

Controlled environment storage solutions





Vindon provides speciality storage services to UK and international pharmaceutical, healthcare, biopharma, cryogenic and heritage sectors

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Business Highlights

UK

- Strong revenue visibility maintained
- Signed first strategic partnership for stem cell harvesting and storage
- Visible revenue increased by 91% for Vindon Cryobank
- Enhanced facilities for the storage of historic artefacts

Ireland

- Strong performance in revenue and profit

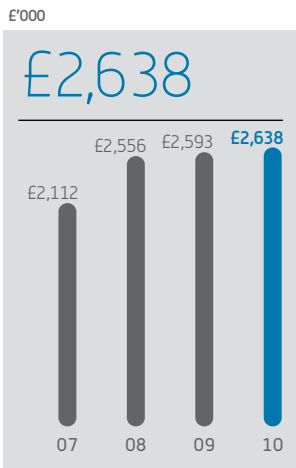
United States

- Completed acquisition of Westech Instruments Inc in January 2010 - now renamed Vindonwestech Inc.
- Stability storage suite under construction at Vindonwestech, due to be opened in the fourth quarter

Financial Highlights

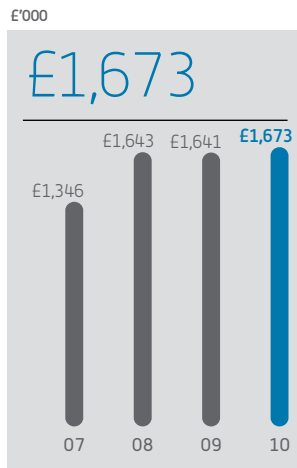
Turnover

For the six months ended 30 June 2010



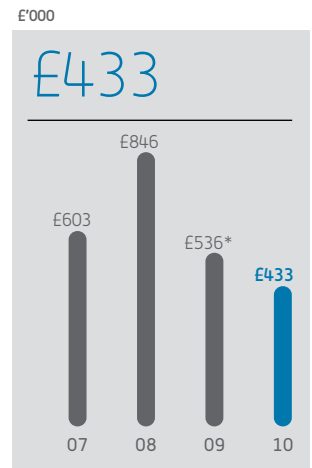
Gross profit

For the six months ended 30 June 2010



Operating profit

For the six months ended 30 June 2010



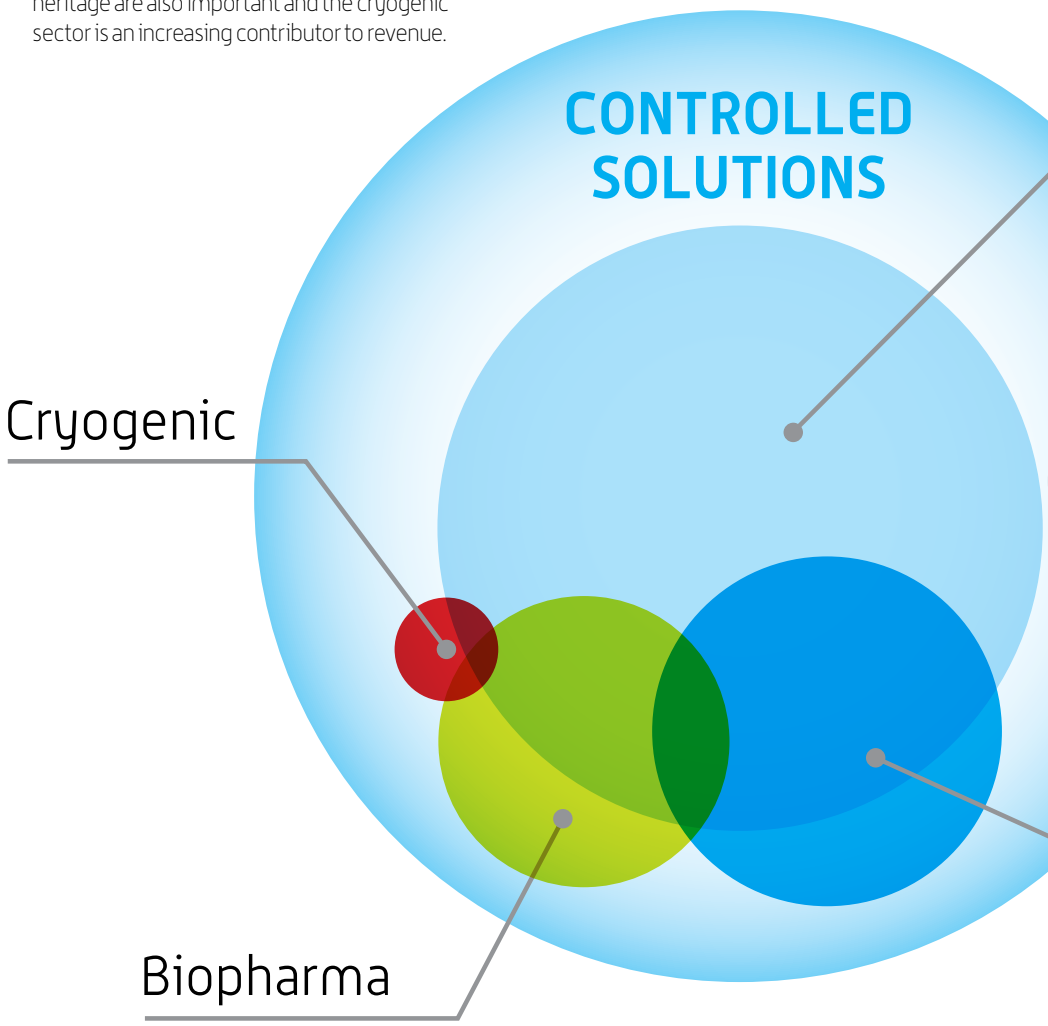
* Restated



From healthcare to heritage

Our customers

Vindon provides controlled environment storage solutions for a variety of specialist applications. The key sectors we serve continue to be pharmaceutical and healthcare. Biopharma and heritage are also important and the cryogenic sector is an increasing contributor to revenue.





Pharmaceutical

Heritage

Healthcare

Market drivers

→ Number of drug trials

The number of trials creates the demand for in house or outsourced storage. Vindon offers solutions irrespective of the outsourcing policy adopted by clients

→ Significant drug R&D in America

Recommendations from clients based in the UK and Ireland with American parents or subsidiaries enables Vindon to secure contracts in this large market

→ Increased demand for controlled environmental storage

Vindon is able to offer solutions to a diverse client base encompassing bio-tech, tissue-bank, stem cell and heritage applications

Our markets at a glance

Vindon supplies speciality storage solutions to the pharmaceutical, healthcare, cryogenic, biopharma and heritage sectors. We provide state-of-the-art stability storage facilities in the UK and Ireland and supply high specification, custom designed equipment and related services to clients who operate their own in-house storage.

UK Storage

Stability storage

Vindon offers a complete range of conditions to its customers for the stability storage of pharmaceutical materials under controlled ICH and non ICH conditions in its purpose designed stability suite, which can accommodate up to 20,000 cubic metres of product. There is also complete flexibility within the suite to set up chambers with other environments to meet specific client requirements.



Cryogenic

Vindon provides its clients with an excellent service which develops long-standing relationships. We store and manage biological materials at cryogenic temperature. From bar-coding frozen vials, to relocating an entire repository, client's samples are stored in our high security facility; we provide a service that complies with regulatory requirements. These biospecimens can be tissue, stem cells, bacterial cultures, blood and even environmental samples.



Heritage

Vindon's heritage conservation storage facility offers the most stable temperature and humidity possible. Designed to keep future deterioration to a minimum, Vindon's service preserves the integrity of any artefact, original material or film archive thus preventing them from being compromised through restoration or lost forever.



Biopharma storage

The increasing demand for long-term storage of biopharmaceuticals has led Vindon to increase its storage capability to reflect this need. Vindon provides storage for master cell banks, vaccines and other bio-samples at temperatures from -70°C to -85°C. The capacity that has been added means that clients can now store large volumes of material for long periods in GMP-compliant conditions to meet the growing demands of manufacturers.



UK Manufacturing and Support Services

Vindon's standard and customised environmental cabinets, reach-in-rooms and walk-in rooms are designed to meet the demanding requirements of the pharmaceutical and healthcare markets. They provide climatic conditions specified in the International Conference on Harmonisation tripartite guidelines, simulating the conditions of all four climatic zones for long-term, intermediate and accelerated testing. Following supply of equipment, Vindon offers a comprehensive service and maintenance plan tailored to customer requirements.

Vindon also offers full on-site validation services for environmental rooms and chambers, incubators, refrigerators, freezers and all associated monitoring equipment. Clients for initial and on-going validation services include several blue-chip pharmaceutical companies.



Ireland

The storage facility in Tramore, County Waterford was opened in 2007 and enables Irish customers to out-source stability storage trials at a convenient location. The facility is also open for visits by customers whose policy is to store in-house, so they can see first hand the effectiveness of Vindon's equipment in an actual working environment. Irish clients buying stability storage equipment from Vindon for in-house use benefit from servicing and validation being provided locally by Vindon's specialist team based at Tramore.



North America

Vindon established an equipment sales channel into North America in 2007. Following the acquisition of its Atlanta based distributor in January 2010 the market for speciality storage, and equipment servicing and validation can now be accessed. Contracts for servicing and validation have already been won and storage revenues will add to this with the opening of Vindon's stability storage facility at Atlanta in the third quarter of 2010.



Chairman's statement

The Group's strategy is primarily to increase long-term revenues by providing a comprehensive range of specialist environmental storage services from a number of worldwide locations. Following the success of the Irish operation, our intention is to replicate this model in the US. Furthermore, Vindon's in-house storage facilities provide an excellent showcase to drive equipment sales.



On behalf of the Board of Vindon, I am pleased to present the interim results for the six months ended 30 June 2010.

The Group has increased revenue in the first six months of the year and maintained its gross margins due to the resilience of the Group's contracted storage revenue from the pharmaceutical sector in the UK and Ireland, despite the difficult market conditions experienced across the sector.

Financial highlights

The Group increased sales by £45,000 compared with the corresponding period last year to achieve revenues of £2,638,000 for the half year to 30 June 2010.

The Group benefits from an excellent reputation for the supply of environmental storage services and revenues from storage, validation and other services remain strong and ahead of management expectations. However, sales of manufactured equipment fell short of expectations due to continuing slow market conditions.

The Group achieved a gross margin of 63.4%, which was almost unaltered from the 63.3% gross margin for the corresponding period last year and an improvement on the 62.0% gross margin achieved for 2009 as a whole.

Administrative expenses rose as a result of the assimilation of Atlanta based distributor, Westech Instruments Inc, into the Group following its acquisition

on 28 January 2010, and the subsequent relocation to premises suitable for the incorporation of a stability storage facility. As a result, profit before tax reduced by £94,000 to £412,000 and operating profit margin reduced to 16.4% from 20.7% for the 6 months to June 2010.

Cash generated from operations before working capital movements was £636,000 compared with £753,000 in the corresponding period last year. Of this, £308,000 was absorbed in an increase in working capital, of which £215,000 represented the value of storage rooms and cabinets under construction and held in inventories pending installation in Atlanta.

Net cash outflow from investing activities, was £158,000, which included the costs of acquiring 100% of the equity of Westech Instruments Inc for £110,000.

UK Storage market

The UK market has four segments; stability, ultra low, cryogenic and heritage.

- Stability storage trials are a mandatory process in the approval stage of new drug development. Contracts for the provision of stability are typically 3 years in length. The Group enjoys high market share with major pharmaceutical companies which are the key customers in this market segment. This continues to provide a stable source of visible income for the Group.
- Ultra low is a highly specialist area servicing the biotech and biopharma sectors, in which Vindon continues to be one of the UK's leading suppliers.
- Vindon Cryobank provides cryogenic facilities for storage of stem cells and tissues in its own freezers and also offers a hosting facility for third party freezers. The Group already has three contracts of at least 20 years duration and has recently signed a strategic partnership for stem cell harvesting and storage of stem cells collected from peripheral (adult) blood.

- Heritage storage preserves the integrity of historic and artistic artefacts providing very long term contracts which currently account for 16% of visible income. Vindon's heritage facilities have been completed during the first six months of the year providing additional capacity for growth in this area.

Manufacturing and support services

The Group manufactures both standard and fully customised equipment for customers throughout the world who wish to manage their stability storage in-house. Vindon capitalises on equipment sales to offer validation and regular servicing, which is a further important contributor to visible income.

Irish market

Vindon's Irish operation consists of the provision of speciality storage services and the sale, service and validation of capital equipment. The Irish subsidiary contributed 35% of the Group's operating profit in the first six months of the year, with profits increasing to £154,500 as compared to £50,300 for the same period last year. The storage facility at Tramore also acts as a reference site for customers wishing to buy equipment rather than outsource storage.

US market

The acquisition of Westech Instruments Inc (now trading as Vindonwestech Inc) was completed in January 2010 and will enable the Group to expand beyond equipment sales in North America to deliver the full equipment and service offer provided in the UK and Ireland.

Good progress is now being made to replicate the model operated by the Group in the Irish market with the stability storage suite scheduled to receive samples in the fourth quarter of this year.

Employees

I would like to thank all our staff for their commitment to the business. We have a talented workforce, which will be a key factor in enabling Vindon to benefit from the opportunities it has for profitable expansion.

Future prospects

Demand for manufactured equipment recovered strongly during the period with the Group receiving new orders of £1.1m, compared to £794,000 for the same period last year.

The Group's prospects are further enhanced by visible revenue on storage and service contracts in the UK and Ireland, with visible revenue of £1.0m for the second half of the year. Looking ahead, the Group already has visible revenue of £1.2m for 2011, with total contracted long-term revenue of £3.9m.

The Directors are delighted with the successful establishment of the business in the Irish market which will form the blueprint for the roll out of operations in the US, underpinning Vindon's strategy for expansion into new territories.

Although market conditions remain difficult, Vindon's diversified offer, in terms of services, equipment and geographical reach puts the Group in a strong position to deliver long-term, profitable growth.



Liam Ferguson Chairman
7 September 2010

Strategy

→ Protect and extend visible revenue

Enhance our high quality in-house stability storage services to maintain and grow our customer base and extend the visibility of our future revenues

→ Capitalise on international opportunities

Continue to grow our revenues from the Irish market and from a complete product and service offer in the USA, including the provision of stability storage services

→ Showcase storage facilities to drive equipment sales

Pursue opportunities in the European storage market that our substantial capacity and state-of-the-art facilities enable us to address

→ Build on diversified offer

Increase revenues generated by cryogenic and heritage services, from both UK and European customers

Consolidated statement of comprehensive income

for the six months ended 30 June 2010

	Notes	Unaudited Six months to 30 June 2010 £'000	Unaudited Six months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Revenue	3	2,638	2,593	5,470
Cost of sales		(965)	(952)	(2,078)
Gross profit		1,673	1,641	3,392
Administrative expenses		(1,044)	(895)	(1,871)
Depreciation and amortisation expense		(196)	(205)	(414)
Equity settled share-based payment expenses		–	(5)	(9)
Operating profit		433	536	1,098
Financial income		1	2	8
Financial expenses		(22)	(32)	(62)
Net financing costs		(21)	(30)	(54)
Profit before tax		412	506	1,044
Income tax expense	4	(119)	(149)	(238)
Profit for the year attributable to owners of the parent		293	357	806
Other comprehensive income				
Exchange differences on translating foreign operations		(8)	(9)	13
Income tax relating to components of other recognised income and expense		–	–	–
Other recognised income and expense for the period, net of tax		(8)	(9)	13
Total comprehensive income attributable to owners of the parent		285	348	819
Earnings per share				
Basic	7	0.33p	0.40p	0.94p
Diluted	7	0.32p	0.39p	0.92p

Consolidated balance sheet

as at 30 June 2010

	Unaudited as at 30 June 2010 £'000	Unaudited as at 30 June 2009 £'000	Audited as at 31 December 2009 £'000
Non-current assets			
Property, plant and equipment	5,321	5,422	5,462
Intangible assets	2,741	2,361	2,361
Deferred income tax assets	107	107	107
Total non-current assets	8,169	7,890	7,930
Current assets			
Inventories	480	496	203
Trade and other receivables	1,679	1,501	1,710
Cash and cash equivalents	–	–	263
Total current assets	2,159	1,997	2,176
Total assets	10,328	9,887	10,106
Current liabilities			
Bank overdraft	(55)	(152)	–
Other interest-bearing loans and borrowings	(288)	(359)	(274)
Trade and other payables	(489)	(191)	(347)
Current tax liabilities	(148)	(165)	(188)
Accruals and deferred income	(447)	(417)	(369)
Obligations under finance leases	(20)	(51)	(37)
Other liabilities	(10)	(6)	(10)
Total current liabilities	(1,457)	(1,341)	(1,225)
Non-current liabilities			
Interest-bearing loans and borrowings	(1,835)	(2,126)	(1,981)
Obligations under finance leases	–	(23)	(6)
Deferred tax liabilities	(209)	(187)	(209)
Total non-current liabilities	(2,044)	(2,336)	(2,196)
Total liabilities	(3,501)	(3,677)	(3,421)
Net assets	6,827	6,210	6,685
Equity			
Share capital	889	889	889
Treasury shares	–	–	–
Translation reserve	(25)	(39)	(17)
Share premium	1,950	1,950	1,950
Retained earnings	4,013	3,410	3,863
Total equity attributable to equity shareholders	6,827	6,210	6,685

Consolidated cash flow statement

for the six months ended 30 June 2010

	Unaudited Six months to 30 June 2010 £'000	Unaudited Six months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Cash flows from operating activities			
Profit attributable to equity shareholders	293	357	806
Adjustments for:			
Depreciation	196	205	414
Financial income	(1)	(2)	(8)
Financial expense	22	32	62
Loss on sale of property, plant and equipment	7	7	6
Equity settled share-based payment expenses	–	5	9
Taxation	119	149	238
Operating profit before changes in working capital	636	753	1,527
Increase in trade and other receivables	(38)	(296)	(505)
(Increase)/decrease in inventories	(251)	(98)	195
Increase/(decrease) in trade and other payables	(19)	(186)	(74)
Cash generated from operations	328	173	1,143
Tax paid	(160)	(42)	(86)
Net cash inflow from operating activities	168	131	1,057
Cash flows from investing activities			
Interest received	1	2	8
Purchase of subsidiary undertaking	(110)	–	–
Acquisition of property, plant and equipment	(49)	(209)	(457)
Net cash outflow from investing activities	(158)	(207)	(449)
Cash flows from financing activities			
Dividends paid	(143)	(130)	(130)
Interest paid	(22)	(32)	(62)
Repayment of loans	(132)	(233)	(463)
Payment of finance lease liabilities	(23)	(33)	(64)
Net cash outflow from financing activities	(320)	(428)	(719)
Net decrease in cash and cash equivalents	(310)	(504)	(111)
Opening cash and cash equivalents	263	361	361
Effect of foreign exchange rate changes	(8)	(9)	13
Closing cash and cash equivalents	(55)	(152)	263

Consolidated statement of changes in equity

for the six months ended 30 June 2010

Unaudited 30 June 2010	Share capital £'000	Share premium £'000	Treasury shares £'000	Translation £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2010	889	1,950	–	(17)	3,863	6,685
Profit for the period	–	–	–	–	293	293
Other comprehensive income for the period	–	–	–	(8)	–	(8)
Total comprehensive income for the period	–	–	–	(8)	293	285
Dividends paid	–	–	–	–	(143)	(143)
Balance at 30 June 2010	889	1,950	–	(25)	4,013	6,827
Unaudited 30 June 2009	Share capital £'000	Share premium £'000	Treasury shares £'000	Translation £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2009	889	1,950	–	(30)	3,178	5,987
Profit for the period	–	–	–	–	357	357
Other comprehensive income for the period	–	–	–	(9)	–	(9)
Total comprehensive income for the period	–	–	–	(9)	357	348
Dividends paid	–	–	–	–	(130)	(130)
Credit to equity for equity share-based payments	–	–	–	–	5	5
Balance at 30 June 2009	889	1,950	–	(39)	3,410	6,210
Audited 31 December 2009	Share capital £'000	Share premium £'000	Treasury shares £'000	Translation £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2009	889	1,950	–	(30)	3,178	5,987
Profit for the year	–	–	–	–	806	806
Other comprehensive income for the year	–	–	–	13	–	13
Total comprehensive income for the year	–	–	–	13	806	819
Dividends paid	–	–	–	–	(130)	(130)
Credit to equity for equity share-based payments	–	–	–	–	9	9
Balance at 31 December 2009	889	1,950	–	(17)	3,863	6,685

Notes

(forming part of the interim financial statements)

1 Basis of preparation

This interim report for the period ended 30 June 2010 has been prepared on the basis of the accounting policies set out in Vindon Healthcare's annual report and financial statements for the year ended 31 December 2009 and in accordance with the International Financial Reporting Standards as adopted by the European Union.

The interim report was approved by the Board of Directors on 7 September 2010.

The interim report does not constitute financial statements as defined in section 434 of the Companies Act 2006.

It does not include all of the information and disclosures required for full annual financial statements, and should be read in conjunction with the annual report and financial statements for the year ended 31 December 2009.

The financial information contained in this interim report in respect of the year ended 31 December 2009 has been produced from the annual report and financial statements for that year which have been filed with the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The interim results for the current and comparative periods are unaudited.

2 Accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the annual report and financial statements for the year ended 31 December 2009.

3 Segmental 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 Board do not review assets and liabilities on a segmental basis given the similar nature of each segment as defined under the aggregation criteria in IFRS 8. The operating segments exhibit similar long-term financial performance because they have similar economic characteristics.

This is highlighted by applying IFRS 8 criteria in respect of the following points;

- The nature of the products and services are similar, being for environmental control purposes
- The nature of the production process is the same for each product
- The type or class of customer for each product and service
- The methods used to distribute the products or provide the services

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 overleaf.

	Unaudited Six months to 30 June 2010 £'000	Unaudited Six months to 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
United Kingdom	1,659	1,722	4,060
Europe	696	599	1,067
North America	262	271	331
Rest of World	21	1	12
	2,638	2,593	5,470

4 Income tax expense

The tax charge is based on the estimated tax rate for the year ended 31 December 2010.

5 Acquisition of Westech Instruments Inc

On 28 January 2010, Vindon Scientific Ltd acquired, from Westech Instrument Services Ltd, 100% of the voting equity of Westech Instruments Inc, a distributor of Vindon products in the USA, based in Atlanta, Georgia. The company has since changed its name and now trades as Vindonwestech Inc. The following table provides an analysis of the assets and liabilities acquired and the related provisional fair value adjustments.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Property, plant and equipment	13	2	15
Inventories	43	(18)	25
Trade and other receivables	239	(32)	207
Trade and other payables	(412)	(10)	(422)
Accruals and deferred income	(22)	(73)	(95)
Net assets acquired	(139)	(131)	(270)
Goodwill			380
Total consideration			110

The book values of net assets acquired have been adjusted in the following respects to arrive at their fair value.

The book values of property, plant and equipment and of inventories have been adjusted to reflect group accounting policies and the revaluation of some inventory to its net realisable value.

Trade and other receivables have been revalued to take account of the amounts expected to be received.

Trade and other payables, and accruals and deferred income have been revalued to reflect the best estimate of settling claims extant at the date of acquisition, and of deposits paid by customers.

The goodwill is attributable to the expected profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Westech Instruments Inc.

Notes

(forming part of the interim financial statements)

A further earn out consideration will be payable once the net assets of Vindonwestech Inc become positive. The amount due would be 50% of the value of the net assets of the Company (computed in accordance with US GAAP) as at 28 January 2013, subject to a ceiling of £70,000.

6 Dividends

As advised in the annual report and financial statements for the year ended 31 December 2009 and in accordance with the resolution passed at the Company's Annual General Meeting on 28 May 2010 a dividend of 0.165 pence per ordinary share, totalling £143,303 was paid on 30 June 2010 in respect of the financial year ended 31 December 2009.

7 Earnings per share

The calculation of the basic earnings per share is based on the profit after taxation divided by the weighted average number of ordinary shares in issue in the period ended 30 June 2010, being 86,850,000 (period ended 30 June 2009: 86,850,000; year ended 31 December 2009: 86,850,000).

The diluted earnings per share takes the weighted average number of Ordinary Shares in issue during the period and adjusts this for dilutive share options existing at the period end. The diluted weighted average number of Ordinary Shares in the period ended 30 June 2010 was 88,850,000 (period ended 30 June 2009: 88,850,000; year ended 31 December 2009: 88,850,000).

The Company holds 2,000,000 shares in an employee benefit trust.

8 Capital commitments

The Company is committed to capital expenditure of £360,000 (period ended 30 June 2009: £nil; year ended 31 December 2009: £60,000).

9 Communication with shareholders

This statement will be posted to shareholders on Friday 1 October 2010. Copies will also be available to the public, free of charge from the Company's registered office at John Boyd Dunlop Drive, Kingsway Business Park, Rochdale, Lancashire, OL16 4NG and can be downloaded from the Company's website at www.vindonhealthcare.com.

Advisers and Registered Office

Bankers

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

Legal Advisers

Hill Dickinson LLP
50 Fountain Street
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M2 2AS

Auditors

Mazars LLP
Chartered Accountants & Registered Auditors
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M2 5NT

Financial Advisers

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

Broker and Nominated Adviser

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Manchester
M2 6WH

Registrars

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Financial Public Relations Advisers

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14 Kinnerton Place South
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Notes



www.vindonhealthcare.com

www.vindon.co.uk

www.vindon.ie

www.vindonwestech.com

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