Free annual report

Company	Company Health Group PLC
TIDM	CHT
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COMPANY HEALTH GROUP PLC

("The Group")

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 service companies today announces preliminary results for the year ended 31 December 2006.

Highlights:

o First full year results since Admission to AIM

o Reported sales up to £4.4 million

o Profitability maintained (following conversion to IFRS)

o Rationalisation and restructure of occupational health subsidiary and relocation to Team Valley Industrial Estate, Gateshead

o Successful acquisition of Cheviot Artus - recruitment agency and occupational health provider

o The first four months of 2007 are showing significant improvement over the equivalent period in 2006
- Sales up 75% to £2.5 million
- EBITDA up 184% to £125,000

Commenting on the results Ralph Gough, Chairman and Chief Executive, said: "We have achieved a satisfying mix of organic growth within the Group as well as expansion via the acquisition of a complementary and earnings enhancing occupational health provider and recruitment business.

He added: "There is positive evidence to show that in both the public and private sectors real weight is being put behind the Government and the Health & Safety Executive's commitment to improve the workplace environment. In essence it is recognition of the fact that a healthy and engaged workforce makes good business sense. It is therefore in everyone's interest to provide proper occupational health care and the right workplace environment. This development can only help our businesses to succeed as the demand for our services continues to grow.

"As a Group we continue to seek out attractive acquisition targets that will complement our service offering and add to our sustained profitability, whilst also furthering our geographic reach. We have already proven our ability to deliver on our acquisition strategy and we will seek to maintain the momentum achieved thus far."

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CHAIRMAN'S STATEMENT

I am pleased to report our final results to shareholders after a productive year for Company Health Group ("CHT"). During our second financial period as a public company - and the first full 12 months - we have been delivering on our stated strategy at the time of Admission to AIM. This strategy was to build our existing healthcare businesses and to make selective acquisitions to achieve critical mass and national presence in our chosen areas of activity.

We have achieved a mix of both organic growth within the Group as well as expansion via the acquisition of a complementary and earnings enhancing occupational health provider and recruitment business.

FINANCIAL OVERVIEW

The Group had a total turnover of £4.4 million (eighteen month period ended 31 December 2005 - £2.7 million). Gross profit was £2.0 million (period ended 31 December 2005 - £1.3 million). Profit on ordinary activities before taxation was £120,518 (period ended 31 December 2005 - £152,280). Retained profit was £121,447 (period ended 31 December 2005 - £128,031) which equates to a basic profit of 0.28 pence per share (period ended 31st December 2005 - 0.62 pence). Note 2 contains a more detailed breakdown of the contribution of the operating subsidiaries in terms of turnover and profit.

The Group has adopted the new IFRS reporting standard and the comparative 2005 figures have therefore been restated on the same basis.

The tax charge for 2006 is a net credit due to an overprovision for 2005.

Net Assets rose to £4.2 million from £3.8 million at the previous year end.
The Group's bank facilities were renewed in February 2007 comprising a loan of

£375,000 and an overdraft facility of £350,000. The Group also inherited an invoice discounting facility from its acquisition in December 2006 which had a balance at the year end of £206,000. In April 2007, a loan note was issued for £300,000 to provide additional working capital for the Group, redeemable in December 2007.

The acquisition consideration included an amount of £600,130 which was satisfied by the issue in April 2007 of a loan note which is redeemable in October 2007. Under the heading of goodwill the accounts include an estimate of the further consideration in respect of the earn-out payment due in the second quarter of 2008.

During the year in accordance with the agreement made at the time of the acquisition of the DTC Group plc a further 9,586,971 shares were issued to the DTC shareholders in settlement of the earn-out.

During 2007, it is the Directors' intention to raise funds through the issue of both long - term convertible debt and equity, the proceeds of which will be used to discharge deferred acquisition consideration and provide further working capital. Indicative offers of additional short - term facilities have been received and the Board is continuing the negotiations in order to select the most appropriate arrangements for the Group. The Board is confident of securing the additional funding shortly.

DIVIDEND

Although the Board has adopted a progressive dividend policy, at the current time the Directors are not recommending a dividend. The Group is still in the initial stages of its development and has an active acquisition and growth strategy, which at the moment precludes the recommendation and payment of dividends.

OPERATING REVIEW

The Group is divided into three complementary areas of business: occupational health, physiotherapy and ergonomic services, and medical evidence collection for the life insurance industry. Within the year all three made good progress - new contracts were won and we witnessed increased demand from existing clients, contributing to the collective growth in revenue during the period. It is particularly pleasing to report that Diagnostic Technologies Corporation ("DTC"), our medical evidence company, achieved a 23% increase over the previous period in both revenues and profits and the trend continues in the current year.

In September 2006 we announced that our occupational health business, Company Health ("CHL"), had moved offices and relocated its North East division to a flagship office in Team Valley (Gateshead's largest trading estate). The growth in CHL's activities made it necessary for us to seek larger offices with further room for expansion and a greater number of consulting rooms for occupational health rehabilitation and related advice services.

Just south of Newcastle, Team Valley is a very extensive retail park of large regional significance which continues to develop at pace. We anticipate that it will provide potential for CHL to gain new customers from neighbouring businesses on the site as CHL is the only occupational health provider in the park.

In addition to our expansion and the opening of our new office in the North we also made our most important acquisition to date in 2006. In December we acquired Cheviot Artus Limited ("CA"). This acquisition adds substantial value to our occupational health operations and is discussed further under Occupational Health below.

During the year we achieved significant new contract wins to provide occupational health and physiotherapy / rehabilitation services to a number of blue chip clients. These include investment bank Morgan Stanley, and a global pharmaceutical company. In addition, we successfully won a contract with Jobcentre Plus, the agency of the Department for Work and Pensions that assists people of working age from welfare into work, and helps employers to fill their vacancies. Our subsidiary Milligan & Hill ("M&H") has been selected to provide ergonomic assessments in both the London and South East regions as part of Jobcentre's Access to Work initiative. This contract is particularly significant for us as it extends our geographical reach further into the South of England. Finally, in a three-year contract starting from October 2006 CHL was appointed by the National Probation Service ("NPS") to provide occupational health services to the 650 staff in the Lancashire branch of the NPS.

OCCUPATIONAL HEALTH

CHL our occupational health business has continued to develop its established position in the marketplace this year. As the demand for the provision of occupational health services to employees continues to grow, so CHL has seen referrals and opportunities to tender for contracts increase.

We intend to grow this, our core area of business not only through the organic development of our customer base and contract wins but also through acquisition. In the last quarter of the year CHT acquired Cheviot Artus Ltd ("CA"). CA is the holding company for two businesses, one Cheviot Artus (Skipton)("CAS"), providing occupational health services, and the other Cheviot Recruitment ("CR") an occupational health recruitment business. CR supplies qualified and experienced occupational health nurses and physicians as well as safety and environmental advisers to a broad client base. The Cheviot Group is profitable and in the year to 31 August 2006 reported operating profits of £11,337 on revenues of £3,590,506.

This acquisition complements our core occupational health activity, provides additional geographic coverage and access to a diverse and comprehensive list of customers. The synergistic benefits of this acquisition are clear. The recruitment business will enable CHL to source qualified healthcare professionals for the business' own use and the access to a fund of healthcare specialists will aid the tender process for national contracts as we will be able to source personnel "in-house" thus reducing our recruitment cost base.

PHYSIOTHERAPY, ERGONOMICS AND SPORTS INJURY

This year saw the successful integration of last year's acquisition, M&H. This company provides a range of physiotherapy and ergonomics services in its clinic in the City of London as well as providing an "in house" service to some of its clients. It recently appointed Lindsay Flower as its new Director of Clinical Services.

Significant numbers of people are out of work due to a health condition or disability - around 7.5% of the working age population. The numbers claiming incapacity benefit have trebled in the last twenty years from 700,000 to 2.4

million. The government now pays out £13 billion a year on such benefits.

The Department of Health is doing all it can to encourage best practice in the workplace for employees to combat the 40 million working days that are lost each year due to occupational ill health and injury.

M&H markets a software programme called "Ergopro" designed to highlight workplace inefficiencies and problems and to demonstrate ways in which job and environmental design can enhance health and prevent potential health problems. Back injuries may be caused by badly designed or positioned desks and chairs, similarly eye strain may arise from the incorrect placement of screens and keyboards. M&H can offer individual workstation assessments, training for the safe use of office equipment and full ergonomic consultancy. Ergopro is designed to create the right workplace environment for the individual and consequently promote health and productivity.

COLLECTION OF MEDICAL INFORMATION FOR THE LIFE ASSURANCE MARKET

CHT's subsidiary DTC collects medical evidence for life insurance companies. It is estimated that life insurance companies are currently spending around £100 million a year on evidence collection. In 2004 DTC established a new arm to the evidence collection business, a paramedic examinations service. The year saw a significant increase in revenue generated from this service compared to the same period in 2005. This service is witnessing a healthy growth in demand and coupled with the use of more electronic data capture, the service offered to clients is increasingly more sophisticated.

CURRENT TRADING AND OUTLOOK

The Group has consolidated during the year and all indications for 2007 are that we are continuing to increase our activity in all divisions of the business. The acquisition of Cheviot made at the end of the year will significantly enhance our service offering and will substantially increase revenues and profits for 2007. Cheviot is already making good progress demonstrated by the increase in revenues in the first four months of 2007. In addition, we now have the ability to cross sell all our occupational health services using CR which has a broader national reach than our existing databases.

As a Group we continue to seek out attractive acquisition targets that will complement our service offering and add to our sustained profitability, whilst also furthering our geographic coverage. We have already proven our ability to deliver on our acquisition strategy and we will seek to maintain the momentum achieved thus far.

I am pleased to report that so far this year we have three significant contract wins in the occupational health and medical collection areas of the Group. In this financial year we will be providing occupational health services to Wales and West Utilities. We will also be providing life style checks to the staff of Kent County Council to reduce sickness absence and improve the health and well being of their employees. Lastly, a contract with Imperial College London has been signed as part of a research project they are conducting in conjunction with the Cheshire Police. All three contract wins provide evidence of our continuing organic growth and the expansion of our customer base throughout the UK.

I would like to take this opportunity to thank all our existing shareholders for their support during the period, as well as welcome new shareholders to the

Group. I would also like to thank all Company Health Group employees for their hard work in 2006 and their continued contribution to the Group.

RALPH GOUGH
Chairman

30 May 2007

Company Health Group plc

Consolidated Profit and Loss Account
for the year ended 31 December 2006

	Year ended 31 December 2006 £	eriod ended 31 December 2005 as restated £
TURNOVER	4,350,357	2,685,980
Cost of sales	(2,331,130)	(1,400,759)
Gross profit	2,019,227	1,285,221
Operating expenses	(1,827,645)	(1,123,396)
Operating profit before goodwill amortisation	191,582	161,825
Goodwill amortisation	(13,043)	(7,588)
Operating profit	178,539	154,237
Interest receivable	657	23,316
Interest payable	(58,678)	(25,273)
Profit on ordinary activities before taxation	120,518	152,280
Taxation on profit on ordinary activities	929	(24,249)
Retained profit on ordinary activities after taxation	121,447	128,031
Basic earnings per share	0.28p	0.62p
Diluted earnings per share	0.24p	0.49p

The results during the year to 31 December 2006 were derived from continuing operations. In the eighteen-month period to 31 December 2005 the results were derived from acquisitions.

The Group has no recognised gains or losses other than the profit for the financial period.

Company Health Group plc

Consolidated Balance Sheet
at 31 December 2006

	at 31 December 2006 £	at 31 December 2006 £	at 31 December 2005 as restated £	at 31 December 2005 as restated £
FIXED ASSETS				
Intangible assets		6,968,325		3,990,734
Tangible assets		246,757		154,083
		7,215,082		4,144,817
CURRENT ASSETS				
Stocks	124,613		44,418	
Debtors	1,193,047		756,478	
Cash at bank and in hand	355,989		723,740	
	1,673,649		1,524,636	
CREDITORS, AMOUNTS FALLING DUE WITHIN ONE YEAR	(3,097,862)		(1,520,781)	
NET CURRENT (LIABILITIES)/ASSETS		(1,424,213)		3,855
TOTAL ASSETS LESS CURRENT LIABILITIES		5,790,869		4,148,672
CREDITORS, AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		(1,573,478)		(273,195)
		4,217,391		3,875,477
CAPITAL AND RESERVES				
Called up share capital		467,142		371,272
Share premium account		2,567,369		1,944,216
Shares to be issued		434,217		932,773
Profit and loss account		748,663		627,216
EQUITY SHAREHOLDERS' FUNDS		4,217,391		3,875,477

These financial statements were approved by the Board on 25 May 2007 and signed on their behalf by:

RE GOUGH
GA GONZALEZ

Directors

Company Health Group plc

Balance Sheet
at 31 December 2006

	at 31 December 2006		at 31 December 2005 s restated	
	£	£	£	£
FIXED ASSETS				
Intangible assets		16,202		-
Tangible assets		74,938		747
Investments		6,846,019		4,073,996
		6,937,159		4,074,743
CURRENT ASSETS				
Debtors	235,485		105,078	
Cash at bank and in hand	177,161		319,722	
	412,646		424,800	
CREDITORS, AMOUNTS FALLING DUE WITHIN ONE YEAR	(2,027,348)		(456,886)	
NET CURRENT LIABILITIES		(1,614,702)		(32,086)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,322,457		4,042,657
CREDITORS, AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		(1,556,423)		(237,000)
		3,766,034		3,805,657
CAPITAL AND RESERVES				
Called up share capital		467,142		371,272
Share premium account		2,567,369		1,944,216
Shares to be issued		434,217		932,773
Profit and loss account		297,306		557,396
EQUITY SHAREHOLDERS' FUNDS		3,766,034		3,805,657

These financial statements were approved by the Board on 25 May 2007 and signed on their behalf by:

RE GOUGH
GA GONZALEZ

Directors

Company Health Group plc

Consolidated Cash Flow Statement
for the period ended 31 December 2006

	Year ended 31 December 2006		Period ended 31 December 2005 as restated	
	£	£	£	£
CASH GENERATED FROM OPERATING ACTIVITIES		481,427		(53,951)
Interest paid	(50,874)		(21,802)	
Corporation tax paid	(34,288)		-	
		(85,162)		(21,802)
NET CASH FLOW FROM OPERATING ACTIVITIES		396,265		(75,753)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible fixed assets	(24,212)		-	
Purchase of tangible fixed assets	(95,605)		(27,023)	
Acquisition of subsidiary undertakings	(151,666)		-	
Net debt acquired with subsidiary undertakings	(422,789)		-	
Interest received	657		23,316	
Net cash outflow from investing activities		(693,615)		(3,707)
		(297,350)		(79,460)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	(358,753)		(18,392)	
New loan finance received	-		(375,000)	
Payment of finance lease obligations	(36,254)		(15,447)	
Net cash outflow from financing activities		(395,007)		(408,839)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(692,357)		(488,299)	
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2006	115,839		604,138	
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2006	(576,518)		115,839	

CASH AND CASH EQUIVALENTS

	At 1 January 2006	Cash flow	Other Non Cash Changes	At 31 December 2006

	£	£	£	£
Cash in hand and at Bank	723,740	(367,751)	-	355,989
Overdrafts	(607,901)	(118,680)	-	(726,581)
Debt finance	-	(205,926)	-	(205,926)
Cash and cash equivalents at 31 December 2006	115,839	(692,357)	-	(576,518)

Company Health Group plc

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital	Share Premium	Shares to be issued	Capital Redemption	Profit and Loss Account	TOTAL EQUITY
	£	£	£	£	£	£
BALANCES AT 1 JULY 2004	1,804,018	10,938,957	-	8,788	(12,180,417)	571,346
IFRS adjustment relating to amortisation charge on purchased goodwill	-	-	-	-	97,283	97,283
Profit for the period from the profit and loss account	-	-	-	-	30,748	30,748
Total income and expense for the period	-	-	-	-	128,031	128,031
Issue of shares	299,111	1,944,216	-	-	-	2,243,327
Capital reorganisation	(1,731,857)	(10,938,957)	-	(8,788)	12,679,602	-
Shares to be issued on acquisition of subsidiaries	-	-	932,773	-	-	932,773
BALANCES AT 31 DECEMBER 2005	371,272	1,944,216	932,773	-	627,216	3,875,477
Profit for the year from the profit and loss account	-	-	-	-	121,447	121,447
Total income and expense for the period	-	-	-	-	121,447	121,447
Issue of completion shares on acquisition of subsidiary	95,870	623,153	(719,023)	-	-	-
Shares to be issued on acquisition of subsidiary	-	-	220,467	-	-	220,467
BALANCES AT 31 DECEMBER 2006	467,142	2,567,369	434,217	-	748,663	4,217,391

Company Statement of Changes in Shareholders' Equity

Profit and

	Share Capital £	Share Premium £	Shares to be issued £	Capital Redemption £	Loss Account £	TOTAL EQUITY £
BALANCES AT 1 JULY 2004	1,804,018	10,938,957	-	8,788	(12,180,417)	571,346
Profit for the period from the profit and loss account	-	-	-	-	58,211	58,211
Total income and expense for the period	-	-	-	-	58,211	58,211
Issue of shares	299,111	1,944,216	-	-	-	2,243,327
Capital reorganisation	(1,731,857)	(10,938,957)	-	(8,788)	12,679,602	-
Shares to be issued on acquisition of subsidiaries	-	-	932,773	-	-	932,773
BALANCES AT 31 DECEMBER 2005	371,272	1,944,216	932,773	-	557,396	3,805,657
Loss for the year from the profit and loss account	-	-	-	-	(260,090)	(260,090)
Total income and expense for the period	-	-	-	-	(260,090)	(260,090)
Issue of completion shares on acquisition of subsidiary	95,870	623,153	(719,023)	-	-	-
Shares to be issued on acquisition of subsidiary	-	-	220,467	-	-	220,467
BALANCES AT 31 DECEMBER 2006	467,142	2,567,369	434,217	-	297,306	3,766,034

NOTES TO THE ACCOUNTS
for the period ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006 will be delivered to the Registrar of Companies and made available to all shareholders shortly. No audit opinion has yet been given on these accounts.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board. They have been prepared using the historical cost convention.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

The Directors are in the process of negotiating additional financing as set out in the Financial Overview section of the Chairman's Statement. The Directors are confident that this funding will be forthcoming, and have prepared cash flow projections which indicate that the company and Group will be able to meet their liabilities as they fall due; it is therefore appropriate that the results have been prepared on a going concern basis. The financial statements do not include any adjustments that would be needed if the going concern basis is inappropriate .

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2006. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition and up to the date of disposal.

The acquisition in the year took place on 7 December 2006 but the results for the period to 31 December are not material and have not been consolidated.

(C) TURNOVER

Turnover represents the value of goods and services supplied by the Group in the UK during the financial year, excluding value added tax. Income relating to the provision of services is recognised only when the services have been delivered, quantified and it is certain that the economic benefit will flow to the company. The benefit of the sale of goods is recognised when the risks and rewards of ownership of the goods have passed to the buyer.

(D) FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is being provided so as to write off the assets over their estimated useful lives as follows:

Leasehold improvements	- over 10 years
Medical and office equipment, fixtures and fittings	- between 10% straight line and 25% per annum on a reducing balance basis of cost
Computers	- between 20% straight line and 33% per annum straight line

(E) GOODWILL

Goodwill arising from the acquisition of subsidiary undertakings, representing excess of purchase consideration over the fair value of net assets acquired, is recorded as an intangible asset. Goodwill is reviewed annually for impairment. Any impairment identified as a result of the review is charged in the profit and loss account.

At transition date the net value of purchased goodwill and cumulative amortisation was adopted as the fair value on that date. The adoption of IFRSs has lead to an adjustment of £97,283 in the comparatives as shown in note 6.

(F) INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at cost less any impairment. When the recoverable amount of an asset, being the higher of its net selling price and its value in use, is less than its carrying amount, then the carrying amount is reduced to its recoverable value. This reduction is reported in the profit and loss account as an impairment loss. Value in use is calculated using estimated cash flows, generally over a ten-year period. These are discounted using an appropriate long-term interest rate. When an impairment arises, the useful life of the asset in question is reviewed and, if necessary, the future depreciation/ amortisation charge is accelerated.

Development costs relate to directly attributable costs incurred in the development of the paramedical examination business and a national physiotherapy network. The paramedical costs are amortised at a rate of £1 per completed paramedical examination case and in due course the physiotherapy network costs will be amortised at a rate of £2 per session.

2. SEGMENTAL INFORMATION

Period ended 31 December 2006	Turnover	Operating profit	Net assets
	£	£	£
Insurance medicals and related services	1,675,080	283,791	948,921
Occupational health services	1,769,437	(27,634)	253,942
Physiotherapy and ergonomic services	905,840	135,376	353,969
	4,350,357	391,533	1,556,832
Central (costs)/unallocated assets		(212,994)	2,660,559
	4,350,357	178,539	4,217,391

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £	2005 restated £
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	13,043	7,588
Depreciation - owned	44,111	21,408

Depreciation - leased		-	7,008
Auditors' remuneration	- audit fees	29,770	22,500
	- non-audit fees (taxation)	7,000	2,728
Operating lease costs	- property	81,137	37,381
	- office equipment	4,310	13,746

4. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of £121,447 (2005 - restated profit of £128,031) divided by the weighted average of ordinary shares in issue for the period ended 31 December 2006 of 43,010,605 (2005 - 20,685,409).

The calculation of diluted earnings per share is based on the profit for the period of £121,447 (2005 - restated profit of £128,031) divided by the diluted weighted average of ordinary shares at the period ended 31 December 2006 of 51,434,859 (2005 - 26,249,370).

5. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 restated £
Operating profit	178,539	154,237
Depreciation	44,111	28,416
Amortisation of intangibles	13,043	7,588
(Increase)/decrease in stocks	(31,128)	9,685
(Increase)/decrease in debtors	(36,712)	(134,315)
Increase/(decrease) in creditors	313,574	119,562)
	481,427	(53,951)

6. EXPLANATION OF TRANSITION TO IFRS

These are the Group's first consolidated financial statements prepared in accordance with IFRSs. The accounting policies in note 1 have been applied in preparing the consolidated financial statements for the year ended 31 December 2006, the comparative information for the period ended 31 December 2005 and the preparation of an opening IFRS Balance Sheet at 1 July 2004, the Group's date of transition to IFRS.

In preparing its opening IFRS balance sheet and comparative information for the period to 31 December 2005, the Group has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position and financial performance is set out in the following tables. There have been no changes to the Group's cash position as a result of the transition.

Company Health Group plc
How the transition from UK GAAP to IFRS has affected the Group and the Company for the period ended 31 December 2005

Equity as at:	Group 31 December 2005 £	Group 1 July 2004 £	Company 31 December 2005 £	Company 1 July 2004 £
TOTAL EQUITY REPORTED UNDER UK GAAP	3,778,194	571,346	3,805,657	571,346
Adjustment of amortisation charge on purchased goodwill	97,283	-	-	-
TOTAL EQUITY REPORTED UNDER IFRS	3,875,477	571,346	3,805,657	571,346

Results for the period:	Group 31 December 2005 £	Company 1 July 2004 £
PROFIT/(LOSS) FOR THE PERIOD REPORTED UNDER UK GAAP	30,748	(173,870)
Adjustment of amortisation charge on purchased goodwill	97,283	-
PROFIT/(LOSS) REPORTED UNDER IFRS	128,031	(173,870)

Effect on Group's earnings per share:	Under UK GAAP	Effect of transition to IFRS	IFRS
Basic earnings per share	0.15p	0.47p	0.62p
Diluted earnings per share	0.12p	0.37p	0.49p

7. DETAILS OF ACQUISITION
Cheviot Artus Ltd (acquired 7 December 2006)
Incorporating Cheviot Recruitment Ltd and Cheviot Artus (Skipton) plc

NET ASSETS ACQUIRED:	
Intangible fixed assets	36,397
Tangible fixed assets	41,180
Work in progress	49,067
Trade debtors	526,426
Prepayments and other debtors	41,886
Cash at bank and in hand	(10,687)
Trade creditors	(255,741)
Invoice discounting creditor	(205,926)
Directors loan accounts	(270,106)
Accruals and other creditors	(42,201)

Corporation tax	(9,711)
Other taxation and social security	(58,586)
Net assets	(158,002)
Goodwill	2,424,737
	2,266,735

SATISFIED BY:

Cash payable	99,870
Loan note issued in April 2007	600,130
Deferred consideration payable on earn-out period to January 2008 (estimate)	1,479,423
	2,179,423
Costs of acquisition	87,312
	2,266,735

PERIOD FROM 1 SEPTEMBER 2006 TO DECEMBER 2006:

Turnover	1,151,698
Operating profit	13,190
Profit before tax	744
Taxation	-

YEAR ENDED 31 AUGUST 2006

Loss after tax	(58,078)

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END

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