

30 September 2008



**COMPANY HEALTH GROUP PLC**  
("Company Health" or "the Group")

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008**

Company Health Group plc (AIM: CHT), an established provider of healthcare services including occupational health, ergonomics, recruitment, physiotherapy and medical evidence collection and testing for financial services companies today announces interim results for the six months ended 30 June 2008.

**Summary:**

- Turnover largely maintained at £3.95 million (2007: £4.15 million)
- Gross profit declined to £1.40 million (2007: £1.56 million)
- Profit before tax was £43,000 (2007: £123,000) after slightly reduced operating expenses and interest charges
- Recruitment division benefitting from good demand for temporary medical staff
- First operational benefits and cost savings seen from the integration of the Group's Occupational Health businesses
- Medical Evidence business's activity levels sharply lower as its life assurance customers feel the effects of the UK mortgage market downturn
- Physiotherapy and ergonomics business re-launched following reorganisation and premises refurbishment

**Commenting on the results Ralph Gough, Chairman, said:**

"The outlook for the traditionally busier second half of the year looks like more of the same. We expect the mortgage market, and thus our medical evidence business, to remain subdued but against this, our occupational health and ergonomics activities are forecast to continue to grow, though at lower rates than originally envisaged and to yield lower margins as customer pressures on cost remain. The supply of temporary staff by our recruitment business looks set to continue to grow.

"While this will be a difficult year, the steadily growing markets served by our businesses, with the exception of the Medical Evidence business, should insulate the Group to some extent from the full effects of the downturn. We will continue to develop the Group for the benefit of shareholders."

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## **CHAIRMAN'S STATEMENT**

I advised shareholders at the time of the announcement of our final results in July that trading conditions in calendar 2008 were likely to be difficult but that the Group was well placed, because of the markets it serves, to meet the challenges. Clearly, our businesses are not immune to the continuing financial crises and economic downturn but the results for the half year to 30 June 2008 reflect the ability of our businesses to react quickly to changing circumstances and are a creditable achievement in a difficult operating environment.

## **FINANCIAL RESULTS**

Turnover for the six months to 30 June 2008 was largely maintained at £3.95 million (2007: £4.15 million). This total however includes a decline of 30% in revenues at our Medical Evidence business, which depends for almost all its revenues on large, blue chip life insurance customers. These customers, in turn, depend on activity levels in the UK mortgage market in which activity levels have fallen substantially and remain at very low levels at the time of writing. Turnover is after deducting £375,000 of discontinued activities following a review that identified a number of low margin activities within the acquired Cheviot businesses and in the Medical Evidence business.

Gross profit for the period declined to £1.40 million (2007: £1.56 million), producing an operating profit of £82,000 (2007: £175,000) after reduced operating expenses of £1.32 million (2007: £1.39 million), even though there had been an increase in central administration costs resulting from the appointment of a full time Group Chief Executive. Gross and net margins fell as a result of the changing mix of business, which lead to a reduced profit on ordinary activities before tax, after lower interest paid of £39,000 (2007: £52,000), of £43,000 (2007: £123,000). Earnings per share – basic and diluted – were 0.05 pence (2007: 0.25 pence, basic and 0.22 pence, diluted), reflecting both the reduced profit for the period and the larger number of shares in issue following the equity issue to raise £650,000 in November 2007.

The reduced liability for deferred consideration for the Cheviot acquisition, which I reported to shareholders in my statement in July this year, has had a beneficial effect with the liability for this consideration declining by some £350,000 (or 41%). Together with the fundraising of £0.65 million described above, total liabilities declined year on year by 34% to £2.99 million (2007: £4.56 million). Net assets therefore rose to £5.51 million (2007: £4.83 million) at which level, the Group's net borrowings of £1.02 million represent gearing of just 19% (2007: net borrowings of £1.21 million representing gearing of 25%). The headroom available to the Group is reflected in plans to refinance all our short term facilities and these discussions in this respect are currently well advanced.

## **OPERATING REVIEW**

### *Occupational Health*

The occupational health markets in the UK while far from booming in the current environment are still growing. In common with almost all service suppliers, our businesses in this space have seen increased pressure on margins as customers seek to drive down costs. Tenders have become increasingly competitive but we have succeeded in winning a number of new clients and contract renewals in the period from both private and public sector organisations. The tender pipeline in place gives the business the opportunity to add further revenues in the short to medium term. Margin pressure has been relieved to an extent by the integration of the acquired Cheviot Artus business with

our existing Company Health operation and this has yielded some initial cost benefits with more to come from the second half of 2008.

#### *Recruitment*

The Cheviot medical recruitment business is performing well in a difficult market characterised by good demand for temporary specialist staff. We expect this trend – of greater demand for temporary rather than permanent staff – to continue as this offers employers the maximum flexibility of staffing costs in the economic downturn.

#### *Collection of Medical Information for the Life Assurance Market*

As set out above, our Diagnostic Technologies business has experienced a very difficult first half as the mortgage market continued to slow towards its current virtual standstill. Whilst still profitable, the business has seen revenues decline significantly, along with those of its customer base. We have reviewed the cost base and instituted measures to reduce costs without harming the business's ability to transact business as we remain of the opinion that sooner or later, UK mortgage markets will recover, albeit not to the levels seen in the recent past.

#### *Physiotherapy, Ergonomics and Sports Injury*

Milligan & Hill produced good results in the circumstances as it rebuilt business following the reorganisation instituted last year. Late last year, its City of London premises were completely refurbished, occasioning some significant disruption. Thereafter, the business regained traction and results for the period under review, while only slightly down on the comparable period, were substantially ahead of the second half of 2007. It is pleasing to report that the growing (and higher margin) ergonomics market has continued to account for an increasing proportion of sales with over 60% of revenues in the first half compared to 57% in the comparable period.

### **CURRENT TRADING AND OUTLOOK**

The outlook for the traditionally busier second half of the year looks like more of the same. We expect the mortgage market, and thus our medical evidence business, to remain subdued but against this, our occupational health and ergonomics activities are forecast to continue to grow but to yield lower margins as customer pressures on cost remain. The supply of temporary staff by our recruitment business looks set to continue to grow.

We will benefit from operational improvements and cost savings arising from the integration of the Cheviot occupational health business with our existing activities in this field and in 2009 will see the full year effect of the savings. We are addressing our financing needs from a position of strength and with the reduction of the deferred consideration for the Cheviot businesses will require no further additional funding.

While this will be a difficult year, the steadily growing markets served by our businesses, with the exception of the mortgage market-driven Medical Evidence business, should insulate the Group to some extent from the full effects of the downturn. We will continue to develop the Group for the benefit of shareholders.

### **RALPH GOUGH**

Chairman

29 September 2008

## Consolidated Income Statement

For the six months ended 30 June 2008

		6 months to June 2008	6 months to June 2007	Year to Dec 2007
	Notes	<i>(unaudited)</i> £'000	<i>(unaudited)</i> £'000	<i>(audited)</i> £'000
Turnover	2	3,954	4,155	8,406
Cost of Sales		(2,551)	(2,591)	(5,355)
<b>Gross Profit</b>		1,403	1,564	3,051
Operating expenses		(1,321)	(1,389)	(2,751)
<b>Operating profit</b>		82	175	300
Net interest payable		(39)	(52)	(118)
<b>Profit before taxation</b>		43	123	182
Taxation	3	(3)	(5)	(0)
<b>Profit for the period</b>		40	118	182
<b>Earnings per share (pence)</b>				
- basic	4	0.05	0.25	0.32
- diluted	4	0.05	0.22	0.32

## Consolidated Balance Sheet

As at 30 June 2008

	As at 30 June 2008 <i>(unaudited)</i> £'000	As at 30 June 2007 <i>(unaudited)</i> £'000	As at 31 Dec 2007 <i>(audited)</i> £'000
<b>NON-CURRENT ASSETS</b>			
Intangible Assets	6,314	6,465	6,299
Property, plant and equipment	286	259	275
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,600</b>	<b>6,724</b>	<b>6,574</b>
<b>CURRENT ASSETS</b>			
Inventories	170	100	84
Trade and other receivables	1,576	1,722	1,660
Cash and cash equivalents	155	849	134
<b>TOTAL CURRENT ASSETS</b>	<b>1,901</b>	<b>2,671</b>	<b>1,878</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	(1,154)	(1,927)	(1,272)
Trade and other payables	(1,806)	(1,632)	(1,667)
Current income tax liabilities	(11)	(18)	(10)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(2,971)</b>	<b>(3,577)</b>	<b>(2,949)</b>
<b>Net current liabilities</b>	<b>(1,070)</b>	<b>(906)</b>	<b>(1,071)</b>
<b>Total assets less current liabilities</b>	<b>5,530</b>	<b>5,818</b>	<b>5,503</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	(24)	(132)	(37)
Other non-current liabilities	-	(852)	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>(24)</b>	<b>(984)</b>	<b>(37)</b>
<b>NET ASSETS</b>	<b>5,506</b>	<b>4,834</b>	<b>5,466</b>
<b>EQUITY</b>			
Called up share capital	765	628	765
Share premium account	3,820	3,339	3,820
Retained earnings	921	867	881
<b>TOTAL EQUITY</b>	<b>5,506</b>	<b>4,834</b>	<b>5,466</b>

## Consolidated cash flow statement

For the six months ended 30 June 2008

	6 months to June 2008 <i>(unaudited)</i> £'000	6 months to June 2007 <i>(unaudited)</i> £'000	Year to Dec 2007 <i>(audited)</i> £'000
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operating activities</b>	261	(23)	(16)
Interest paid	(39)	(23)	(116)
Corporation tax paid	(1)	(12)	(15)
	<u>(40)</u>	<u>(35)</u>	<u>(131)</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	221	(58)	(147)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets	(19)	(134)	(6)
Purchase of plant, property and equipment	(46)	(30)	(102)
Receipts from sale of assets	-	-	20
Acquisition of subsidiary undertakings	-	-	(1,174)
Interest received	-	-	1
<b>Net cash outflow from investing activities</b>	<u>(65)</u>	<u>(164)</u>	<u>(1,261)</u>
	156	(222)	(1,408)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings	(75)	(68)	(153)
Issue of shares	-	499	1,116
Secured loan finance received	-	405	110
Loan note finance received	-	-	300
Invoice discounting finance (repaid)/received	(58)	-	162
New finance leases	38	-	-
Payment of finance lease obligations	(11)	(6)	(13)
<b>Net cash flow from financing activities</b>	<u>(106)</u>	<u>830</u>	<u>1,522</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	50	608	114
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY 2008</b>	(256)	(370)	(370)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE 2008</b>	<u>(206)</u>	<u>238</u>	<u>(256)</u>
Reconciliation of operating profit to net cash inflow / (outflow) from operating activities			
Operating Profit	82	175	300
Depreciation	36	18	62
Amortisation of intangibles	5	10	16
Profit on sale of assets	-	-	(13)
(Increase)/decrease in inventories	(85)	25	40
Decrease/(increase) in trade and other receivables	84	(529)	(524)
Increase in trade and other payables	139	278	103
<b>Net cash inflow/(outflow) from operating activities</b>	<u>261</u>	<u>(23)</u>	<u>(16)</u>

**Consolidated statement of changes in shareholders' equity**

For the six months to 30 June 2008

	Share Capital £'000	Share Premium £'000	Shares to be Issued £'000	Retained earnings £'000	Total Equity £'000
<b>At 1 January 2008</b>	765	3,820	-	881	5,466
Profit for the period from the income statement	-	-	-	40	40
<b>At 30 June 2008</b>	765	3,820	-	921	5,506

**For the six months ended  
30 June 2007**

	Share Capital £'000	Share Premium £'000	Shares to be Issued £'000	Retained earnings £'000	Total Equity £'000
<b>At 1 January 2007</b>	467	2,567	434	699	4,167
Profit for the period from the income statement	-	-	-	118	118
Issue of completion shares on acquisition of subsidiary	65	369	(434)	-	-
Issue of shares	96	403	-	-	499
<b>At 30 June 2007</b>	628	3,339	-	817	4,784

**For the twelve months ended  
31 December 2007**

	Share Capital £'000	Share Premium £'000	Shares to be Issued £'000	Retained earnings £'000	Total Equity £'000
<b>At 1 January 2007</b>	467	2,567	434	699	4,167
Profit for the year from the income statement	-	-	-	182	182
Issue of completion shares on acquisition of subsidiary	66	368	(434)	-	-
Issue of shares	232	943	-	-	1,175
Share issue costs	-	(58)	-	-	(58)
<b>At 31 December 2007</b>	765	3,820	-	881	5,466

## Notes

### 1. Accounting policies (and General Information)

The Group's interim report is for the six months ended 30 June 2008. The interim report does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

The Group's interim report has been prepared in accordance with IFRS and the comparative 2007 half yearly figures were stated on the same basis. The same accounting policies have been used in the interim report as adopted by the group in its last copy.

#### General Information

This interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The group's audited statutory financial statements for the year ended 31 December 2007 have been filed with the Registrar of Companies. This interim report has not been audited.

### 2. Segmental Information

	6 months to June 2008	6 months to June 2007	Year to Dec 2007
	<i>(unaudited)</i>	<i>(unaudited - as restated)</i>	<i>(audited)</i>
	£'000	£'000	£'000
<b>Revenue</b>			
Insurance Medicals	623	1,092	1,925
Occupational Health	1,285	1,366	2,713
Occupational Health Recruitment	1,665	1,290	2,974
Physiotherapy	381	407	794
	<u>3,954</u>	<u>4,155</u>	<u>8,406</u>
<b>Operating profit</b>			
Insurance Medicals	103	226	352
Occupational Health	144	59	194
Occupational Health Recruitment	192	172	321
Physiotherapy	43	40	69
Central costs	(400)	(322)	(636)
	<u>82</u>	<u>175</u>	<u>300</u>

### 3. Taxation

An estimate has been made at the appropriate rate of corporation tax for the six months to 30 June 2008 of £2,500 (2007: £5,000).

#### **4. Earnings per share**

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2008 of £40,000 (2007: £118,000) divided by the weighted average of ordinary shares in issue for the six months ended 30 June 2008 of 76,522,776 (2007: 47,159,493). This results in a basic earnings per share of 0.05p (2007: 0.25p) There is no dilution of the earnings per share at 30 June 2008 as the options are not dilutive. The calculation of diluted earnings per share for 2007 was based on the profit for the six months ended 30 June 2007 of £118,000 divided by the weighted average of ordinary shares in issue for the six months ended 30 June 2007 of 54,196,629.

#### **5. Copies of report**

Copies of the interim statement will be sent to shareholders upon request. Otherwise, shareholders will be able to download a copy of the interim report from the group's website [www.companyhealthgroup.com](http://www.companyhealthgroup.com). Further copies will be available from the Company Secretary, Peter Ashcroft, at Company Health Group plc, 309 New loom House, 101 Back Church Lane, London E1 1LU.