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31 August 2006

**Medical Solutions plc
Interim results for the six months ended 30 June 2006**

Medical Solutions plc (LSE: MLS), the provider of pathology and cytology services and products to the healthcare and pharmaceuticals sectors, announces its unaudited interim results for the six months ended 30 June 2006.

Financial Highlights

- Turnover from continuing operations up 36% to £6.8 million (H1 2005: £5.0 million)
- Achievement of maiden operating profits of £66,000 (H1 2005: operating loss of £1.0 million)
- Cash generative during period; net cash of £2.7 million at 30 June 2006 (31 December 2005: £2.3 million)
- Net profit for the period of £26,000 (H1 2005: net loss of £1.1 million)

Operational Highlights

- Advanced discussions in progress regarding the proposed sale of the Group's Dubai business
- Liquid Based Cytology ("LBC") exclusive distribution agreement with Tripath Imaging, Inc. renewed until 31 December 2010
- LBC 45% target market share (England and Wales) now achieved; further contracts yet to be awarded
- New products launched in UK Diagnostic Pathology and Drug Development Services divisions
- Currently supporting key UK trials designed to evaluate automated cervical smear screening, a major potential growth market

Board changes

- Charles Green steps down as Chief Executive Officer with immediate effect; Neil Johnston appointed as Chief Executive Officer, Nick Ash appointed as Chief Financial Officer

Sir Gareth Roberts, Chairman, said:

"We have made an excellent start to the year and have achieved a profitable, cash generative position for the first time. Discussions regarding the proposed sale of the Dubai business have also been positive and we expect to be able to make a further announcement on this subject in the near future.

As part of a planned succession, Charles Green will be stepping down as Chief Executive Officer and Neil Johnston has been appointed as his successor, both with immediate effect. Dr Nick Ash, previously Group Financial Controller, has been appointed to the Board of Directors as Chief Financial Officer. On behalf of the Board, I would like to express our thanks to Charles for all his efforts during his time with Medical Solutions plc and wish him well in the future."

Chairman's Statement

Introduction

During the first half of 2006, we have continued to focus on our key short term objectives, namely profitability and cash generation. I am delighted to report that both objectives have been achieved for the six months ended 30 June 2006.

Financial and Operational Review

Financial Review

Turnover for the six months ended 30 June 2006 increased by 36% to £6.8 million compared with £5.0 million in the first half of 2005. This is our third successive period in which we have demonstrated strong revenue growth. The increase in turnover during the period has been driven primarily by growth in our Cytology division and in Dubai with revenues having increased by 90% and 55% respectively.

Gross margins have improved from £1.9 million (39%) for the first six months of 2005 to £2.8 million (41%) as a result of further improvements in the efficiency of our operations during the period.

Operating expenses (excluding exceptional restructuring costs and gains on sales of fixed assets) have decreased to £2.7 million for the six months ended 30 June 2006 from £3.1 million during the same period in 2005. Operating expenses for the period also include a charge of £0.1 million relating to a share option based compensation charge as required by IFRS 2 (H1 2005: £0.1 million). These savings have been achieved through a combination of further efforts to improve the efficiency of our operations and the ongoing effects of decisions taken during 2005, such as the closure of the Harley Street facility. No taxation charge has been recognised in the period (H1 2005: £nil) as the profits of the Dubai operations are not subject to taxation locally and the Group has tax losses available to offset profits in the UK.

Net cash inflow from operating activities during the six months ended 30 June 2006 was £0.8 million (H1 2005: cash outflow of £1.8 million). Capital expenditure of £0.2 million was incurred during the period (H1 2005: £0.2 million) in connection with LBC machines and laboratory equipment in the UK and Dubai and we have repaid borrowings (including minority interests) of £0.2 million. The Group had a net cash balance of £2.7 million as at 30 June 2006 (31 December 2005: £2.3 million).

Operational Review

Pathology Services

UK Diagnostic Pathology ("UKDP")

Overall sales in H1 2006 have been consistent with those achieved in H1 2005 at £1.3 million. This masks the underlying improvement in this area of our business. We have seen higher volumes of specialist testing through our Reference Laboratory during the period, which has offset 2005 revenues in the Virtual Microscopy area (£0.2 million), which we have since exited.

We have continued to demonstrate improvements in the profitability of this part of our business. UKDP generated an operating profit of £337,000 during the period (a 26% return on sales) compared with £102,000 in H1 2005, the latter including a £387,000 one-off profit on the sale of certain intellectual property rights.

During the second half of 2006 we are looking to develop this area of our business through investment in new specialist testing services in the cancer area and an increase in the size of our UK business development team.

Over the next few years, we see major opportunities to grow our UKDP business through partnerships with the NHS. The recent review of NHS Pathology Services by Lord Carter of Coles was clear in envisaging the potential for significant benefit from further involvement of the independent sector in the provision of pathology services in England.

Dubai Diagnostic Pathology

Our business in Dubai has continued to perform strongly. Sales are up by 55% to £3.6 million from £2.3 million primarily due to the continued positive impact of the Labour Medical Testing programme being conducted by Specialised Clinical Laboratory ("SCL") in conjunction with the UAE Government. Operating profits have improved from £0.7 million in H1 2005 to £1.3 million in H1 2006.

In March 2006, we announced that we had reached agreement with representatives of the Varkey Group and Welcare Hospital to settle the outstanding £2.5 million contingent deferred consideration, recognised as a provision in the consolidated balance sheet, relating to the acquisition of the Welcare Laboratory in 2003 and to recover the

£0.9 million owed to Medical Solutions by Welcare Hospital. In May 2006, we announced that we believed that this transaction would be completed as part of a sale of the whole of the Group's interests in Dubai.

Drug Development Services ("DDS")

Sales in our DDS business have been disappointing mainly as a result of a reduced level of business from AstraZeneca compared with the same period in 2005. We reduced our annual direct costs significantly during 2005 and our annual cash investment during 2006 is expected to be around £0.6 to £0.7 million bringing a cash breakeven result within reach.

We have introduced a new service offering based on Circulating Tumour Cell ("CTC") technology in May and announced our first contract with an undisclosed major pharmaceutical company. We are hopeful of further contracts in this area.

On the basis of a relatively low ongoing investment in DDS and our belief that this customer base will be an important part of our growth as our business develops, it is our current intention to retain this part of our business.

Cytology

The Cytology division has performed strongly during the six months ended 30 June 2006. Sales have increased to £1.7 million from £0.9 million, a 90% increase. Operating profits have improved to £262,000 in H1 2006 from a small loss of £26,000 during H1 2005. During the period we have announced an agreement with the Hereford and Telford Processing and Screening Laboratories Network. We have also begun to supply two other regions in the Midlands area. As a result of these business gains, we have achieved our targeted LBC market share in England and Wales of 45%. We expect further contract wins in this part of our business.

We have also signed a further extension to our exclusive LBC distribution agreement for the UK and Ireland with Tripath Imaging, Inc. ("Tripath"), extending the original agreement until 31 December 2010.

In partnership with Tripath, we are currently supporting two UK based trials designed to evaluate an automated approach to cervical screening. This technology is already being used successfully in other European countries and has the potential to revolutionise the efficiency of the current screening process. This is of particular importance in the UK at present given the severe pressures faced by laboratories in achieving adequate staffing levels resulting in lengthy turnaround times for results. We are particularly excited about the future of automated screening and are reviewing alternative business models through which we can maximise shareholder value.

Update on planned sale of Dubai Diagnostic Pathology

We previously announced our decision to exit from our business in Dubai in order to focus on and invest in, our UK operation and maximise its potential. Since we last reported, we have continued discussions with a number of different parties who have expressed interest in our Dubai operation. We are currently in advanced discussions with our preferred purchaser and expect to make a further announcement on this subject in the near future.

Board Changes

With immediate effect, Mr Charles Green will step down as Chief Executive Officer. As part of the planned succession, Dr Neil Johnston has been appointed as Chief Executive Officer and Dr Nick Ash, who joined the Group during 2005 as Group Financial Controller, will become Chief Financial Officer. Mr Green will remain with the Dubai business on a consultancy basis for an interim period.

Prospects

During the six months ended 30 June 2006, we have made further progress and have achieved our immediate targets of profitability and cash generation. We are not complacent about the challenges that lie ahead but we look forward to the future with renewed optimism based upon the continued improvement in our financial performance and the significant market opportunities which await.

Sir Gareth Roberts
Chairman
31 August 2006

Unaudited Consolidated Income Statement

For the six months ended 30 June 2006

	Note	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Revenue	2	6,761	4,975	10,672
Cost of sales		(3,959)	(3,026)	(6,536)
Gross profit		2,802	1,949	4,136
Selling and distribution expenses		(341)	(458)	(833)
Administrative expenses:				
– normal		(2,214)	(2,380)	(4,460)
– share-based compensation		(83)	(124)	(304)
– restructuring costs		-	(287)	(347)
– aborted acquisition		-	-	(64)
Administrative expenses		(2,297)	(2,791)	(5,175)
Research and development		(100)	(109)	(207)
Gain on sale of fixed assets		2	383	383
Operating profit/(loss)		66	(1,026)	(1,696)
Interest receivable		44	51	108
Interest payable and similar charges		(84)	(148)	(251)
Profit/(loss) before tax		26	(1,123)	(1,839)
Taxation		-	-	-
Profit/(loss) for the period		26	(1,123)	(1,839)
Attributable to:				
Equity holders of the parent company		5	(1,141)	(1,890)
Minority interest		21	18	51
Profit/(loss) for the period		26	(1,123)	(1,839)
Basic profit/(loss) per ordinary share	3	0.002p	(0.60)p	(0.96)p
Diluted profit/(loss) per ordinary share	3	0.002p	(0.60)p	(0.96)p

The results are all generated from continuing operations.

Unaudited Consolidated Statement of Changes in Shareholders' Equity

As at 30 June 2006

	Attributable to equity holders of the Company						
	Share capital	Share premium	Merger and other reserves	Translation reserve	Profit and loss reserve	Minority interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2005	1,960	27,912	4,608	(190)	(22,317)	-	11,973
Currency translation adjustments	-	-	-	13	86	1	100
Net expense recognised directly to equity	-	-	-	13	86	1	100
Loss for the period	-	-	-	-	(1,141)	18	(1,123)
Total recognised income/(expense) for the period	-	-	-	-	(1,141)	18	(1,123)
Shares issued	2,044	4,170	-	-	-	-	6,214
Employee share option scheme:							
- value of services provided	-	-	-	-	124	-	124
Balance at 30 June 2005	4,004	32,082	4,608	(177)	(23,248)	19	17,288
Balance at 1 July 2005	4,004	32,082	4,608	(177)	(23,248)	19	17,288
Currency translation adjustments	-	-	-	294	(86)	-	208
Net expense recognised directly to equity	-	-	-	294	(86)	-	208
Loss for the period	-	-	-	-	(749)	33	(716)
Total recognised expense for the period	-	-	-	-	(749)	33	(716)
Shares issued	71	202	-	-	-	-	273
Employee share option scheme:							
- value of services provided	-	-	-	-	180	-	180
Balance at 31 December 2005	4,075	32,284	4,608	117	(23,903)	52	17,233
Balance at 1 January 2006	4,075	32,284	4,608	117	(23,903)	52	17,233
Currency translation adjustments	-	-	-	(255)	-	(1)	(256)
Net income recognised directly to equity	-	-	-	(255)	-	(1)	(256)
Profit for the period	-	-	-	-	5	21	26
Total recognised income for the period	-	-	-	-	5	21	26
Employee share option scheme:							
- value of services provided	-	-	-	-	83	-	83
Minority interest settled in cash	-	-	-	-	-	(52)	(52)
Balance at 30 June 2006	4,075	32,284	4,608	(138)	(23,815)	20	17,034

Unaudited Consolidated Balance Sheet

As at 30 June 2006

	As at 30 June 2006 £'000	As at 30 June 2005 £'000	As at 31 December 2005 £'000
Non-current assets			
Goodwill	14,641	14,348	14,808
Other intangible assets	154	273	181
Property, plant and equipment	1,983	2,484	2,041
	16,778	17,105	17,030
Current assets			
Inventories	726	749	773
Trade and other receivables	3,287	3,322	3,212
Financial assets – cash and cash equivalents	2,688	2,737*	2,313
	6,701	6,808	6,298
Current liabilities			
Trade and other payables	3,429	3,349	3,058
Financial liabilities – borrowings	240	319*	301
Provisions	2,489	2,533	2,443
	6,158	6,201	5,802
Net current assets	543	607	496
Total assets less current liabilities	17,321	17,712	17,526
Non-current liabilities			
Financial liabilities – borrowings	287	424	293
Net assets	17,034	17,288	17,233
Equity			
Issued share capital	4,075	4,004	4,075
Share premium	32,284	32,082	32,284
Other reserves	4,470	4,431	4,725
Profit and loss reserve	(23,815)	(23,248)	(23,903)
Total equity attributable to equity holders of the parent company	17,014	17,269	17,181
Minority interest	20	19	52
Total equity	17,034	17,288	17,233

* in the Interim Report for the six months ended 30 June 2005, cash and cash equivalents were stated gross of an overdraft of £720,000 which was recognised within Financial liabilities - borrowings. The Group's banking facility contains a right of set off across its UK bank accounts and therefore this overdraft has been netted off the balance of cash and cash equivalents previously reported as at 30 June 2005

Unaudited Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Note	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Cash flows from operating activities				
Cash generated from/(used in) operations	4	776	(1,694)	(2,064)
Interest paid		(23)	(35)	(78)
Tax paid		-	(29)	-
Net cash generated from/(used in) operating activities		753	(1,758)	(2,142)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		-	(450)	(491)
Purchases of property, plant and equipment		(195)	(155)	(262)
Purchases of intangible assets		(11)	(30)	(30)
Proceeds from sale of property, plant and equipment		2	21	29
Proceeds from sale of intangible assets		-	225	405
Interest received		44	51	108
Net cash used in investing activities		(160)	(338)	(241)
Cash flows from financing activities				
Proceeds from the issue of share capital		-	6,365	6,365
Repayment of borrowings		(143)	(2,121)	(2,937)
Payment of accrued minority interest		(52)	-	-
Payment of transaction costs		-	(695)	(695)
Finance lease principal repayments		(12)	(37)	(48)
Net cash (used in)/generated from financing activities		(207)	3,512	2,685
Net increase in cash and cash equivalents		386	1,416	302
Cash and cash equivalents at beginning of period		2,313	1,312	1,990*
Exchange (losses)/gains on cash and cash equivalents		(11)	9	21
Cash and cash equivalents at end of period		2,688	2,737	2,313

*including a £2 million restricted cash deposit

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2006

1. Basis of preparation

These 30 June 2006 consolidated interim financial statements do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. Our auditor, PricewaterhouseCoopers LLP, has issued an unqualified opinion on the Group's IFRS financial statements for the year ended 31 December 2005 and has not included a statement under section 237(2) or (3) of the Companies Act 1985.

These consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They have been prepared in accordance with IFRS and the accounting policies applied are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2005, except for the adoption of the following amendments which are mandatory for annual periods beginning on or after 1 January 2006:

- IAS 39 Financial Instruments: Recognition and Measurement – amendment for financial guarantee contracts. This has amended the scope of IAS 39 to include financial guarantee contracts issued. The amendment addresses the treatment of financial guarantee contracts by the issuer. Under IAS 39, as amended, financial guarantee contracts are recognised initially at fair value and generally remeasured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue;
- IAS 39 – amendment for hedges of forecast intragroup transactions. This has amended IAS 39 to permit foreign currency risk of a highly probable intragroup transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction and that the foreign currency risk will affect the financial statements; and
- IAS 39 – amendment for the fair value option. This has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss.

The adoption of these amendments did not affect the Group results of operations or financial position.

2. Segmental analysis

Primary reporting format – operating divisions

At 30 June 2006, the Group is organised on an international basis into two main operating divisions:

- Pathology Services
- Cytology

Pathology Services comprises the business units of UK Diagnostic Pathology, Dubai Diagnostic Pathology and Drug Development Services.

During the period there were immaterial sales between business segments (six months ended 30 June 2005: immaterial; year ended 31 December 2005: immaterial) and, where these do occur, are at arm's length pricing.

Unallocated costs represent corporate expenses and common operating costs. Segment assets include goodwill, plant and equipment, stocks and debtors. Unallocated assets include property, central debtors and prepayments and operating cash.

Segment liabilities comprise operating liabilities and exclude borrowings.

Capital expenditure represents additions to both tangible fixed assets, comprising additions to plant and equipment, and intangible fixed assets, comprising capitalised development expenditure.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2006

2. Segmental analysis (continued)

Primary reporting format – operating divisions (continued)

Six months ended 30 June 2006

	Pathology Services					Unallocated £'000	Group £'000
	UK	Dubai	Drug	Cytology £'000	Development Services £'000		
	Diagnostic Pathology £'000	Diagnostic Pathology £'000					
Revenue	1,289	3,604	156	1,712	-	6,761	
Segment result	337	1,262	(293)	262	(1,502)	66	
Interest expense					(84)	(84)	
Interest income					44	44	
(Loss)/profit before tax						26	
Taxation						-	
(Loss)/profit for the year from continuing operations						26	
Profit attributable to minority interests			(21)			(21)	
Net profit attributable to equity shareholders						5	
Segment assets	1,114	16,707	475	1,750	-	20,046	
Unallocated assets							
- property, plant and equipment					658	658	
- debtors and prepayments					514	514	
- cash and cash equivalents					2,261	2,261	
Total assets	1,114	16,707	475	1,750	3,433	23,479	
Segment liabilities	155	3,160	385	809	-	4,509	
Unallocated liabilities							
- corporate borrowings					347	347	
- creditors and accruals					1,589	1,589	
Total liabilities	155	3,160	385	809	1,936	6,445	
Other segment items							
Capital expenditure							
- tangible fixed assets	38	54	88	93	10	283	
- intangible fixed assets	-	-	11	-	-	11	
Depreciation	32	25	48	142	85	332	
Amortisation of intangible assets	26	-	11	-	-	37	
Other non-cash expenses							
- share option scheme	-	-	-	-	83	83	

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2006

2. Segmental analysis (continued)

Primary reporting format – operating divisions (continued)

Six months ended 30 June 2005

	Pathology Services				Unallocated £'000	Group £'000
	UK Diagnostic Pathology £'000	Dubai Diagnostic Pathology £'000	Drug Development Services £'000	Cytology £'000		
Revenue	1,258	2,318	498	901	-	4,975
Segment result	102*	667	(245)	(26)	(1,524)	(1,026)
Interest expense					(148)	(148)
Interest income					51	51
Loss before tax						(1,123)
Taxation						-
Loss for the year from continuing operations						(1,123)
Profit attributable to minority interests		(18)				(18)
Net loss attributable to equity shareholders						(1,141)
Segment assets	2,021	15,395	1,181	1,497	-	20,094
Unallocated assets						
- property, plant and equipment					820	820
- debtors and prepayments					427	427
- cash and cash equivalents					2,572	2,572
Total assets	2,021	15,395	1,181	1,497	3,819	23,913
Segment liabilities	679	2,648	388	446	-	4,161
Unallocated liabilities						
- corporate borrowings					628	628
- creditors and accruals					1,836	1,836
Total liabilities	679	2,648	388	446	2,464	6,625
Other segment items						
Capital expenditure						
- tangible fixed assets	1	2	1	95	42	141
- intangible fixed assets	3	-	27	-	-	30
Acquisition of subsidiaries	-	3,452	-	-	-	3,452
Depreciation	56	25	40	122	96	339
Amortisation of intangible assets	32	-	-	-	-	32
Other non-cash expenses						
- share option scheme	-	-	-	-	124	124

* Includes one-off profit of £387,000 from sale of intellectual property assets to Hamamatsu Photonics KK

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2006

2. Segmental analysis (continued)

Primary reporting format – operating divisions (continued)

Year ended 31 December 2005

	Pathology Services			Cytology £'000	Unallocated £'000	Group £'000
	UK Diagnostic Pathology £'000	Dubai Diagnostic Pathology £'000	Drug Development Services £'000			
Revenue	2,415	5,017	773	2,467	-	10,672
Segment result	121*	1,617	(740)	183	(2,877)	(1,696)
Interest expense					(251)	(251)
Interest income					108	108
Loss before tax						(1,839)
Taxation						-
Loss for the year from continuing operations						(1,839)
Profit attributable to minority interests		(51)				(51)
Net loss attributable to equity shareholders						(1,890)
Segment assets	1,392	16,399	719	1,678	-	20,188
Unallocated assets						
- property, plant and equipment					737	737
- debtors and prepayments					322	322
- cash and cash equivalents					2,081	2,081
Total assets	1,392	16,399	719	1,678	3,140	23,328
Segment liabilities	240	2,839	420	603	-	4,102
Unallocated liabilities						
- corporate borrowings					490	490
- creditors and accruals					1,503	1,503
Total liabilities	240	2,839	420	603	1,993	6,095
Other segment items						
Capital expenditure						
- tangible fixed assets	2	3	2	169	86	262
- intangible fixed assets	3	-	27	-	-	30
Acquisition of subsidiaries	-	3,761	-	-	-	3,761
Depreciation	115	54	80	254	197	700
Amortisation of intangible assets	58	-	3	-	-	61
Impairment of development costs	64	-	-	-	-	64
Other non-cash expenses						
- share option scheme	-	-	-	-	304	304

* Includes one-off profit of £387,000 from sale of intellectual property assets to Hamamatsu Photonics KK

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2006

2. Segmental analysis (continued)

Secondary reporting format – geographical segments

The Group manages its business segments on a global basis. The operations are based in two main geographical regions. The UK is the home country of the Parent Company and the main operations in the principal territories are as follows:

Region	Activity
UK	Diagnostic pathology, cytology and drug development services
Middle East	Diagnostic pathology and cytology

The Middle East segment operations are based in Dubai, UAE.

The sales analysis in the table below is based on the location of the customer, which is not materially different from the location where the order is received and where the assets are located. All revenues arose from continuing operations.

Six months ended 30 June 2006 and 30 June 2005

	Revenue		Segment assets		Capital expenditure	
	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000
UK	3,133	2,632	6,772	8,518	240	169
Middle East	3,604	2,318	16,707	15,395	54	2
European (non-UK)	22	20	-	-	-	-
North America	2	5	-	-	-	-
Total	6,761	4,975	23,479	23,913	294	171

Year ended 31 December 2005

	Revenue	Segment assets	Capital expenditure
	Year ended 31 December 2005 £'000	Year ended 31 December 2005 £'000	Year ended 31 December 2005 £'000
UK	5,607	6,929	289
Middle East	5,017	16,399	3
European (non-UK)	40	-	-
North America	8	-	-
Total	10,672	23,328	292

Notes to the Consolidated Interim Financial Statements cont...

For the six months ended 30 June 2006

2. Segmental analysis (continued)

Analysis of revenue by category

The Group's revenue from continuing operations is analysed as follows:

	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Revenue from the provision of services	4,881	3,830	7,796
Revenue from the sales of goods	1,664	1,072	2,617
Revenue from operating lease rentals	216	73	259
Total	6,761	4,975	10,672

3. Earnings per share

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity shareholders of the Parent Company by the weighted average number of shares outstanding during the period. Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive options.

The calculation of basic and diluted earnings per share for the six months ended 30 June 2006 is based on the profit attributable to ordinary shareholders of £5,000 (six months ended 30 June 2005: loss of £1,141,000; year ended 31 December 2005: loss of £1,890,000) and on the weighted average number of ordinary shares in issue of 203,765,232 (30 June 2005: 190,205,933; 31 December 2005: 196,780,731).

For the six months ended 30 June 2006 the weighted average number of shares used in the calculation of diluted earnings per share is 4,875,000 ordinary shares.

IAS 33 Earnings Per Share requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Net loss per share in a loss-making company would only be increased by the exercise of share options which were out-of-money. Assuming that option holders will not exercise out-of-money options, no adjustment has been made to the diluted loss per share for out-of-money share options for the six months ended 30 June 2005 and the year ended 31 December 2005. No adjustment been made to the diluted earnings per share for out-of-money options for the six months ended 30 June 2006.

Notes to the Consolidated Interim Financial Statements cont...

For the six months ended 30 June 2006

4. Cash generated from/(used in) operations

	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Profit/(loss) for the period from operations	26	(1,123)	(1,839)
Depreciation of tangible fixed assets	332	339	700
Recognition of grant income	(37)	-	(67)
Impairment of tangible fixed assets	-	-	140
Amortisation of capitalised development costs	37	32	61
Impairment of capitalised development costs	-	-	64
Profit on sale of property, plant and equipment	(2)	(383)	(383)
Interest payable	84	148	251
Interest receivable	(44)	(51)	(108)
Share-based payments – value of employee service	83	124	304
Decrease in inventories	42	195	175
(Increase)/decrease in trade and other receivables	(164)	(709)	(684)
Increase/(decrease) in creditors	419	(266)	(678)
Cash generated from/(used in) operations	776	(1,694)	(2,064)

All of the cash generated in the six months ended 30 June 2006 was from continuing operations, as was that used in the six months ended 30 June 2005 and the year ended 31 December 2005.

5. Interim results

Copies of the interim results for the six months ended 30 June 2006 will be sent to all shareholders and will be posted on the Company's website, www.medical-solutions.co.uk. In addition, copies may be obtained from the Company Secretary at 1 Orchard Place, Nottingham Business Park, Nottingham NG8 6PX.

Independent Review Report to Medical Solutions plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises, the consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated balance sheet as at 30 June 2006 and the consolidated cash flow statement for the six months then ended and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with IAS 34 Interim financial reporting.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PricewaterhouseCoopers LLP

Chartered Accountants

East Midlands

31 August 2006

Notes:

- (a) The maintenance and integrity of the Medical Solutions plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the UK governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.