

The Company has entered into a consultancy agreement with Zeus Capital Limited dated 14 February 2005 under which the Company has appointed Zeus Capital Limited to act as financial advisers. The Company has agreed to pay Zeus Capital Limited a fee of £20,000 plus VAT per annum for this service.

During the period, fees totalling £20,000 were paid to Zeus Capital Limited and the total amount owing to them at the 31 December 2007 was £Nil.

11 CONTINGENT LIABILITY

The Company is party to an unlimited cross guarantee in respect of the bank borrowings of its subsidiary. Total borrowings guaranteed at 31 December 2007 amounted to £1,330,000 (2006: £1,711,000).

12 FINANCIAL INSTRUMENTS

At 31 December 2007 borrowings comprised:

- A sterling bank loan of £478,000 at an interest rate of LIBOR plus a margin of 1.75%. This bank loan is repayable by equal monthly instalments between April 2005 and March 2015.
- A sterling bank loan of £852,000 with a three year fixed interest rate of 5.1875% plus a margin of 1.75%. After the three year period the interest rate reverts to the same basis as the above loan. This bank loan is repayable in equal monthly instalments between April 2005 and March 2010.

There is no difference between the fair value of the Company's financial assets and liabilities at the year end and their book value.

The above disclosures do not include short term debtors and creditors as permitted by FRS 13.

13 DIVIDENDS

The directors recommend that a final dividend of 0.1 pence per share be paid to shareholders on the register at the close of business on 6 June 2008 in accordance with a resolution to be proposed at the Annual General Meeting to be held on 16 May 2008. The final dividend amounts to £86,850 (2006: £nil) and has not been included as a liability in these accounts.

Notice of annual general meeting

(Company Number: 4730768)
(the "Company")

Notice is hereby given that an Annual General Meeting of the Company will be held at 3 Ralli Courts, West Riverside, Manchester, M3 5FT on 16 May 2008 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1 To receive and adopt the Company's annual accounts for the financial year ended 31 December 2007, together with the last Directors' report and the auditors' report on those accounts.
- 2 To re-appoint Mr. M L Ferguson, who retires by rotation in accordance with the Company's articles of association, as a Director of the Company.
- 3 To re-appoint Chadwick LLP as auditors to the Company to hold office from the conclusion of the Meeting until the conclusion of the next meeting at which accounts are laid the Company and to authorise the Directors to fix their remuneration.
- 4 To approve the Directors' report on remuneration for the year ended 31 December 2007.
- 5 To declare, on the recommendation of the Directors, a final dividend of 0.1 pence per share to be paid on 30 June 2008 to shareholders on the register at the close of business on 6 June 2008 for the year ended 31 December 2007.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions of which Resolutions 6 and 11 will be proposed as a ordinary resolutions and Resolutions 7 to 10 will be proposed as special resolutions:

- 6 That, in substitution for all existing unexercised authorities but without prejudice to any allotment, offer or agreement made or entered into prior to the date of this Resolution, the Directors be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "**Act**") to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £296,137. This authority shall expire fifteen months from the date of this Resolution or at the close of the Annual General Meeting of the Company to be held in 2009, whichever is earlier, unless previously renewed, varied or revoked by the Company in a general meeting save that before such expiry, the Company may make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired.
- 7 That, in substitution for all existing unexercised authorities but without prejudice to any allotment, offer or agreement made or entered into prior to the date of this Resolution, the Directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) wholly for cash, pursuant to the authority conferred by the Resolution 6 above, as if section 89(1) of the Act did not apply to the allotment. This power shall be limited to the allotment of equity securities of the Company:
 - (a) in connection with an offer of such securities by way of rights holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of a regulatory body or stock exchange; and
 - (b) the allotment of equity securities for cash otherwise than pursuant to paragraph (a) up to an aggregate nominal amount equal to £44,425.

and shall expire fifteen months from the date of this Resolution or at the close of the Annual General Meeting of the Company to be held in 2009, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this authority had not expired.

That subject to the passing of Resolutions 6 and 7 the Directors be and they are hereby authorised to allot up to 4,000,000 ordinary shares of 1p each in the capital of the Company pursuant to the options to be granted under the Vindon Enterprise Management Incentive Scheme 2005.

- 8 That the Company be and is generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) on the AIM market of the London Stock Exchange of ordinary shares of 1p each in the capital of the Company provided that:
 - (a) the maximum number of ordinary shares hereby authorised to be acquired is 8,885,000 (representing 10 per cent. of the Company's issued share capital);
 - (b) the minimum price (exclusive of expenses) which may be paid for any such share is 1p per share (being the nominal value of an ordinary share);

- (c) the maximum price which may be paid for an ordinary share shall not be more than 10 per cent. above the average of the middle market values for the ordinary shares in the capital of the Company as derived from the AIM Section of the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;
 - (d) unless previously renewed, varied or revoked, the authority conferred shall expire at the close of the Annual General Meeting of the Company to be held in 2009 or fifteen months from the date of passing this Resolution, if earlier; and
 - (e) the Company may make a contract or contracts to purchase ordinary shares under this authority conferred prior to the expiry of this authority which will or may be executed in whole or in part after the expiry of this authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.
- 9 That the new articles of association produced to the meeting and initialled by the chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for, and the exclusion of, the existing articles of association.
- 10 That the Company may send or supply any document or information that is required or authorised to be sent or supplied to a member or any other person by the Company by a provision of the Companies Acts (as defined in section 2 of the Companies Act 2006 (the "2006 Act")), or pursuant to the Company's articles of association or to any other rules or regulations to which the Company may be subject, by making it available on a website or by other electronic means, and the provisions of the 2006 Act which apply to sending or supplying a document or information required or authorised to be sent or supplied by the Companies Acts (as defined in section 2 of the 2006 Act) by making it available on a website or by other electronic means shall, the necessary changes having been made, also apply to sending or supplying any document or information required or authorised to be sent by the Company's articles of association or any other rules or regulations to which the Company may be subject, by making it available on a website or by other electronic means, and this Resolution shall supersede any provision in the Company's articles of association to the extent that it is inconsistent with this Resolution 10.
- 11 That, in accordance with section 366 of the 2006 Act, the Company and all companies that are subsidiaries of the Company at any time during the period for which this Resolution has effect be and are hereby authorised:
- (a) to make political donations (as defined in section 364 of the 2006 Act) to political parties (as defined in section 363 of the 2006 Act), not exceeding £5,000 in total;
 - (b) to make political donations (as defined in section 364 of the 2006 Act) to political organisations other than political parties (as defined in section 363 of the 2006 Act), not exceeding £5,000 in total; and
 - (c) to incur political expenditure (as defined in section 365 of the 2006 Act), not exceeding £5,000 in total,

in each case during the period beginning with the date of the passing of this Resolution and ending at the close of the Annual General Meeting of the Company to be held in 2009 or fifteen months from the date of passing this Resolution, if earlier.

In any event, the aggregate amount of political donations and political expenditure made or incurred by the Company and its subsidiaries pursuant to this Resolution 11 shall not exceed £5,000.

By order of the Board

Martin Burrill
Company Secretary

Registered Office:
Kiln Green
Diggle
Oldham
Lancashire
OL3 5JY

18 March 2008

Notes to the notice of annual general meeting

A person who is entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company.

To be effective, the instrument appointing a proxy (and a power of attorney or other attorney (if any) under which it is signed or a notarial certified or office copy thereof) must be deposited at the office of Nevill Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he so wishes.

The register of interests of the Directors and their families in the share capital of the Company and copies of the contracts of service of Directors with the Company or its subsidiary will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.

In accordance with Regulation 41(1) of the Uncertificated Securities Regulations 2001, only those members entered on the Company's Register of Members not later than 48 hours before the Meeting (or 48 hours before any adjourned meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time.

RESOLUTION 6

Resolution 6 is to give the Directors the continued authority to allot unissued shares in the capital of the Company, with a total nominal value of up to £296,137 (which represents approximately 33.33% of the issued share capital of the Company). This authority is intended to last until the close of the Annual General Meeting of the Company to be held in 2009 or fifteen months from the date of passing this Resolution (whichever is earlier), it being the intention to renew it at that and each subsequent Annual General Meeting. The Directors have no present intention to issue any shares under the authority being sought, except in connection with the Company's existing employee share scheme.

RESOLUTION 7

Resolution 7 will only be proposed if Resolution 6 is passed. Resolution 7 would renew the Directors' power to allot shares of up to a total nominal value of £44,425 (representing approximately 5% of the issued share capital of the Company) for cash without having to offer them to the members in proportion to their existing holdings. It would also empower the Directors to issue shares in connection with a rights issue/open offer and take certain practical steps to facilitate such an issue.

RESOLUTION 8

Under the terms of the Companies Act 1985 and its Article of Association, the Company has power to purchase its own shares provided that this power has first been sanctioned by the members. Resolution 8, proposed as a special resolution, authorised the Company to make purchases of up to 8,885,000 shares (representing 10 per cent. of the Company's issued share capital) at a minimum price of 1p and a maximum price of not more than 10 per cent. Above the average middle market quotations for the ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased. The authority conferred shall expire at the close of the Annual General Meeting of the Company to be held in 2009 or fifteen months from the date of passing this Resolution (whichever is earlier). The fact that the Directors are seeking this authority should not be taken as an indication that the Company will purchase its own shares at any particular price or indeed at all and the Directors would only consider making purchases if they believed that such purchases would be in the best interests of members generally, having regard to the effect on earnings per share. The Directors have no immediate intention to exercise the proposed authority to purchase shares.

RESOLUTION 9

It is proposed in Resolution 9 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the 2006 Act.

The principal changes introduced in the New Articles are summarised in the Explanatory Notes of Principal Changes to the Company's Articles of Association. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act have not been noted in the Explanatory Notes.

RESOLUTION 10

Resolution 10 is a permissive resolution to give the Company the opportunity of taking advantage of the new 2006 Act rules that came into force on 20 January 2007, relating to electronic communication between companies, members and others.

It is important to note that, at this stage, the Company has not decided that it will take advantage of this change in the law. However, in order for the Company to do so in future, there are two preliminary requirements. First, members must resolve that the Company may send or supply documents or information to members by making them available on a website. Second, should this Resolution be passed and the Company decides to make use of the electronic communications provisions in the 2006 Act, it will ask each member individually to agree that the Company may send out or supply documents or information by means of a website. The request will explain that, if the Company has not received a response within 28 days, beginning with the day of the request, the member will be taken to have agreed. Such a request would be sent to all members, including those who have already agreed to website publication, so that in future the Company has a single regime applicable to all members. The Resolution covers all documents or information that the Company may send to members.

The advantage to the Company, were it to implement these new provisions, would be reduced printing and mailing costs, as well as the environmental benefits associated with reduced use of paper.

If Vindon Healthcare plc should decide to make wider use of electronic documents, it will notify members when a document or information is made available on the website. Members will be able to choose to receive this notification in hard copy or by e-mail. All members will be able to ask for a hard copy of the document or information which has been made available electronically and this would be provided free of charge.

RESOLUTION 11

It has been the Company's practice not to make payments to political parties and it is important to note that, at this stage, the Company intends that this will remain the case. However, the 2006 Act is very broadly drafted, therefore the Company is concerned that it may catch activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Accordingly, the Company has proposed Resolution 11 in case any of its normal activities are caught.

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