

30 November 2007

Healthcare Enterprise Group PLC

Interim results

Healthcare Enterprise Group plc (AIM: HCEG, "HCEG", the "Group", the "Company"), the international healthcare products group, today reports its results for the six months ended 31 August 2007.

Interim highlights

- Turnover from continuing operations £4.3m (2006: £7.6m)
- Net operating expenses, before exceptional items, reduced by 17% to £3.3m (2006: £4.0m)
- Operating loss before exceptional items £1.54m (2006: Loss £0.95m)
- Non cash goodwill impairment of £13.6m
- Net loss for the period £15.4m (2006: Loss £0.1m)
- £1.5m raised in cash in new 8% Loan Notes on 26 October 2007

Mark Tompkins, Group Chairman, said:

"This has been a very disappointing six months for HCEG culminating in the Group's bankers seeking an early repayment on their facilities, leading to the share suspension and refinancing package.

"The Board continues to believe in the underlying value of the Group's businesses as demonstrated by the implied value of over £4.8m in aggregate for two of the subsidiaries and the investments made by existing and past directors. However, we are clearly focussed on a programme to realise as much value for shareholders as possible and are on course to make some initial disposals shortly."

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Interim Results

The overall performance of the Group was behind expectations with turnover in the half year to 31 August 2007 of £4.3m (2006: £7.6m). The operating subsidiaries sustained losses and the Group reported an operating loss before exceptional items of £1.54m (2006: loss £0.95m), although net operating expenses, before exceptional items, were reduced 17% to £3.3m (2006: £4.0m).

The Board also carried out a detailed impairment review of the carrying value of all the assets which resulted in non-cash goodwill write off of £13.6m. This reduces the carrying value of goodwill in the balance sheet to £7.4m.

The loss before tax and after goodwill impairment and other exceptional expenses, was £15.4m (2006: loss £0.1m). The Group's loss per share was 5.07p (2006: loss per share 0.05p). Net debt decreased in the period by £0.2m to £1.6m.

Share suspension

As previously announced the Group's shares were suspended on 28 September 2007 pending clarification of the Company's financial position. Coupled with the poor trading performance outlined above, the Group's planned sale of non-core assets had been slower than expected. This put undue financial pressure on the Company, which was advised by its bankers, Barclays Bank plc ("Barclays"), that the bank wanted repayment of the outstanding term loan prior to the scheduled repayment date of 31 December 2007.

Subsequently, trading in the Group's shares recommenced on 26 October 2007 at the same time as a new £1.5m refinancing package was arranged.

Refinancing Package

The refinancing package comprised:

- The issue of £1.5m of Notes with interest of 8% per annum and a five year final repayment date. The Company committed to propose the necessary facilitating resolutions to Shareholders to permit the Notes to be convertible into 120m new Ordinary Shares at a conversion price of 1.25 pence each should the Noteholders elect to do so. Accordingly, such convertibility will depend on the Resolutions being passed by the requisite majority of Shareholders. To the extent they are not converted into New Ordinary Shares, the Notes will become repayable by the Company on 5 November 2012.
- Options granted to the Noteholders for an aggregate exercise price of £1,285,715 in cash over 38.57% of the equity of Ebiox Limited ("Ebiox"), a wholly owned subsidiary of the Company. This implied a valuation of Ebiox of £3.3m.
- Options granted to the Noteholders for an aggregate exercise price of up to £642,857 over 43.71% of the equity of Reproductive Sciences Limited ("RSL"), a wholly owned subsidiary of the Company (which is proposed to be the holding company for the Group's 19.8% holding in Fertiligent Limited ("Fertiligent"), HCEG's option to acquire the majority of Fertiligent, and the entitlement to Fertiligent's sales and marketing rights). This implied a total valuation of RSL of £1.47m.

The options over the equity in Ebiox and RSL are exercisable between one and three years after the date of grant but exercise can be accelerated on the occurrence of certain triggering events, such as the realisation of the Company's holding in these companies.

Also, as part of the Term Loan repayment schedule agreed with Barclays, the Company has granted unlisted warrants to Barclays over 3% of the share capital of the Company,

exercisable at 2.5 pence per share. The issue of these warrants negates the need to pay over £170,000 in fees and penalties to Barclays.

Crest Medical

Crest distributes products primarily to the occupational health, first aid and medical markets from a warehouse facility in Warrington. Crest generated turnover during the period of £3.6m (2006: £6.7m). The disappointing fall in sales was a continuation of problems experienced in the previous year. Sales and purchasing functions had both proved weak and steps were taken in the previous six month period to recruit new sales and purchasing teams. Whilst this was achieved, the business continued to suffer from increased competitive pressure and loss of volume from major customers. The introduction of self employed sales agents from January 2007 increased direct sales, but sales to distributors and major accounts suffered. This resulted in an operating loss of £0.8m (2006: loss £0.1m) for the six month period.

Crest management made significant reductions in overheads, staffing levels and capital expenditure in an attempt to compensate for falling revenues. Revenues fell at a faster rate than predicted and monthly operating losses were incurred. Staff numbers were reduced as sales volumes fell and further reductions are planned in line with the reduced level of operations, which has now stabilised.

During the period Crest also secured additional supply arrangements in the Far East and elsewhere, but the additional funding required to finance overseas orders and the banker's refusal to provide letter of credit facilities has resulted in a requirement for additional working capital.

The Board continues to evaluate a number of potential corporate actions for the business.

Ebiox

Ebiox sales in the period were £0.4m (2005: £0.4m). This resulted in an operating loss of £0.3m (2006: loss £0.1m) for the six month period.

The agreement with Sultan Healthcare Inc in January 2007 resulted in preliminary work to service that contract and the particular products for its branded "Solo" range. Sales commenced in the period under review. The Group's divestment of its Thailand subsidiary, Alpha Trading (Asia) Limited to its management was completed in July 2007 and included an ongoing distribution agreement for Ebiox products. Ebiox also signed a distribution agreement with Medtradex in the Benelux.

In April 2007 the Company announced that its wholly-owned subsidiary, Ebiox Limited, has secured U.S. Environment Protection Agency ('EPA') approval for its patented TruKleen surface wipes. This approval followed an earlier announcement in February 2007 of approval for its patented concentrate and spray disinfectants. Approvals for individual U.S. states have now been secured. These approvals will allow Ebiox to distribute TruKleen products in a wide range of markets in the United States.

Optiscope

The Group has concluded that the risks associated with the continued development of this product outweigh the benefits of further investment and are actively seeking a suitable exit from the investment. Since Optiscope is in a pre commercialisation phase of development, no revenues were recorded and a loss of £0.03m (2006: £0.06m) incurred.

Women's Reproductive Health

The Group has restricted its focus to just two product groups in women's health, Fertiligent, a high quality, low cost intra-uterine sperm pump to help assist infertile couples conceive and Medilator, which has developed a platform for single-use, disposable cervical dilatation devices.

Continuing trial results for Fertiligent in Israel and Germany have been positive and trials continue in Turkey. The final prototype was approved and manufacturing is expected to start shortly. The grant of an option in RSL, above, indicates a valuation of the business' investment in excess of book value.

Medilator has been the subject of a recapitalisation and the Group's 2.5% interest is regarded as a passive investment of insignificant value.

Other

The CICS dental business continued to perform well with revenues of £0.4m (2006: £0.4m) and operating profits of £0.1m (2006: £0.1m). The business is considered non core and has been offered for sale.

The investment in Ridgcrest Healthcare Inc. is considered non core and is to be realised.

Current trading and outlook

Whilst Crest's operations have in the view of the Board been stabilised and structured to facilitate corporate action, the trading period after 1 September 2007 started slowly following the liquidity issues faced by the Group and the associated effect on continuity of product supplies from suppliers. The management was also distracted by the requirements of refinance package following the banks action. Competitor action also had a negative effect on operations. The Group expects second half revenues to be in line those recorded in the first half of the year as the sales and order levels have stabilised.

The Board expects to continue to record a loss for the second half of the year at the operating level, although it is anticipated that this will be lower than the first half loss as the benefits of further cost reductions are experienced.

With Crest moving towards a breakeven trading position, subject to further reductions in staff costs, the Board is considering additional short term funding and continuing its work on an orderly disposal of all of the Group's assets in order to maximise value for shareholders.

Notice of General Meeting and Warrant holders' Meeting

Further to the issue of unsecured loan stock announced in October 2007, the Group will call a General Meeting for shareholders to consider the proposals. A circular containing full details of a proposed capital reorganisation, proposed increase in the directors' authority to allot equity securities and dis-application of statutory pre-emption rights, approval of a substantial property transaction and amendment to the terms of the warrants currently in issue will be posted to shareholders of the Company and warrant holders in the near future. Included within the circular will be a notice convening a General Meeting of the Company and the associated proxy card. In addition, a notice convening a Warrant holders' Meeting and their associated proxy card will also be posted to all warrant holders.

Healthcare Enterprise Group Plc

Consolidated Income Statement For the 6 months ended 31 August 2007 (unaudited)

	Notes	Six months ended 31 Aug 2007 £'000	Six months ended 31 Aug 2006 £'000	Year ended 28 Feb 2007 £'000
Revenue – continuing activities	3	4,274	7,614	12,667
Cost of sales		(2,504)	(4,533)	(7,149)
Gross profit		1,770	3,081	5,518
Net operating expenses – normal		(3,310)	(4,031)	(7,850)
Net operating expenses - exceptional	4	(13,731)	927	(1,688)
Total net operating expenses		(17,041)	(3,104)	(9,538)
Operating loss		(15,271)	(23)	(4,020)
Finance expense		(86)	(101)	(113)
Loss before taxation		(15,357)	(124)	(4,133)
Taxation		(7)	-	(5)
Loss after taxation		(15,364)	(124)	(4,138)
Minority interests		(7)	27	7
Loss for the period		(15,371)	(97)	(4,131)
Operating loss before exceptional items		(1,540)	(950)	(2,332)
Basic (loss) per share	5	(5.07)p	(0.05)p	(1.93)p

Consolidated Statement of Recognised Income and Expense For the 6 months ended 31 August 2007 (unaudited)

	Six months ended 31 Aug 2007 £'000	Six months ended 31 Aug 2006 £'000	Year ended 28 Feb 2007 £'000
<i>Income and expenses recognised directly in equity</i>			
Exchange differences on retranslation of foreign operations	(7)	-	(58)
Loss for the period	(15,371)	(97)	(4,131)
Total recognised income and expenses for the period	(15,378)	(97)	(4,189)

Consolidated Balance Sheet
As at 31 August 2007(unaudited)

	As at 31 Aug 2007	As at 31 Aug 2006	As at 28 Feb 2007
	£'000	£'000	£'000
Non-current assets			
Goodwill	7,410	21,210	20,959
Other intangible assets	827	788	843
Property, plant and equipment	389	496	428
Other investments	696	1,592	682
	<u>9,322</u>	<u>24,086</u>	<u>22,912</u>
Current assets			
Inventories	1,546	1,866	1,834
Trade and other receivables	1,448	2,391	3,311
Cash and short term deposits	286	201	690
	<u>3,280</u>	<u>4,458</u>	<u>5,835</u>
Total assets	<u>12,602</u>	<u>28,544</u>	<u>28,747</u>
Current liabilities			
Trade and other payables	(2,596)	(2,851)	(3,266)
Financial liabilities	(1,923)	(552)	(2,095)
	<u>(4,519)</u>	<u>(3,403)</u>	<u>(5,361)</u>
Non-current liabilities			
Trade and other liabilities	(14)	(245)	(33)
Financial liabilities	-	(1,500)	-
Deferred shares	(746)	(746)	(746)
Warrants issued	(357)	(364)	(357)
	<u>(1,117)</u>	<u>(2,855)</u>	<u>(1,136)</u>
Total liabilities	<u>(5,636)</u>	<u>(6,258)</u>	<u>(6,497)</u>
Net assets	<u>6,966</u>	<u>22,286</u>	<u>22,250</u>
Capital and reserves			
<i>Equity</i>			
Share capital	7,601	4,726	7,555
Share premium account	42,065	40,814	42,065
Shares to be issued	312	620	271
Merger reserve	(2,293)	(2,293)	(2,293)
Other reserves	728	728	728
Share option reserve	305	-	305
	<u>48,718</u>	<u>44,595</u>	<u>48,631</u>
Retained earnings	(41,816)	(22,346)	(26,438)
Minority interests	64	37	57
Total equity	<u>6,966</u>	<u>22,286</u>	<u>22,250</u>

**Consolidated Cash Flow Statement
For the six months ended 31 August 2007(unaudited)**

	As at 31 Aug 2007 £'000	As at 31 Aug 2006 £'000	As at 28 Feb 2007 £'000
Operating activities			
Loss for the period	(15,371)	(97)	(4,131)
Adjustments to reconcile loss for the period to net cash flow from operating activities			
Depreciation of property, plant and equipment	67	83	149
Amortisation of intangible fixed assets	30	35	89
Loss on disposal of property, plant and equipment	-	-	55
Impairment of goodwill	13,623	-	-
Amortisation adjustment in respect of Alpha Trading (Asia) Limited	-	-	35
Loss on disposal of Alpha Trading (Asia) Limited	10	-	-
Decrease in inventories	288	230	262
Decrease (increase) in trade and other receivables	1,864	790	(130)
Decrease in creditors and other payables	(687)	(1,792)	(1,533)
FRS 20 share option provision	-	-	305
Investments written off	-	-	856
Exchange differences	(7)	-	(58)
Cash generated from operating activities	(183)	(751)	(4,101)
Tax paid	-	-	(19)
Net cash (outflow) from operations	(183)	(751)	(4,120)
Investing activities			
Payments to acquire property, plant and equipment	(28)	(35)	(87)
Development costs capitalised subsidiary undertakings	(17)	(100)	(149)
Distribution agreement costs capitalised	-	-	(100)
Purchase of fixed asset investments	(14)	(54)	-
Purchase of subsidiary undertakings	-	-	(93)
Net cash (outflow) from investing activities	(59)	(189)	(429)
Financing activities			
Interest paid	(85)	(101)	(113)
Proceeds from issue of share capital	46	2,172	6,581
Share issue costs	-	-	(337)
Decrease in long term borrowings	-	(1,125)	(1,125)
Repayment of short term borrowings	(111)	(272)	(222)
Repayment of capital element of finance leases	(12)	(22)	(34)
Net cash (outflow) from financing activities	(162)	652	4,750
Decrease in cash and cash equivalents	(404)	(288)	201
Cash and cash equivalents at beginning of period	690	489	489
Cash and cash equivalents at end of period	286	201	690

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 August 2007

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of Healthcare Enterprise Group plc for the six months ended 31 August 2007 were authorised for issue by the Directors on 29 November 2007.

The interim financial information contained in this interim financial statement is unaudited and has been prepared in accordance with the Group's accounting policies, based on IFRS as adopted by the European Union, and which are expected to apply for the year ending 28 February 2008. IFRS remains subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The Company's statutory accounts for the year ended 28 February 2007, prepared under UK GAAP, have been delivered to the Registrar of Companies and were subject to an Emphasis of Matter paragraph in the Audit Report dated 26 June 2007.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the uncertainty over the Group's ability to continue as a going concern. The financial statements are prepared on a going concern basis, which is dependent on the Group managing its cashflows in the foreseeable future by achieving its sales forecasts and realising certain asset and equity inflows. There can be no certainty that the outcome of these assumptions, along with the other matters explained in note 1 to the financial statements, will be as forecast by the Directors. In view of the significance of these uncertainties, we consider that they should be drawn to your attention. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

These consolidated interim financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Prior to 2007 the Group prepared its audited financial statements under UK GAAP. For the year ended 28 February 2008, the Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union ('IFRS'). IFRS 1 'First time adoption of International Financial Reporting Standards', requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements. The accompanying financial information has been prepared based on the current status of IFRS or Interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') effective or expected to be effective at 28 February 2008, the first reporting date for consolidated financial statements under IFRS.

As a general rule, IFRS 1 requires the standards effective at the reporting date to be applied retrospectively. However retrospective application is prohibited in some areas, particularly where retrospective application would require judgment by management about past conditions after the outcome of the particular transaction is already known. A number of optional exemptions from full retrospective application of IFRS are granted where the cost of compliance is deemed to exceed the benefits to users of the financial statements. Where applicable, the options selected by management are set out in note 9 below. As required by

IFRS 1, the effect of transition from UK GAAP to IFRS on the Group's equity and profit has been explained in note 10.

Principal Accounting Policies

Accounting policies detailed below have been adopted and these comply with IFRS.

Basis of consolidation

The consolidated accounts incorporate the financial statements of Healthcare Enterprise Group plc and all of its subsidiary undertakings made up to 31 August 2007. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and deconsolidated from the date that control ceases. The financial statement of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period of the parent company and are based on consistent accounting policies. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated, including unrealised profits or losses.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised on the sale of goods: revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Goodwill and business combinations

Business combinations on or after 1 March 2006 are accounted for under IFRS3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised as an asset at 1 March 2006 is recorded at its carrying amount under UK GAAP and is not amortised.

After initial recognition goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

Where the recoverable amount of the business is less than its carrying amount, including goodwill, an impairment loss is recognised in the consolidated income statement.

Development costs

These are capitalised only if a project satisfies all of the six specified criteria in accordance with IAS 38.

Associates

Entities (other than subsidiary undertakings) in which the Group has a participating interest and over whose operating and financial policies the Group exercises significant influence are treated as associates. In the Group financial statements, associates are accounted for using the net equity method.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight line basis to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated using the following rates:

Freehold land	not depreciated
Buildings	2% per annum
Short leasehold improvements	equally over the lease period
Plant and equipment	15-33% per annum
Fixtures and fittings	20-33% per annum

Annual reviews are performed on the expected useful lives and estimated residual values of the individual assets. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with their carrying amount and are included in the consolidated income statement.

Financial instruments

The Group has adopted both IAS32, Financial Instruments: Disclosure and Presentation and IAS 39, Financial Instruments: Recognition and Measurement.

Financial assets and liabilities are recognized on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Operating leases

Costs in respect of operating leases are charge to the Group income statement on a straight line basis over the term of the lease.

Hire purchase contracts

Assets obtained under hire purchase contracts, which transfer to the Group substantially all of the risks and rewards of ownership of the assets are capitalised as property, plant and equipment and depreciated over their estimated useful life. Obligations under such contracts are included in financial liabilities net of finance charges allocated to future periods. The interest element is charged to the Consolidated Income Statement.

Foreign currencies

Transactions in foreign currencies are recorded at the date of exchange at the date of the transaction. Assets and liabilities expressed in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date.

The results of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Any exchange differences arising on opening net assets are taken directly to reserves.

All other foreign exchange differences are taken to the Consolidated Income Statement.

Investments

Investments are stated at cost less provision for impairment.

Pensions

Certain subsidiaries of the Company operate defined contribution schemes for their employees and directors. The assets of the schemes are held separately from those of the Group. The annual contributions are charged to the Consolidated Income Statement. The Company provides no other post-retirement benefits to its employees and directors.

Share based payments

The Group grants share options to directors, employees and certain consultants. Equity settled share based options are measured at fair value at the date of grant and expenses in line with the vesting conditions, based on the estimated number of options that will eventually vest. The fair value is measured using the Black Scholes model as there are no complex market performance criteria to be considered.

Inventories

Inventories are valued at the lower of cost and net realisable value. Provisions are made for obsolete, slow moving and defective stock where appropriate. Net realisable value is based on estimated selling price less further costs to completion and disposal.

2. Critical accounting policies, judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Deferred taxation:

In the preparation of the financial statements, the Group estimates the income taxes as well as any deferred taxes based on temporary differences. Deferred tax assets relating to tax loss carry-forwards and temporary differences are recognised in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projections of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes.

Goodwill and intangibles:

The measurement and impairment of indefinite life intangible assets (including goodwill) are key sources of estimation uncertainty and carry a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year.

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the businesses to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate.

Share-based payments:

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the continuing participation of employees.

3. REVENUE ANALYSIS

An analysis of revenue type is given below:

	Six months ended 31 Aug 2007 £'000	Six months ended 31 Aug 2006 £'000	Year ended 28 Feb 2007 £'000
Product revenue	4,274	7,614	12,667

An analysis of turnover by geographical destination is given below:

	Six months ended 31 Aug 2007 £'000	Six months ended 31 Aug 2006 £'000	Year ended 28 Feb 2007 £'000
United Kingdom	3,866	6,642	10,418
Continental Europe	118	274	1,079
North America	218	162	166
Far East	33	277	523
Middle East	14	4	437
Rest of World	25	255	44
	4,274	7,614	12,667

4. NET OPERATING EXPENSES – EXCEPTIONAL

	Six months ended 31 Aug 2007 £'000	Six months ended 31 Aug 2006 £'000	Year ended 28 Feb 2007 £'000
Impairment of goodwill on acquisition	13,623	-	-
Compensation for loss of office	-	-	293
Reorganisation costs	98	373	1,593
Write down of Ridgecrest Healthcare Group Inc.			762
Amortisation adjustment in respect of Alpha Trading (Asia) Ltd	-	-	35
Loss on disposal of Alpha Trading (Asia) Ltd	10	-	-
Amortisation of goodwill		(1,300)	(1,300)
FRS 20 share option charge	-	-	305
	13,731	(927)	1,688

5. EARNINGS PER SHARE

The basic loss earnings per share has been calculated by dividing the loss for the period/year, by the weighted average number of shares in existence for the period/year.

The loss and weighted average number of shares for the purpose of calculating the diluted loss per share are identical to those used for the loss per share at 31 August 2007, 31 August 2006 and 28 February 2007 as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive.

	Six months ended 31 Aug 2007	Six months ended 31 Aug 2006	Year ended 28 Feb 2007
BASIC AND DILUTED EPS			
Net Loss (£'000)	(15,371)	(97)	(2,501)
Weighted average number of shares	303,471,137	185,010,495	213,698,645
Basic and diluted loss per share	(5.07)p	(0.05)p	(1.93)p

6. FINANCIAL LIABILITIES – Current Liabilities

	Six months ended 31 Aug 2007 £'000	Six months ended 31 Aug 2006 £'000	Year ended 28 Feb 2007 £'000
Bank loans and overdrafts	1,923	535	2,084
Net obligations under hire purchase contracts	-	17	11
	<u>1,923</u>	<u>552</u>	<u>2,095</u>

7. FINANCIAL LIABILITIES – Non- Current Liabilities

	Six months ended 31 Aug 2007 £'000	Six months ended 31 Aug 2006 £'000	Year ended 28 Feb 2007 £'000
Bank loans and overdrafts	-	1,500	-
	<u>-</u>	<u>1,500</u>	<u>-</u>

8. RECONCILIATIONS OF MOVEMENTS IN EQUITY

	Equity Share Capital £'000	Retained Earnings £'000	Minority Interests £'000
At 1 March 2006	42,431	(22,249)	64
Total recognised income and expense	-	(97)	-
Shares issued net of issue costs	2,164	-	-
Minority interest	-	-	(27)
At 31 August 2006	<u>44,595</u>	<u>(22,346)</u>	<u>37</u>
Total recognised income and expense	-	(4,092)	-
Shares issued net of issue costs	4,036	-	-
Minority interest	-	-	20
At 28 February 2007	<u>48,631</u>	<u>(26,438)</u>	<u>57</u>
Total recognised income and expense	-	(15,378)	-
Shares issued net of issue costs	46	-	-
Shares to be issued	41	-	-
Minority Interest	-	-	7
At 31 August 2007	<u>48,718</u>	<u>(41,816)</u>	<u>64</u>

9. TRANSITION TO IFRS

Application of IFRS 1 - First Time Adoption of IFRS

For all periods up to and including the year ended 28 February 2007, the Group prepared its financial statements in accordance with UK GAAP.

The Group's financial statements for the year ended 28 February 2008 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in note 1 and in accordance with the accounting policies outlined in note 1. The Group's date of transition to IFRS is 1 March 2006 and all comparative information in the financial statements is restated to reflect the Group's adoption of IFRS except where otherwise required or permitted under IFRS 1.

In preparing these interim financial statements in accordance with IFRS 1, the Group has taken advantage of certain optional exemptions from full retrospective application of IFRS as detailed below.

a) Business combinations

IFRS 3 'Business Combinations' has not been applied to acquisition of subsidiaries that occurred before 1 March 2006;

b) Cumulative translation differences

Cumulative foreign exchange translation differences have been set to zero as at 1 March 2006;

An explanation of the effect of how the transition from UK GAAP to IFRS has affected the Group's financial position is set out in the following notes.

10. Reconciliation of UK GAAP balance sheet to IFRS balance sheet at 1 March 2006 (unaudited)

	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Goodwill	21,250	-	21,250
Other intangible assets	683	-	683
Property, plant and equipment	545	-	545
Other investments	1,538	-	1,538
	<u>24,016</u>	<u>-</u>	<u>24,016</u>
Current assets			
Inventories	2,096	-	2,096
Trade and other receivables	3,181	-	3,181
Cash and short term deposits	489	-	489
	<u>5,766</u>	<u>-</u>	<u>5,766</u>
Total assets	29,782	-	29,782
Current liabilities			
Trade and other payables	(4,387)	-	(4,387)
Financial liabilities	(1,219)	-	(1,219)
	<u>(5,606)</u>	<u>-</u>	<u>(5,606)</u>
Non-current liabilities			
Trade and other liabilities	(2,827)	-	(2,827)
Financial liabilities	-	-	-
Deferred shares	(746)	-	(746)
Warrants issued	(357)	-	(357)
	<u>(3,930)</u>	<u>-</u>	<u>(3,930)</u>
Total liabilities	(9,536)	-	(9,536)
Net assets	20,246	-	20,246
Capital and reserves			
Equity			
Share capital	4,298	-	4,298
Share premium account	39,078	-	39,078
Shares to be issued	620	-	620
Merger reserve	(2,293)	-	(2,293)
Other reserves	728	-	728
Share option reserve	-	-	-
	<u>42,431</u>	<u>-</u>	<u>42,431</u>
Retained Earnings	(22,249)	-	(22,249)
Minority interests	64	-	64
Total equity	<u>20,246</u>	<u>-</u>	<u>20,246</u>

11. Reconciliation of UK GAAP balance sheet to IFRS balance sheet at 28 February 2007 (unaudited) (date of last UK GAAP Financial Statements)

	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Goodwill	20,959	-	20,959
Other intangible assets	843	-	843
Property, plant and equipment	428	-	428
Other investments	682	-	682
	<u>22,912</u>	<u>-</u>	<u>22,912</u>

Current assets			
Inventories	1,834	-	1,834
Trade and other receivables	3,311	-	3,311
Cash and short term deposits	690	-	690
	<u>5,835</u>	-	<u>5,835</u>
Total assets	28,747	-	28,747
Current liabilities			
Trade and other payables	(2,977)	-	(2,977)
Financial liabilities	(2,095)	-	(2,095)
Income tax payable	(289)	-	(289)
	<u>(5,361)</u>	-	<u>(5,361)</u>
Non-current liabilities			
Trade and other liabilities	(33)	-	(33)
Financial liabilities	-	-	-
Deferred shares	(746)	-	(746)
Warrants issued	(357)	-	(357)
	<u>(1,136)</u>	-	<u>(1,136)</u>
Total liabilities	<u>(6,497)</u>	-	<u>(6,497)</u>
Net assets	<u>22,250</u>	-	<u>22,250</u>
Capital and reserves			
Equity			
Share capital	7,555	-	7,555
Share premium account	42,065	-	42,065
Shares to be issued	271	-	271
Merger reserve	(2,293)	-	(2,293)
Other reserves	728	-	728
Share option reserve	305	-	305
	<u>48,631</u>	-	<u>48,631</u>
Retained earnings	(26,438)	-	(26,438)
Minority interests	57	-	57
Total equity	<u>22,250</u>	-	<u>22,250</u>

12. Reconciliation of UK GAAP balance sheet to IFRS balance sheet at 31 August 2006(unaudited)

	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Goodwill	21,210	-	21,210
Other intangible assets	788	-	788
Property, plant and equipment	496	-	496
Other investments	1,592	-	1,592
	<u>24,086</u>	-	<u>24,086</u>
Current assets			
Inventories	1,866	-	1,866
Trade and other receivables	2,391	-	2,391
Cash and short term deposits	201	-	201
	<u>4,458</u>	-	<u>4,458</u>
Total assets	28,544	-	28,544
Current liabilities			
Trade and other payables	(2,851)	-	(2,851)
Financial liabilities	(552)	-	(552)
	<u>(3,403)</u>	-	<u>(3,403)</u>
Non-current liabilities			
Trade and other liabilities	(245)	-	(245)
Financial liabilities	(1,500)	-	(1,500)
Deferred shares	(746)	-	(746)
Warrants issued	(364)	-	(364)
	<u>(2,855)</u>	-	<u>(2,855)</u>
Total liabilities	<u>(6,258)</u>	-	<u>(6,258)</u>
Net assets	<u>22,286</u>	-	<u>22,286</u>

Capital and reserves			
<i>Equity</i>			
Share capital	4,726	-	4,726
Share premium account	40,814	-	40,814
Shares to be issued	620	-	620
Merger reserve	(2,293)	-	(2,293)
Other reserves	728	-	728
Share option reserve	0	-	0
	44,595	-	44,595
Retained Earnings	(22,346)	-	(22,346)
Minority interests	37	-	37
Total equity	22,286	-	22,286

13. Reconciliation of UK GAAP balance sheet to IFRS balance sheet at 31 August 2007(unaudited)

	UK GAAP in IFRS format	Effect of transition to IFRS	IFRS
	£'000	£'000	£'000
Non-current assets			
Goodwill	7,410	-	7,410
Other intangible assets	827	-	827
Property, plant and equipment	389	-	389
Other investments	696	-	696
	9,322	-	9,322
Current assets			
Inventories	1,546	-	1,546
Trade and other receivables	1,448	-	1,448
Cash and short term deposits	286	-	286
	3,280	-	3,280
Total assets	12,602	-	12,602
Current liabilities			
Trade and other payables	(2,596)	-	(2,596)
Financial liabilities	(1,923)	-	(1,923)
	(4,519)	-	(4,519)
Non-current liabilities			
Trade and other liabilities	(14)	-	(14)
Financial liabilities	-	-	-
Deferred shares	(746)	-	(746)
Warrants issued	(357)	-	(357)
	(1,117)	-	(1,117)
Total liabilities	(5,636)	-	(5,636)
Net assets	6,966	-	6,966
Capital and reserves			
<i>Equity</i>			
Share capital	7,601	-	7,601
Share premium account	42,065	-	42,065
Shares to be issued	312	-	312
Merger reserve	(2,293)	-	(2,293)
Other reserves	728	-	728
Share option reserve	305	-	305
	48,718	-	48,718
Retained earnings	(41,816)	-	(41,816)
Minority interests	64	-	64
Total equity	6,966	-	6,966