



Advance Healthcare Group (AHG) Limited Sale of Cottman Australia Pty Ltd to Clifford Hallam Healthcare Pty Ltd

The Advance Healthcare Group (AHG) Board of Directors advises today that they have entered into an Agreement for the sale of the Cottman Australia Pty Ltd to Clifford Hallam Healthcare Pty Ltd (CH2) for \$8.0 million.

This sale has significant positive financial results for AHG:

- Losses of the group will be substantially reduced;
- Cashflows for the group will be significantly improved; and
- The expansion of the Company into the strongly growing Aged Care Sector working with pharmacists as well as utilising the *Pharmeasy* Pharmacy License

Proceeds from the sale will be insufficient to enable full satisfaction of the existing finance facility with G.E. Capital Finance Pty Limited and therefore the A.H.G. Board has requested and received financial support from the Company's major shareholder Fulcrum Equity Limited (Fulcrum).

Fulcrum has confirmed that it will provide adequate financial support to enable the payment in full of the working capital facility. In consideration for this additional funding to AHG, Fulcrum will be granted a fixed and floating charge over the remaining assets of AHG.

This transaction will enable the overall repositioning of AHG to focus on the Aged Care sector and others requiring long-term medicine management.

Accordingly, the outlook for profit and cash flow for AHG will improve significantly as a consequence of the transaction. Following the completion of the transaction it is anticipated that the Corporate Head Office of AHG will be restructured. This will result in a one-off restructure cost of \$0.5 million.

For the 6 months ended 30 June 2007, Advance recorded a net loss before tax of \$4.6 million of which the Cottman business and corporate overhead contributed \$3.8 million.

Pro forma Balance Sheet Pre and Post transaction

Set out below is a 'snap shot' of the pro forma AHG balance sheet pre and post the transaction. The transaction is being completed at the carrying value (equal to fair value) of Net Assets. Accordingly total net assets remain unchanged post transaction.

Post the transaction funding to AHG will be primarily from related parties amounting to A\$6.2 million.

<u>Assets / Liabilities</u>	<u>Pre Divestment A\$ million</u>	<u>Post Divestment A\$ million</u>
Total Assets	18.6	0.5
Total Liabilities	<u>27.4</u>	<u>9.3</u>
Net Assets (Deficiency)	<u>(8.8)</u>	<u>(8.8)</u>

Strategies currently under review include initiatives that will address the net asset deficiency of AHG going forward.

The Agreement is subject to formal AHG shareholder approval and other requisite approvals for CH2. An explanatory statement on the transaction will be mailed to AHG shareholders along with the notice of meeting, expected to be held in on Monday 3rd March 2008, seeking shareholder approval for the sale of the Cottman business in its entirety.

Approvals for both parties are expected to be in place for the transaction to be completed in early March 2008.

Yours Sincerely



Chief Executive Officer
Advance Healthcare Group Limited (AHG)
On behalf of the AHG Board

Friday 1st February 2008