5379931

MEDAVINCI PLC

Report and Financial Statements

31 March 2008

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Registered No 5379931

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G Hirsch
M Hough
P Teerlink
R Westerhof
A Reynolds

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A N Whiteley

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CHAIRMAN'S STATEMENT

I present the results for the year ended 31 March 2008

MeDaVinci plc operates as an investor in the international health and wellness markets and we currently have 3 key investments in the following companies

Demecal Europe B V	30%
ErgoDynamics	49%
Emotion Fitness Kft	47%

On 1 August 2007, the Group completed the acquisition of a 30% interest in Demecal Europe BV ("Denecal") through the issue of 17,500,000 new ordinary shares of Medavinci plc The shares received in Demecal as consideration for the transaction were valued under section 103 of the Companies Act 1985 were considered to be of appropriate value for Medavinci plc shares issued at 12 pence per share to be fully paid up In the Group accounts, the cost of the investment in Demecal is measured at the fair value of the consideration issued and this is measured at the bid market price as at 1 August 2007 being 9 pence The difference between the fair value of the consideration received for the issue of the shares issued and the fair value of the consideration given is dealt with in Equity

During the financial year, we issued a further 14 9m shares to Phoenix Foundation raising £969,000 for additional working capital

Demecal Europe B.V.

Demecal has developed a patented technology for the analysis of blood, which it shares the patents with Leisure Incorporated, a Japanese company Demecal owns the rights exclusively to Europe and jointly to the USA

Demecal's equipment enables on-the-spot plasma production using only one drop of blood, which has multiple benefits The complete blood testing market in Europe is currently estimated at 3 8bn laboratory tests and 3 9bn self tests per year Although still in the development stages, we have finalised tests on *over 6,500* patients in the Netherlands and believe that the potential for Demecal could be substantial

ErgoDynamics

ErgoDynamics has developed and is commercialising patented technology for the treatment and relief of back pain in the work place As with Demecal, we are still at the development stage, although we have tested successfully on hundreds of clients and currently have over 2,000 systems in use

Emotion Fitness Kft

Emotion Fitness has successfully opened what is the prominent health centre in the City of Vezprem in Hungary This facility serves a model for the future rollout of more clubs in Eastern Europe as and when the economies improve

CHAIRMAN'S STATEMENT (continued)

Outlook

Despite the current world economic climate we believe that MeDaVinci has three outstanding investments which are in very exciting sectors The limited availability of capital to the Company through the financial markets has challenged our short term growth ambitions and we have been very diligent in our R&D and marketing spend Over the next two years it is our ambition to be able to capitalise on at least one of these investments

P Teerlink
Chairman
30 September 2008

DIRECTORS' REPORT

The dırectors present theır annual report and the audıted financıal statements for the year ended 31 March 2008

Prıncıpal actıvıtıes of the group
The prıncıpal actıvıty of the Group durıng the perıod under revıew was that of an ınvestıng group A revıew of the development of the busıness durıng the perıod ıs gıven ın the Chaırman's statement Thıs also ıncludes reference to the Group's future prospects

Prıncıpal rısks and uncertaıntıes
The dırectors consıder the maın rısks to the development of the busıness to be the abılıty to raıse funds ın the current financıal markets and whether the technologıes can be commercıalısed to theır potentıal The dırectors are takıng reasonable steps to mınımıse the ımpact of these rısks to the busıness

Key performance ındıcators (KPI)

The dırectors do not assess the performance agaınst any KPIs currently due to the busıness beıng ın ıts early stages

Fınancıal results, dıvıdend and revıew of the busıness
The retaıned loss for the year ıs £173,000 The dırectors consıder the performance to be ın lıne wıth expectatıons

Dırectors
The dırectors who served durıng the year are as follows -

Glyn Hırsch
Mıchael Hough
Peter Teerlınk
Robert Westerhof
Adam Reynolds (appoınted 23 July 2008)

All dırectors are subject to retırement by rotatıon under the company's artıcles of assocıatıon

The dırectors retırıng by rotatıon are Peter Teerlınk and Robert Westerhof, who offer themselves for re-electıon at the Annual General Meetıng

Detaıls of the dırectors' ınterest ın warrants ıssued by the company are provıded ın note 14 to the financıal statements

Charıtable and polıtıcal donatıons ın the Unıted Kıngdom

No charıtable or polıtıcal donatıons were made durıng the year (2007 nıl)

Polıcy and practıce on payment to supplıers

The Company's polıcy ıs normally to pay supplıers accordıng to agreed terms of busıness These terms are agreed wıth supplıers upon enterıng ınto contracts (usually nett 30 days) and the company's polıcy ıs to adhere to the payment terms provıdıng the supplıer meets ıts oblıgatıons The group's credıtor days were 61 days (2007 63 days)

DIRECTORS' REPORT (continued)

Disclosure of information given to auditors
So far as the directors are aware at the time the report is approved

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Independent auditors
A resolution to re-appoint BDO Stoy Hayward LLP as auditor to the Company and to authorise the directors to determine their remuneration will be proposed at the annual general meeting

Annual general meeting
The annual general meeting of the company is to be held at 30 St James's Square, London SW1Y 4AL on 30 October 2008 at 11 30am

The notice of meeting appears in the document accompanying the report and accounts

On behalf of the board
P. Teerlink
Director
30 September 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985 The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs A fair presentation also requires the directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions The maintenance and integrity of the group's website is the responsibility of the directors The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

Independent auditor's report to the shareholders of Medavinci PLC

We have audited the group and parent company financial statements (the "financial statements") of Medavinci PLC for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements This other information comprises only the directors' report and the chairman's statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended,

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2008,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
30 September 2008

MEDAVINCI PLC

Consolidated Balance Sheet as at 31 March 2008	Notes	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	1	8	1
Investments in associates	2	3,306	1,364
Available for sale financial assets	3	40	-
Loans to associates	4	1,209	334
Derivative financial instruments- Conversion rights	5	509	227
		5,072	1,926
Current assets			
Trade and other receivables	6	106	108
Cash and cash equivalents	7	730	892
		836	1,000
Total assets		5,908	2,926
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	9	736	412
Other reserves	9	5,471	2,580
Retained earnings	9	(444)	(218)
Total equity		5,763	2,774
Current liabilities			
Trade and other payables	10	135	146
Current tax payable		10	6
Total liabilities		145	152
Total equity and liabilities		5,908	2,926

The financial statements were approved and authorised for issue by the board on 30 September 2008 and were signed on its behalf by -

P Teerlink
Director

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Notes	**Year ended 31 March 2008 £'000**	Year ended 31 March 2007 £'000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administrative expenses		**(257)**	(150)
Finance income- bank interest		**22**	16
- interest on loan to associates		**58**	4
- Change in fair value of derivatives		**161**	-
Share of post tax loss of associates	2	**(155)**	(32)
Loss before taxation	11	**(171)**	(162)
Income tax expense	12	**(2)**	(6)
Loss for the year	9	**(173)**	(168)
Earnings per share			
Basic and diluted	13	**(0 3)**	(0 8)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 MARCH 2008

	Notes	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Loss for the year		**(173)**	(168)
Net exchange differences on translating foreign operations	9	**584**	10
Total recognised income and expense for the year		**411**	(158)
Attributable to equity holders of the parent		**411**	(158)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	15	(82)	(200)
Interest received		22	16
Net cash flow from operating activities		(60)	(184)
Cash flows from investing activities			
Acquisition of investments		(106)	(370)
Purchase of property, plant and equipment	16	(8)	(1)
Increase in loans to associates		(957)	(391)
Net cash flow from investing activities		(1,071)	(762)
Cash flows from financing activities			
Proceeds from issue of equity instruments		969	1,741
Costs relating to issue of equity instruments		-	(67)
Other loans		-	(170)
Net cash flow from financing activities		969	1,504
Net (decrease)/increase in cash and cash equivalents		(162)	558
Cash and cash equivalents at beginning of the year		892	334
Cash and cash equivalents at end of the year	7	730	892

PRINCIPAL ACCOUNTING POLICIES

MeDaVinci plc is a public limited liability company governed by UK law, established in the UK and listed on the Alternative Investment Market (AIM) The company s registered office is in the UK Its office address is 49 Rodney Street, Liverpool L1 9EW

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

Basis of preparation
The Group previously prepared its annual financial statements in accordance with United Kingdom Accounting Standards (UK GAAP) These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS The Group's transition date for IFRS is 1 April 2006, and the disclosures required by IFRS 1 concerning the transition from UK Accounting Standards to IFRS are given in note 21

The consolidated financial statements have been prepared under the historical cost convention, as modified by the measurement at fair value of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss

First – time adoption of IFRS

The Group's transition date for IFRS is 1 April 2006 Comparative data for 2007 has been restated to conform to the new accounting policies set out below The new policies reflect exemptions from restating certain financial information as permitted under IFRS 1 "First – time Adoption of International Financial Reporting Standards" The exemptions taken by the Group are stated below

- IFRS 3 "Business Combinations" has been applied prospectively from 1 April 2006 and consequently acquisitions prior to the date of transition to IFRS have not been restated

- Cumulative translation differences on net investments in foreign subsidiaries and associates have been set at zero at the date of transition to IFRS

Consolidation

Subsidiaries

Subsidiaries are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases The purchase method of accounting is used to account for the acquisition of subsidiaries The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition Identifiable assets required and liabilities and contingent liabilities assumed in a business contribution are measured initially at their fair values at the acquisition date The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets required is recorded as goodwill If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated Unrealised losses are also eliminated unless cost cannot be recovered Where necessary, the accounting policies of subsidiaries have been changed in order to ensure consistency with the policies adopted by the group

PRINCIPAL ACCOUNTING POLICIES

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost The group's investment in associates includes goodwill identified on acquisition , net of any accumulated impairment loss

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves The cumulative post-acquisition movements are adjusted against the carrying amount of the investment When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate

Unrealised gains on transactions between the group and its associates are eliminated to the -extent of the group's interest in the associates Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors

Foreign currency translation

Measurement currency

Items included in the financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency") The consolidated financial statements are presented in sterling, which is the functional and presentation currency of the parent

Transactions and balances

Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

Group companies

Income statements and cash flow of foreign entities are translated into the group's functional currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the period end

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

PRINCIPAL ACCOUNTING POLICIES

Property, plant and equipment
All property, plant and equipment are stated at historical cost less depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the assets to its working condition for its intended use Finance costs are not included Residual values and estimated useful lives are reviewed on an annual basis

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows

Computer equipment	25% per annum

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred

Intangible assets – Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition Goodwill on acquisitions of subsidiaries is included in 'intangible assets' Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses Impairment losses on goodwill are not reversed Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

Goodwill is allocated to cash-generating units for the purpose of impairment testing The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose

Derivatives
Derivatives are recognised at fair value using generally accepted valuation techniques If there is an active market for the derivatives, they are recognised at the quoted market price If fair value cannot be determined in a reliable manner, derivatives are recognised at cost Compound derivatives are separated from the basic contract and recognised at fair value using generally accepted valuation techniques If there is an active market for the derivatives, they are recognised at the quoted market price If the fair value of the separated individual derivative financial instrument cannot be determined in a reliable manner, the entire compound contract is held as a financial asset or financial liability for trading purposes

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired If any such indicator exists the Group tests for impairment by estimating the recoverable amount If the recoverable amount is less than the carrying value of an asset an impairment loss is required In addition to this, assets with indefinite lives and goodwill are tested for impairment at least annually

The value in use is calculated as the present value of estimated future cash flows expected to result from the use of assets and their eventual disposal proceeds In order to calculate the present value of estimated future cash flows the group uses a discount rate based on the group's estimated weighted average cost of capital, together with any risk premium determined appropriate Estimated future cash flows used in the impairment

PRINCIPAL ACCOUNTING POLICIES

calculation represents management's best view of the likely future market conditions and current decisions on the use of each asset or asset group

For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks

Employee benefits
Defined contribution schemes
A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods Contributions are charged to the profit and loss account in the year in which they arise

Share-based payments
The fair values of employees share option and share performance plans are calculated using the Black-Scholes model In accordance with IFRS 2, 'Share-based Payments' the resulting cost is charged to the income statement over the vesting period of the options The value of the charge is adjusted to reflect expected and actual levels of options vesting for changes in non market vesting criteria

Deferred tax
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Interest
Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Group

Financial assets
The Group classifies its financial assets in the following categories at fair value through profit or loss, loans and receivables The classification depends on the purpose for which the financial assets were acquired

Management determines the classification of the group's financial assets at initial recognition

(a) Available for sale financial assets
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date

PRINCIPAL ACCOUNTING POLICIES

When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment" Interest on available for sale investments calculated using the effective interest method is recognised in the income statement Dividends on available for sale investments are recognised in the income statement when the Group's right to receive payments is established

Regular purchases and sales of investments are recognised on the date on which the Group commits to purchase or sell the asset Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the income statement Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership Available for sale investments and investments held for sale are subsequently carried at fair value

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and the option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs If the fair value of an unquoted equity instrument cannot be measured reliably, it is measured at cost

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market They are included in current assets, except for maturities greater than 12 months after the balance sheet date These are classified as non-current assets Loans and receivables are classified as 'trade and other receivables' in the balance sheet

(c) Loan to associates
Convertible loans are compound financial instruments consisting of a loan constituent and a derivative the conversion right The conversion right is presented separately as a derivative and is classified as held for trading The loan constituent is initially recognised at fair value and subsequently at amortised cost using the effective interest method, less impairment adjustments, such as provisions for bad debts Impairment adjustments are recognised based on objective factors and indications The loan constituent is classified within loans and receivables and are separately presented on the face of the balance sheet as non current assets

Share capital
Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning after 1 April 2008 or later periods and which the group has decided not to adopt early These are

- *IAS 23, Borrowing Costs (revised)* (effective for accounting periods beginning on or after 1 January 2009) The revised IAS 23 is still to be endorsed by the EU The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale The Group is currently assessing its impact on the financial statements

PRINCIPAL ACCOUNTING POLICIES

- *Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, 'Consolidated and separate financial statements* (both effective for accounting periods beginning on or after 1 July 2009) The revised IFRS 3 and IAS 27 are still to be endorsed by the EU The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts

-*IFRIC 11, IFRS 2 - Group and Treasury Share Transactions* (effective for accounting periods beginning on or after 1 March 2007) IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity-settled This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement It also applies regardless of whether (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s), or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s) Management is currently assessing the impact of IFRIC 11 on the accounts

- *IFRIC 12, Service Concession Arrangements* (effective for accounting periods beginning on or after 1 January 2008) IFRIC 12 is still to be endorsed by the EU IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements IFRIC 12 is not relevant to the group's operations due to absence of such arrangements - *IFRIC 13, Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008) IFRIC 13 is still to be endorsed by the EU IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services This IFRIC is not applicable to the company as these activities are not part of its operations

- *IFRIC 13, Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008) IFRIC 13 is still to be endorsed by the EU IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services Management do not consider that there will be any effect on the Group's financial statements as the company does not operate such programmes

- *IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for accounting periods beginning on or after 1 January 2008) IFRIC 14 is still to be endorsed by the EU IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability Management do not consider that there will be any effect on the Group's financial statements when the IFRIC becomes effective

- *IFRIC 15, Agreements for the Construction of Real Estate* (effective for accounting periods beginning on or after 1 January 2009) IFRIC 15 is still to be endorsed by the EU IFRIC 15 addresses two issues (a) whether the agreement is within the scope of IAS 11 or IAS 18, and (b) when the revenue from the construction or real estate shall be recognised This IFRIC is not applicable to the company as it is not operating in real estate sector

- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation* (effective for accounting periods beginning on or after 1 October 2008) IFRIC 16 is still to be endorsed by the EU IFRIC 16 provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting Management do not consider that there will be any effect on the Group's financial statements when the IFRIC becomes effective

PRINCIPAL ACCOUNTING POLICIES

- *Amendment to IFRS 2 , Share-based payments vestıng condıtıons and cancellatıons* (effectıve for accountıng perıods begınnıng on or after 1 January 2009) Thıs amendment ıs stıll to be endorsed by the EU The Amendment to IFRS 2 ıs of partıcular relevance to companıes that operate employee shares save schemes Thıs ıs because ıt results ın an ımmedıate acceleratıon of the IFRS 2 expense that would otherwıse have been recognısed ın future perıods should an employee decıde to stop contrıbutıng to the savıngs plan, as well as a potentıal revısıon to the faır value of the awards granted to factor ın the probabılıty of employees wıthdrawıng from such a plan Management do not consıder that there wıll be any effect on the Group's fınancıal statements when the IFRIC becomes effectıve

- *Amendments to IAS 1 Presentatıon of Fınancıal Statements A Revısed Presentatıon* (effectıve for accountıng perıods begınnıng on or after 1 January 2009) Thıs amendment ıs stıll to be endorsed by the EU The revısed versıon of IAS 1 (revısed 2007) replaces IAS 1 Presentatıon of Fınancıal Statements (revısed ın 2003) as amended ın 2005 and key changes ınclude the requırement to aggregate ınformatıon ın the fınancıal statements on the basıs of shared characterıstıc, changes ın the tıtles of some prımary statements (non mandatory), ıntroducıng the possıbılıty of a sıngle Statement of Comprehensıve ıncome (combınıng the Income Statement and the Statement of Recognısed Income and Expense), Only the total of comprehensıve ıncome ıs to be shown ın the Statement of Changes ın equıty Management ıs currently assessıng the ımpact of the Amendment on the accounts

- *Amendments to IAS 32 Fınancıal Instruments Presentatıon and IAS 1 Presentatıon of Fınancıal Statements - Puttable Fınancıal Instruments and Oblıgatıons Arısıng on Lıquıdatıon* (effectıve for accountıng perıods begınnıng on or after 1 January 2009) Thıs amendment ıs stıll to be endorsed by the EU The amendments result ın certaın types of fınancıal ınstrument that meet the defınıtıon of a lıabılıty, but represent the resıdual ınterest ın the net assets of the entıty, beıng classıfıed as equıty Management do not consıder that there wıll be effect on the Group's fınancıal statements when the IFRIC becomes effectıve

- *Amendments to IFRS 1 and IAS 27 Cost of an Investment ın a Subsıdıary, Joıntly-Controlled Entıty or Assocıate* (effectıve for accountıng perıods begınnıng on or after 1 January 2009)) These amendments are stıll to be endorsed by the EU The amendments permıts the entıty at ıts date of transıtıon to IFRSs ın ıts separate fınancıal statements to use a deemed cost to account for ıts ınvestment ın subsıdıary, joıntly controlled entıty or assocıate The deemed cost of such ınvestment could be eıther the faır value of the ınvestment at the date of transıtıon, whıch would be determıned ın accordance wıth IAS 39 Fınancıal ınstruments Recognıtıon and Measurement or, the carryıng amount of the ınvestment under prevıous GAAP at the date of transıtıon Management do not consıder that there wıll be any effect on the Group's fınancıal statements when the IFRIC becomes effectıve

- *Improvements to IFRS* (effectıve for accountıng perıods begınnıng on or after 1 July 2009) Thıs ımprovements project ıs stıll to be endorsed by the EU The amendments take varıous forms, ıncludıng the clarıfıcatıon of the requırements of IFRS and the elımınatıon of ınconsıstencıes between Standards Management ıs currently assessıng the ımpact of the Amendment on the accounts

Crıtıcal Judgments and Key Sources of Estımatıon Uncertaınty

MeDaVıncı makes estımates and assumptıons regardıng the future The resultant budgeted and accountıng outcomes wıll rarely be the same as the actual results Estımates and assumptıons are evaluated on an ongoıng basıs and are based on experıence and other factors, ıncludıng expectatıons of future events that are perceıved as reasonable based on the cırcumstances The followıng estımates and assumptıons bear a sıgnıfıcant ınherent rısk, whıch could result ın materıal adjustments to the carryıng amount of assets and lıabılıtıes ın the comıng year

(a) Impaırment of Fınancıal Assets (Non-current)
Where there are ındıcatıons of ımpaırment and at least once a year, MeDaVıncı tests fınancıal assets for ımpaırment The realısable value of fınancıal assets ıs determıned usıng generally accepted valuatıon technıques, ıncludıng value-ın-use calculatıons These calculatıons and valuatıons requıre the use of estımates

PRINCIPAL ACCOUNTING POLICIES

Based on these tests, possible impairment must be reported However, where the actual performance of the underlying activities, businesses and cash-generating units is substantially worse, impairment losses could be incurred and/or differ from the reported impairment losses These impairment losses could have a material impact on the carrying amount of financial assets

(b) Carrying Value of Deferred Tax Assets and Deferred Tax Liabilities
Assumptions play a major role in the determination of deferred tax assets and deferred tax liabilities Many uncertain factors can affect the amount of carry-forward tax losses MeDaVinci values the carrying amounts of deferred tax assets relating to carry-forward tax losses, and the carrying amount of deferred tax liabilities relating to carry-back tax losses on the basis of its best estimates Where actual outcomes differ from the original estimates, the differences will affect taxes and the income statement, as well as the deferred tax assets and/or deferred tax liabilities in the period in which these differences occur

(c) Determination of Significant Influence
Where the group holds investments in associates the directors must consider whether a significant influence is held over the ability for the investee company to operate This consideration determines how the investment is accounted for in the financial statements

(d) Fair Value of Derivatives
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques The group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date

The group has used discounted cash flow analysis for its available-for-sale financial asset as it is not traded in an active market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1 PROPERTY, PLANT AND EQUIPMENT

	Plant, Machinery & Equipment £'000	2008 Total £'000	Plant, Machinery & Equipment £'000	2007 Total £ 000
Cost				
At 1 March	1	1	1	1
Additions	8	8	-	-
31 March	9	9	1	1
Depreciation				
At 31 March	-	-	-	-
Charge for the year	1	1	-	-
At 31 March	1	1	-	-
Net book value				
At 31 March	8	8	1	1

2 INVESTMENTS IN ASSOCIATES

	2008 £'000	2007 £'000
At fair value		
At 1 April	1,364	597
Additions	1,715	799
Share in the result	(155)	(32)
Transfer to available for sale financial assets	(40)	-
Exchange rate movement	422	-
At 31 March	3,306	1,364

Included in the cost of associates is goodwill totalling £2,839,000 (2007 £1,110,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

2. INVESTMENTS IN ASSOCIATES (continued)

Details of the investments held are as follows -

	No of ordinary shares	% Held	Carrying Value £'000	Nature of Business
ErgoDynamics Participations BV	89	49	1,130	Holding company for investment in Ergodynamics Applications BV
Emotion Fitness Mag Kft	2,700	47	424	Fitness centres
Demecal Europe BV	5,400	30	1,752	Development and Selling of blood tests

The above named companies prepare their financial statements as of 31 December each year The latest figures were for the year ended 31 December 2007 and these were used to determine the net equity value at 31 March 2008, allowing for the effect of significant transactions in the period of 31 December 2007 to 31 March 2008

Included in the additions is an amount invested in Demecal Europe BV Demecal owns a patent that part of the amount invested has been assigned to and so under IFRS amortisation must be charged The fair value assigned to the patent at the date of investment was £571K This has a useful life of ten years so this has been amortised over this period A full year's amortisation has not been charged due to the investment being made part way through the year

The group's share of the associates' results (after tax and minorities) and equity are as follows

	2008 £'000	2007 £'000
Sales	**180**	78
Result for the year	**(510)**	150
Total assets	**2,781**	1 236
Total liabilities and obligations	**(2,956)**	(1,292)
Total equity	**(175)**	(56)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

3 AVAILABLE FOR SALE FINANCIAL ASSETS

	2008 £'000	2007 £'000
At 1 April	-	-
Transferred from investments in associates	40	-
At 31 March	**40**	-

	No of Shares	Type of Shares	% Held	Cost £'000	Nature of business
MeDaVinci Development BV	25	Ordinary	5%	40	Development of innovative products in the medical industry

Available for sale financial assets are denominated in Euro

4. LOANS TO ASSOCIATES

	2008 £000	2007 £000
Loan to ErgoDynamics Participations BV	142	209
Loan to Emotion Fitness Mag Kft	318	125
Loan to Demecal Europe BV	749	-
	1,209	334

Interest on the loan to ErgoDynamics Participations BV accrues on the amount outstanding at a rate of 6% per annum Interest accrues on a day to day basis and is due for payment on final payment date The final payment date is 17 March 2011

No interest accrues on the loan to Emotion Fitness Mag Kft The loan can be converted into ordinary shares at any time of whole or part thereof provided that total conversion will lead to 68 68% of the outstanding share capital post conversion or any pro rata percentage thereof post conversion as a result of the partial conversion

Interest on the loan to Demecal Europe BV accrues on the amount outstanding at 8% per annum payable at final repayment date The final repayment date is 1 July 2011 The loan can be converted at any time in full or part thereof into ordinary shares providing the total conversion will lead to 8 4% of the outstanding share capital post conversion or pro rata percentage thereof post conversion as a result of partial conversion

The directors consider that there is no significant difference between the fair value and the book value of the loans above

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

5 CONVERSION RIGHTS – DERIVATIVE FINANCIAL INSTRUMENTS

	2008	2007
	£'000	£'000
Conversion rights	195	45
Warrants	314	182
	509	227

The conversion right is part of a zero interest convertible loan note facility of € 2 500K (£1,981K) whereby conversion of the full facility will lead to 68 68% of the outstanding share capital post conversion or any pro rata percentage thereof post conversion as a result of a partial conversion At balance sheet date € 535 K (£424K) is drawn under the facility so that partial conversion will lead to 14 7% of the outstanding share capital post conversion

This conversion right is valued at the net present value of the difference in interest between a comparable loan without conversion rights at market rate and this zero coupon convertible These conversion rights are derivative financial instruments

Further MeDaVinci has a convertible loan note with a conversion right on shares in Demecal Europe BV as well as warrant instruments on shares in Ergo Dynamics Participations BV In determining the fair value of both instruments the directors have considered that there is no active market for both instruments and therefore the value of these instruments have been assessed using the Black & Scholes pricing model

6. TRADE AND OTHER RECEIVABLES

	2008	2007
	£'000	£'000
Other receivables	4	1
Amounts owed by participating interests	88	107
Prepayments and accrued income	14	-
	106	108

7 CASH AND CASH EQUIVALENTS

	2008	2007
	£'000	£'000
Cash at bank and in hand	730	892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

8 CALLED UP SHARE CAPITAL

	2008 Numbers ('000)	2007 Numbers ('000)
Ordinary shares of 1pence each		
Authorised	**500,000**	100,000
Issued		
At beginning of year	**41,188**	13,599
Issued in year	**32,412**	27,589
At end of year	**73,600**	41,188

On 31 July 2007 the company issued 17,500,000 shares of 1 pence each The total non cash consideration received, and valued under section 103 of the Companies Act 1985, amounted to £2,100,000 The non cash consideration being for 5,400 Demecal Europe BV shares

On 4 January 2008 the company issued 14,912,000 shares of 1 pence each The total cash consideration received amounted to £969,280

On 12 November 2007, a resolution was passed to increase the authorised share capital to £5,000,000 by the creation of 400,000,000 new ordinary shares of 1 pence each

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

9 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Share premium £'000	Retained earnings £'000	Foreign Currency Reserve £'000	Associates fair value reserve £'000	Total £'000
For the year ended 31 March 2008						
At 1 April	412	2,570	(218)	10	-	2,774
Profit for the year attributable to equity shareholders	-	-	(173)	-	-	(173)
Unrealised exchange movement	-	-	-	584	-	584
Fair value adjustment on investment	-	-	-	-	(481)	(481)
Issue of shares	324	2,745	-	-	-	3,069
Transaction costs deducted from equity	-	(10)	-	-	-	(10)
Movement in year	324	2,735	(173)	584	(481)	2,989
At 31 March	736	5,305	(391)	584	(481)	5 763
For the year ended 31 March 2007						
At 1 April	136	743	(48)	-	-	831
Loss for the year attributable to equity shareholders			(168)	-	-	(168)
Unrealised exchange movement	-	-	8	-	-	8
Reserve transfer in terms of IFRS 1	-	-	(10)	10	-	-
Issue of shares	276	1,894	-	-	-	2,170
Transaction costs deducted from equity	-	(67)	-	-	-	(67)
Movement in year	276	1,827	(170)	10	-	1,943
At 31 March	412	2,570	(218)	10	-	2,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

9 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

The authorised, called up and fully paid share capital relates to 73,600,000 shares at a nominal value of 1 pence each

The share premium reserve relates to the excess of amounts received for shares issued above the nominal value of the shares less any costs directly relating to the issue of the shares During the year the company issued 14 9 million shares at 6 5 pence each resulting in a premium on issue of £820K A further share issue was made during the year issuing 17 5 million shares at 12 pence each resulting in a premium on issue of £1,925K The foreign currency reserve consists of all the translation differences as from 1 April 2006 resulting from the translation of the net investment in activities denominated in a currency other than UK sterling These foreign exchange differences are initially recognised in this reserve In the event of disposing of the foreign net investment in question the related part recognised in the reserve is transferred to the income statement

Shares forming part of the consideration for the acquisition of a subsidiary or an associate undertaking are valued at their fair value for the purposes of computing acquisition cost and goodwill under IFRS 3 – Business Combinations and IAS 28 – Investments in Associates By contrast, the value of the share premiums arising on the shares issued, for the purposes of section 130 of the Companies Act 1985, is based on the value to the issuing company of the consideration it has received Where these values are different the premiums are disregarded, the cost of investment in the parent company's books will be different from the cost of acquisition for the purposes of IFRS 3 and IAS 28 respectively As the difference should form a separate element of consolidated reserves, and does not form part of goodwill it is recognised in the associates fair value reserve in equity

The retained earnings reserve relates to the cumulative result since incorporation plus any results of acquisitions from the date of the particular acquisition

10 TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Trade creditors	**79**	99
Other creditors	**1**	-
Accruals	**55**	47
	135	146

11. LOSS BEFORE TAXATION

	2008 £'000	2007 £'000
The following items have been included in arriving at profit before taxation		
Services provided by the Group's auditors		
Group audit fees and expenses – statutory audit	**25**	18
Other services	**8**	3
Foreign exchange gains and losses	**110**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

12. TAXATION

	2008 £'000	2007 £'000
Current tax	2	6
Deferred tax	-	-
Taxation	2	6

Factors affecting the tax charge for the period

	2008 £'000	2007 £'000
Loss before tax	(171)	(167)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 30%)	(51)	(50)
Effects of		
Overseas taxation	-	6
Current tax losses not utilised	53	50
Total taxation	2	6

There is a potential deferred tax asset of £99,000 (2007 £59,000) relating to the cumulative tax losses totalling £352,000 (2007 £196,000) carried forward The deferred tax asset is not provided for as the directors are uncertain when the group will generate sufficient profits for the losses to be offset against

13 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year

	2008 £'000	2007 £ 000
Loss attributable to equity holders of the company	(173)	(168)
Weighted average number of ordinary shares in issue (thousands)	56,441	20,586
Basic earnings per share (pence)	(0.3)	(0 8)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

13. EARNINGS PER SHARE (continued)

Diluted

The Group had no dilutive potential ordinary shares in either year, which would serve to increase the loss per ordinary share Therefore, there is no difference between the loss per ordinary share and the diluted loss per ordinary share

14 SHARE BASED PAYMENTS

At 31 March 2008 the following warrants were in issue

	No of ordinary shares of 1p each	*Exercise period*	*Warrant price per share*
Glyn Hirsch	2,000,000	24 Mar 2005 – 23 Mar 2015	5p
Michael Hough	2,000,000	24 Mar 2005 – 23 Mar 2015	5p
Other non directors	1,000,000	24 Mar 2005 – 23 Mar 2015	5p

	2008 Weighted average exercise price (pence)	2007 Weighted average exercise price (pence)	**2008 Number**	2007 Number
Outstanding at the beginning of year	**5.00**	5 00	**5,000,000**	5,000,000
Granted during the year	-	-	-	-
Outstanding at the end of the year	**5.00**	5 00	**5,000,000**	5,000,000

The following information was relevant in the determination of the fair value of warrants granted during the prior year

Warrant pricing model used	Black-Scholes
Weighted average share price at date of grant (pence)	9 75
Exercise price (pence)	5 00
Contractual life (years)	4
Expected volatility	14%
Risk free interest rate	4 4%

The volatility assumption is based on statistical analysis of share prices
All warrants are exercisable at the year end

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

15 CASH FLOW FROM OPERATING ACTIVITIES

	2008 £'000	2007 £'000
Loss before taxation	(171)	(162)
Finance income	(241)	(20)
Share of loss in investments in associates	155	32
	(257)	(150)
Changes in working capital (excluding effect of acquisitions and disposals)		
Decrease/(increase) in trade and other receivables	2	(108)
Increase in trade and other payables	173	58
Cash outflow from operations	(82)	(200)

16. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of £8,000 (2007 £1,000) by means of cash payments

17 EMPLOYEES AND KEY MANAGEMENT

Number of employees	2008 number	2007 number
Average number of employees	3	3

Directors	2008 £'000	2007 £'000
Aggregate emoluments and total staff costs	88	23

During the year £11,750 (2007 £11,021) and £11,750 (2007 £11,750) was paid to HHSS LLP and Emisan Limited respectively for the services of a director

18 RELATED PARTIES

During the year £11,750 (2006 £11,021) was paid to HHSS LLP for the services of a director, a company in which Mr Hough is also a director The amount outstanding at the balance sheet date was £nil

A further £11,750 (2006 £11,750) was paid to Emisan Limited for the services of a director, a company in which Mr Hirsch is a director The amount outstanding at the balance sheet date was £nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

18 RELATED PARTIES (continued)

As detailed in note 4, the group has made loans to associates The group provides funds to these companies and charges them interest in accordance with the terms set out in note 4

	Balance at 1 April 2007	Advances in the year	Separation of embedded derivative	Exchange rate variance	Interest accrued	2008 Total
	£'000	£'000	£'000	£'000	£'000	£'000
ErgoDynamics Participations BV	209	-	(160)	68	25	142
Emotion Fitness Mag Kft	125	172	-	21	-	318
Demecal Europe BV	-	785	(90)	21	33	749
TOTAL	334	957	(250)	110	58	1,209

The amounts outstanding at 31 March 2008 and 31 March 2007 are split between loans to associates, derivatives which relate to the capital element and other receivables which relates to the interest accrued to date

19 FINANCIAL RISK MANAGEMENT

MeDaVinci's risk management consists of the management of its operations and investments over the long term and the mitigation of the related business risks to the maximum possible extent Depending on the nature and the relative significance of the risks associated with MeDaVinci s investments the risks are quantified where possible

The Group is exposed to the following risks in relation to the use of financial instruments

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

These notes provide information about MeDaVinci's exposure to each of the abovementioned risks the objectives, principles and processes used to control and measure these risks and MeDaVinci's management of its capital

The goal of MeDaVinci s risk policy is to identify the risks faced by MeDaVinci, analyse them, determine appropriate limits and control measures for them and monitor the risks and compliance with the defined limits Risk management policies and systems are regularly evaluated and adjusted where necessary to changes in market circumstances and MeDaVinci's activities

(a) Credit Risk

Credit risk is the risk of financial loss to MeDaVinci in cases where the buyer or counterparty to a financial instrument does not respect the contractual commitments made Credit risks primarily result from loans to investments in associates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

MeDaVinci's exposure to credit risk is primarily determined by the individual characteristics of individual associates and the countries in which they are vested

If loans are provided to associates, they are assessed in terms of their creditworthiness and where possible a conversion right is exacted To the extent possible, an assessment is carried out to determine whether the associate can provide sufficient certainty in the form of a security

(b) Treasury policy and financial risk

The main financial risk faced by the Group is liquidity risk The Group controls this risk by aiming to maximise returns from funds held on deposit

The Group's financial instruments comprise cash and various items such as loans to associates, trade debtors and trade creditors etc that arise directly from its operations It is not Group policy to trade in financial instruments

There is no material difference between the book value and the fair value of the financial instruments in the current or prior year

The Group incurs currency risk as a result of transactions that are denominated in a currency other than British pounds The Group does not enter into any forward exchange contracts in order to hedge its exposure to such risk

The main credit risk is in relation to its loans to associates This is managed by monitoring the performance of the associates and considering their ability to repay these loans

Categories of financial assets and financial liabilities

	Loans and receivables	
	2008	**2007**
	£000	**£000**
Current financial assets		
Trade and other receivables	92	108
Cash and cash equivalents	730	892
Non-current financial assets		
Loans to investments in associates	1,209	334

	Measured at amortised cost	
	2008	**2007**
	£000	**£000**
Current financial liabilities		
Trade and other payables	135	146

	Available-for-sale financial assets	
	2008	**2007**
	£000	**£000**
Non-current financial assets		
Other financial assets	40	-

	Held for trading	
	2008	**2007**
	£000	**£000**
Non-current assets		
Conversion rights	195	45
Warrants	314	182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

19 FINANCIAL RISK MANAGEMENT (continued)

The terms of the loans granted to associates are illustrated below

Loans in associates

in £ 000's	2008	2007
1 - 2 years	-	-
2 - 3 years	774	-
3 - 4 years	839	516
4 - 5 years	-	-
Greater than 5 years	-	-
	1,613	**516**

(c) Liquidity Risk
The liquidity risk is the risk that MeDaVinci is not able to meet its financial commitments at the required point in time The basic premise of the liquidity risk management approach is to, as far as possible, maintain sufficient cash and cash equivalents to be able to meet current and future financial commitments, under normal and difficult circumstances, without incurring unacceptable losses or endangering MeDaVinci's reputation in the process

MeDaVinci monitors its cash flows on a regular basis A summary of the Group's cash and cash equivalents is produced on a monthly basis A yearly cash flow forecast is prepared every 6 months These reports help ensure that MeDaVinci has access to sufficient liquid assets over the short as well as long term in order to meet its operating and financial commitments The cash flow reports do not take extreme circumstances into consideration

(d) Currency Risk
Currency risk is the risk that MeDaVinci's income or the value of assets is adversely affected by fluctuations in exchange rates The objective of managing currency risk is to maintain this risk within acceptable limits with an optimal return MeDaVinci s conduct of business exposes the operation and the reported financial results and cash flows to risks due to fluctuating exchange rates

MeDaVinci's investments in associates and loans to associates are denominated in Hungarian Forints (HUF) and Euros (EUR)

To mitigate the impact of currency exchange rate fluctuations, MeDaVinci continuously assesses its foreign currency exchange rate position If required a portion of these risks will be hedged with financial instruments such as forward exchange transactions and currency options MeDaVinci did not make use of such instruments at the balance sheet date

The key exchange rates during the year under review are as follows

	At March 31		**Average rate**	
	2008	**2007**	**2008**	**2007**
EUR	0 79240	0 67960	0 70627	0 67820
HUF	0 00309	0 00276	0 00280	0 00258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

19. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis
A 10% increase in the GBP in relation to the above currencies at year end would have increased/(decreased) equity and the operating result by the following amounts All other variables, in particular the currency exchange rates, are kept constant A 10% decrease in the GBP in relation to the above currencies would have produced a similar, albeit opposite, result

	2008		2007	
	Operating result	Equity	Operating result	Equity
EUR	-9	125	1	179
HUF	-6	32	- 1	36

All other financial assets are denominated in sterling

(e) Interest Rate Risk
Interest rate risk is the risk that MeDaVinci's income or the value of assets is adversely affected by fluctuations in interest rates The objective of managing interest rate risk is to maintain this risk within acceptable limits with an optimal return Currently MeDaVinci is not exposed to interest bearing liabilities Loans granted to associates where applicable, are subject to fixed interest rates which exposes the group to fair value interest rate risk

There are no differences between book value (amortised cost) and fair value at both balance sheet dates

An increase or decrease of 100 basis points in the interest rate effective 31 March 2008 and 2007 would not have had a material impact on equity and or operational results

(f) Management of capital
MeDaVinci's policy is focused on maintaining the strong financial position needed to maintain the confidence of investors, creditors and markets and to safeguard the future development of business operations

MeDaVinci strives to maintain healthy balance sheet ratios, with a solvency target exceeding 50% No changes were made to MeDaVinci's approach to managing its capital during the year under review

20. SEGMENT INFORMATION

The board of directors do not receive management reports that analyses the performance or financial position of the group by business segment The main activity of the group is that of an investor in the international health and wellness markets and consequently the only items in the income statement that are attributable to these activities are the share of losses in the associates, the finance income receivable from loans advanced and the change in fair value of the embedded derivatives separately recognised All other amounts are unallocated and relate to the operation of the Corporate headquarters

From the perspective of the balance sheet such segment assets would include the carrying value of the investments in associates, loans advanced and the derivatives All other assets and liabilities are unallocated and relate to the corporate activities undertaken

The group does not have any external revenues All revenues are earned by associates and are disclosed in note 2 to the financial statements Materially all of the non current assets are located in the Netherlands

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

21 EXPLANATION OF TRANSITION TO IFRS

As stated in the Basis of Preparation, these are the group's first annual consolidated financial statements prepared in accordance with IFRS

An explanation of how the transition from UK GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out below

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period These interim financial statements have been prepared on the basis of taking the following exemption

- Business combinations prior to 1 November 2005, the group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations" Goodwill arising from these business combinations has not been restated

- IAS 21 The Effects of 'Changes in Foreign Exchange Rates' requires annual translation differences arising on the opening net assets and net profit or loss of each foreign subsidiary and associate to be treated as a separate component of shareholders' equity, and the cumulative net surplus/deficit for each subsidiary carried forward and added to/subtracted from any gains/losses on the future disposal of that subsidiary or associate The Group has taken the option to set these cumulative gains/losses at zero as at the date of transition to IFRS Any gains and losses recognised in the income statement on subsequent disposals of foreign operations will therefore include only those translation differences arising after 1 April 2006, the IFRS transition date

The adoption of IFRS by the group has resulted in some reordering and changes to the presentation of certain balances within both the income statement and the balance sheet

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows

i Under UK GAAP, payments to acquire property, plant and equipment were classified as part of "Capital expenditure and financial investment" Under IFRS, payments to acquire property, plant and equipment have been classified as part of "Investing activities"

ii There are no other material differences between the cash flow statement presented under IFRS and the cash flow presented under UK GAAP Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the group's net income and equity are set out below

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

21 EXPLANATION OF TRANSITION TO IFRS (continued)

RECONCILIATION OF EQUITY AT 1 APRIL 2006

There are no differences between UK GAAP and IFRS for total equity at the date of transition to IFRS

RECONCILIATION OF EQUITY AT 31 MARCH 2007

	UK GAAP £'000	Note A £'000	IFRS £'000
Assets			
Non-current assets			
Property, plant and equipment	1	-	1
Investments	1,396	(72)	1,324
Available for sale financial assets	-	40	40
Loans to associates	561	(227)	334
Conversion rights	-	227	227
	1,958	(32)	1,926
Current assets			
Trade and other receivables	108	-	108
Cash and cash equivalents	892	-	892
	1,000	-	1,000
Total assets	2,958	(32)	2,926
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	412	-	412
Other reserves	2,848	(268)	2,580
Retained earnings	(454)	236	(218)
Total equity	2,806	(32)	2,774
Current liabilities			
Trade and other payables	146	-	146
Current tax payable	6	-	6
Total liabilities	152	-	152
Total equity and liabilities	2,958	(32)	2,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

21 EXPLANATION OF TRANSITION TO IFRS (continued)

RECONCILIATION OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2007

	UK GAAP £'000	Note A £'000	IFRS £'000
Cash flows from operating activities			
Cash generated from operations	(204)	-	(204)
Interest received	20	-	20
Net cash flow from operating activities	(184)	-	(184)
Cash flows from investing activities			
Acquisition of investments	(370)	-	(370)
Purchase of property, plant and equipment	(1)	-	(1)
Net cash flow from investing activities	(371)	-	(371)
Cash flows from financing activities			
Proceeds from issue of equity instruments	1,741	-	1,741
Costs relating to issue of equity instruments	(67)	-	(67)
Increase in loans to participating interests	(391)	-	(391)
Other loans	(170)	-	(170)
Net cash flow from financing activities	1,113	-	1,113
Net increase in cash and cash equivalents	558	-	558
Cash and cash equivalents at beginning of the year	334	-	334
Cash and cash equivalents at end of the year	892	-	892

NOTES TO THE RECONCILIATIONS

A Under IAS 28, where the group has the power to participate in the financial and operating decisions of the entity the results of the associate are consolidated using the equity method of accounting This contrasts with FRS 9 which only required equity accounting where significant influence was actually exerted This was not the case and hence the difference in accounting on transition to IFRS

Also under UK GAAP any foreign currency differences are taken straight to the profit and loss reserve but under IFRS there is to be a foreign currency reserve Therefore the difference in translation has been recognised as at 31 March 2007 of £10,000

The loans to associates are compound financial instruments containing an embedded derivative in a debt host contract Under IAS 39, the instruments have been measured and presented separately which was not the case under UK GAAP as the fair value rules of accounting had not been adopted

Under UK GAAP there is a need for a share warrant reserve relating to the warrants issued Under IFRS there is not need for this reserve and so this has been netted off against retained earnings

COMPANY BALANCE SHEET
AT 31 MARCH 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
Fixed assets			
Investment in subsidiaries	2	3,261	1,161
Investment in participating interests	3	1,027	1,027
		4,288	2,188
Current assets			
Debtors	4	993	-
Cash at bank and in hand		473	726
		1,466	726
Creditors: amounts falling due within one year	5	(109)	(140)
Net current assets		1,357	586
		5,645	2,774
Capital and reserves			
Called up share capital	6	736	412
Share premium reserve	7	5,305	2,570
Warrant reserves	7	278	278
Profit and loss account	7	(674)	(486)
Shareholders' funds	8	5,645	2,774

The financial statements were approved and authorised for issue by the board on 30 September 2008 and signed on behalf of the board of directors

P Teerlink
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES

Basis of preparation
The company's balance sheet and notes have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards They have also been prepared in accordance with the Companies Act 1985

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements The loss of MeDaVinci Plc for the year ended 31 March 2008 is £188,000 (31 March 2007 £160,000)

Investments in associates

Investments are held as part of an investment portfolio in the companies in which the Company renders advice on sourcing and development of new technologies These are stated at cost less provision for permanent diminution in value

Investments in subsidiaries

Investments in subsidiary undertakings are shown at cost less provision for any impairment in value

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Exchange differences are taken to the profit and loss account

Taxation
Current tax is the expected tax payable or receivable on taxable profit or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Share based payments
FRS20 requires that the fair value of equity settled share based payments, such as share option awards, is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the Company's estimate of the options that will eventually vest In the case of warrants, fair value is measured by a Black Scholes pricing model

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

2. INVESTMENTS IN SUBSIDIARIES

	31 March 2008 £'000	31 March 2007 £'000
Cost		
At 1 April 2007	**1,161**	-
Additions	-	1,161
Capital contribution made	**2,100**	-
At 31 March 2008	**3,261**	1,161
Impairment at 1 April 2007 and at 31 March 2008	-	-
Net book value at 31 March 2008	**3,261**	1,161
Net book value at 31 March 2007	**1,161**	-

During the year the company made a capital contribution of £2,100,000 to MeDaVinci Healthcare Services BV representing the company's interests in Demecal Group BV

	No. of ordinary shares	% held	Cost £'000	Nature of Business
MeDaVinci Health Care Services BV	18,000	100	3,261	Holding company for investments in innovative technologies for the healthcare sector

3 INVESTMENT IN ASSOCIATES

	31 March 2008 £'000	31 March 2007 £'000
Cost at 1 April 2007	**1,027**	597
Additions	2,100	430
Capital contribution to subsidiary company	(2,100)	-
At 31 March 2008	**1,027**	1,027

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

3. INVESTMENT IN ASSOCIATES (continued)

	No of Ordinary Shares	% Held	Cost £'000	Nature of Business
MeDaVinci Development BV	25	5	40	Development of innovative products in the medical industry
ErgoDynamics Participations BV	89	49	987	Holding company for investment in ErgoDynamics Applications BV

The company's share of ErgoDynamics Participations BV results (after tax and minorities) and equity are as follows

	2008 £'000	2007 £'000
Result for the year	**(105)**	236
Net assets	**(81)**	24

4 DEBTORS

	2008 £'000	2007 £'000
Amounts due from group undertakings	**979**	-
Other debtors and prepayment	**14**	-
	993	-

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £ 000
Trade creditors and accruals	**109**	140
	109	140

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

6 SHARE CAPITAL

	2008 Numbers ('000)	2007 Numbers ('000)
Ordinary shares of 1p each		
Authorised	**500,000**	100,000
Issued		
At beginning of year	**41,188**	13,599
Issued in year	**32,412**	27,589
At end of year	**73,600**	41,188

On 31 July 2007 the company issued 17,500,000 shares The total non cash consideration, which was valued under section 103 of the Companies Act 1985 amounted to £2,100,000 The shares each have a nominal value of 1 pence

On 4 January 2008 the company issued 14,912,000 shares The total cash consideration amounted to £969,280 The shares each have a nominal value of 1 pence

On 12 November 2007 a resolution was passed to increase the authorised share capital of £5,000,000 by the creation of 400,000,000 new ordinary shares of 1 pence each

7. RESERVES

	Share warrant Reserve £'000	Share premium £'000	Profit & loss account £'000
As at 1 April 2007	**278**	**2,570**	**(486)**
Loss for the year	-	-	**(188)**
On issue of shares	-	**2,735**	-
As at 31 March 2008	278	**5,305**	**(674)**

8. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	31 March 2008 £'000	31 March 2007 £'000
Loss for the year	**(188)**	(160)
On issue of shares	**3,059**	2,103
	2,871	1,943
Opening shareholders' funds	**2,774**	831
Closing shareholders' funds	**5,645**	2,774