

For the 12 months ended 29 February 2008 (unaudited)

Second Interim Results

The Group had a very poor operating performance in the 12 months ended 29 February 2008. Turnover for the period was £7.3m (2007: £12.7m). Operating loss before exceptional items increased 34% to £3.13m (2007: loss £2.33m). Included within the operating loss before exceptional items are losses arising from the Crest Medical business which was disposed of on 4th April 2008, amounting to £1.67m (2007: loss £0.58m) Non exceptional net operating expenses reduced 23% to £6.1m (2007: £7.8m).

The Board also carried out a detailed impairment review of the carrying value of all the assets which resulted in a non-cash goodwill write off of £13.7m. This reduces the carrying value of goodwill in the balance sheet to £7.4m.

The Group reported a loss before tax of £18.2m (2007: loss £4.1m).

The net loss for the 12 months following the goodwill writedown was £18.2m (2007: loss £4.1m).

The Group's loss per share was 5.90p (2007: loss per share 1.93p).

Refinancing Package

As previously announced it was necessary in the period to refinance the business in order to redeem bank debt and fund continued operating losses pending completion of the disposal of assets.

To remind Shareholders, the refinancing package announced on 26 October 2007 comprised:

- The issue of £1.5 million of Convertible Unsecured Loan Stock ("October Notes") with interest of 8 per cent. per annum and a five year final repayment date. The Company obtained shareholder approval at the General Meeting held on 29 February 2008, to permit the October Notes to be convertible into 120 million New Ordinary Shares at a conversion price of 1.25 pence each should the October Noteholders elect to do so. To the extent they are not converted into New Ordinary Shares, the October Notes will become repayable by the Company on 5 November 2012.
- Options granted to the October Noteholders whereby in exchange for the subscription for an aggregate exercise price of £1,285,715 in cash, the October Noteholders would acquire 38.57 per cent. of the ordinary share capital of Ebiox, a wholly owned subsidiary of the Company. This implied a valuation of Ebiox of £3.3 million.
- Options granted to the October Noteholders whereby in exchange for the subscription for an aggregate exercise price of up to £642,857 in cash, the October Noteholders would acquire 43.71 per cent. of the ordinary share capital of RSL, a wholly owned subsidiary of the Company (the holding company for the Group's 19.8 per cent. holding in Fertiligent Limited ("Fertiligent"), HCEG's option to acquire the majority of Fertiligent, and the entitlement to Fertiligent's sales and marketing rights). This implied a total valuation of RSL of £1.47 million.

The options over the equity in Ebiox and RSL referred to above are exercisable between one and three years after the date of grant but exercise can be accelerated on the occurrence of certain triggering events, such as the realisation of the Company's holding in these companies.

On 1 February 2008 HCEG announced a further fundraising of £250,000 through the issue of Convertible Unsecured Loan Stock (the "Tranche 2 Notes"). The £250,000 fundraising comprises the balance of the £1.75 million issue of unsecured loan stock announced on 26 October 2007, and is therefore being issued on substantially similar terms to the initial £1.5 million tranche of the October Notes.

In common with the October Notes:

- The Tranche 2 Notes are interest-bearing at the rate of 8 per cent. per annum.

- The Company obtained shareholder approval at the General Meeting held on 29 February 2008 to permit the Tranche 2 Notes to be convertible into 20,000,000 New Ordinary Shares at a conversion price of 1.25 pence each should the Tranche 2 Noteholders elect to do so. To the extent that they are not converted into New Ordinary Shares, the Tranche 2 Notes will become repayable by the Company on 5 November 2012.
- Options have been granted to the Tranche 2 Noteholders whereby in exchange for the subscription for an aggregate exercise price of £214,285 in cash, the Tranche 2 Noteholders would acquire 6.43 per cent. of the ordinary share capital of Ebiox (a wholly owned subsidiary of the Company).
- Options have been granted to the Tranche 2 Noteholders whereby in exchange for the subscription for an aggregate exercise price of £107,143 in cash, the Tranche 2 Noteholders would acquire 7.29 per cent. of the ordinary share capital of RSL (a wholly owned subsidiary of the Company). The options over the equity in Ebiox and RSL referred to above are exercisable between 5 November 2008 and 5 November 2010 but exercise can be accelerated on the occurrence of certain triggering events, such as the realisation of the Company's holding in these companies.

To supplement the refinancing package announced on 26 October 2007, the Company announced a supplemental financing on 12 December 2007 ("December Notes") comprising:

- The issue of £500,000 December Notes with interest of 8 per cent. per annum and a repayment date of 31 December 2008. The December Notes are not, and are not proposed to be, convertible into Ordinary Shares.
- The December Noteholders have been granted warrants to subscribe for 100 Ordinary Shares at a subscription price of 1 pence per Ordinary Share for every £1 of December Note held by the December Noteholders (the "Investor Warrants"). The Investor Warrants are to be exercisable from their date of grant until 31 December 2008. This would result in the Investor Warrants being exercisable over 50,000,000 Ordinary Shares at an aggregate exercise price of £500,000.

The net effect of actions taken in this refinancing package has been to allow the Group to repay the remaining balances due to Barclays Bank plc in respect of the term loan facility which in October totalled £1.35 million. The fees attached to the term loan due on repayment have been satisfied by the grant of warrants over Ordinary Shares comprising 3 per cent. of the fully diluted issued share capital of the Company for an unlimited term at an exercise price of 2.5 pence per Ordinary Share (the "Barclays Warrants"). The Group has subsequently successfully re-banked with Royal Bank of Scotland plc. The balance of cash proceeds raised by assets sales and the refinancing package have been used for working capital purposes.

Crest Medical

Crest distributes products primarily to the occupational health, first aid and medical markets from a warehouse facility in Warrington. Crest had sales during the 12 months of £6.7m (2007: £12.2m). This resulted in an operating loss of £1.7m (2007: loss £0.6m) for the 12 months.

On February 1st 2008, the Group announced that it proposed to merge the loss making Crest business with the First Aid Warehouse Group of companies within a new holding company ('First Aid Holdings Limited') in which HCEG would retain a significant holding.

The Company announced on 7th April 2008 that following shareholder approval for the transaction granted on 3rd April 2008, that the merger of Crest Medical Limited with First Aid Warehouse Ltd and its various affiliated companies First Aid Supplies Ltd, 44 First Aid Ltd and Surgicon Healthcare Ltd was completed on 4 April 2008. Following the completion, HCEG owns approximately 44.1% of First Aid Holdings and plans to keep the majority of its shares in First Aid Holdings Limited for the foreseeable future.

Ebiox

Ebiox Limited ("Ebiox") sells and develops a unique range of patented cleaning and decontamination products.

Ebiox sales in the period were £0.6m (2007 £0.9m) which resulted in an operating loss of £0.4m (2007: £ 0.4m loss)

The agreement with Sultan Healthcare Inc in January 2007 resulted in preliminary work to service that contract and the particular products for Sultan's branded "Solo" range. Sales commenced in the period under review. The Group's divestment of its Thailand subsidiary, Alpha Trading (Asia) Limited to its management was completed in July 2007 and included an ongoing distribution agreement for Ebiox products. Ebiox also signed a distribution agreement with Medtradex in the Benelux.

In April 2007 the Company announced that its wholly-owned subsidiary, Ebiox Limited, has secured U.S. Environment Protection Agency ('EPA') approval for its patented TruKleen surface wipes. This approval followed an earlier announcement in February 2007 of approval for its patented concentrate and spray disinfectants. Approvals for individual U.S. states have now been secured. These approvals will allow Ebiox to distribute TruKleen products in a wide range of markets in the United States.

Optiscope

The Group has concluded that the risks associated with the continued development of this product outweigh the benefits of further investment and are actively seeking a suitable exit from the investment. Since Optiscope is in a pre commercialisation phase of development, no revenues were recorded and a loss of £0.03m (2007: £0.10m) incurred.

Women's Reproductive Health

The Group's interest in women's reproductive health principally comprises Reproductive Sciences Limited ("RSL"), which owns 19.8 per cent. of Fertiligent Limited, an Israeli company which has developed a slow release insemination device to improve the chance of conception.

The Fertiligent product is a high quality, low cost intra-uterine sperm pump to help assist infertile couples conceive and Medilator, which has developed a platform for single-use, disposable cervical dilatation devices.

Clinical trial results for Fertiligent in Israel, Germany and Turkey have been positive and expanded trials have commenced in Israel. The final prototype was approved and manufacturing production is expected to start shortly. The grant of an option in RSL, above, indicates a valuation of the business' investment in excess of book value.

The Group's other interest in this sector, Medilator, has been the subject of a recapitalisation and the Group's 2.5% interest is regarded as a passive investment of insignificant value.

Other

On 18 December 2007, the company announced that it had disposed of its interest on Ridgecrest Healthcare Group Inc. in exchange for 1,125,000 shares in ValiRx plc, an AIM listed therapeutic and development company, with a contingent further of shares and warrants, as well as shares and warrants in Cancer Therapeutics Inc., a US shell company.

On 21 December 2007, the Company announced that it had sold the business and assets of CICS, its dental business, for a cash sum of £550,000, subject to a final adjustment for the net tangible assets transferred to the purchaser. The disposal was completed on 21 December 2007 with the final consideration received of £517,000.

Current strategy and outlook

Following the completion of the merger of Crest Medical with the First Aid Warehouse Group of Companies, the Group operates with a significantly reduced operating cost base. In addition to its 44.1% interest in First Aid Holdings Limited the Company has two other principal businesses:

- Ebiox, and
- Reproductive Sciences Limited.

Ebiox has, in the view of the Board, an excellent product, but has been restricted by a lack of human and financial resources. HCEG is working on plans to resolve both these restrictions. Similarly, the Directors believe that the realisation of value in RSL would be best achieved if that company were resourced separately.

The Directors believe that Ebiox and RSL should be capable of greater future value with independent dedicated management and access to third party funding. The Directors are therefore seeking to introduce new management and finance into each of these companies. In consequence, the existing 100 per cent. ownership will become part ownership of these two companies, which should be financially and managerially more robust than at present. Following such transactions HCEG will become, in effect, an investment company holding substantial minority interests in a portfolio of healthcare related businesses.

In order to complete the proposed corporate actions, the Board has decided to change the financial year end of the Company and its subsidiaries to 30 June 2008. The Company expects to publish preliminary results for the sixteen month period ended 30 June 2008 during September 2008.

Healthcare Enterprise Group Plc

Consolidated Income Statement For the 12 months ended 29 February 2008 (unaudited)

	Notes	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
Revenue - continuing activities	4	7,291	12,667
Cost of sales		(4,351)	(7,149)
Gross profit		2,940	5,518
Net operating expenses - normal		(6,059)	(7,850)
Net operating expenses - exceptional	5	(14,871)	(1,688)
Total net operating expenses		(20,930)	(9,538)
Operating loss		(17,990)	(4,020)
Finance expense		(195)	(113)
Loss before taxation		(18,185)	(4,133)
Taxation		(7)	(5)
Loss after taxation		(18,192)	(4,138)
Attributable to Equity shareholders			

Minority interest		(18,201) 9	(4,131) (7)
		(18,192)	(4,138)
Operating loss before exceptional items	3	(3,119)	(2,332)
Basic (loss) per share	6	(5.90)p	(1.93)p

Consolidated Statement of Recognised Income and Expense For the 12 months ended 29 February 2008 (unaudited)

	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
<i>Income and expenses recognised directly in equity</i>		
Exchange differences on retranslation of foreign operations	(10)	(58)
Loss for the period	(18,201)	(4,131)
Total recognised income and expenses for the period	(18,211)	(4,189)

Healthcare Enterprise Group Plc

Consolidated Balance Sheet As at 29 February 2008 unaudited

	As at 29 Feb 2008 £'000	As at 28 Feb 2007 £'000
Non-current assets		
Goodwill	7,370	20,959
Other intangible assets	768	843
Property, plant and equipment	312	428
Other investments	355	682
	8,805	22,912
Current assets		
Inventories	759	1,834
Trade and other receivables	1,180	3,311
Cash and short term deposits	106	690
	2,045	5,835
Total assets	10,850	28,747
Current liabilities		
Trade and other payables	(3,014)	(3,266)
Financial liabilities	(364)	(2,095)
	(3,378)	(5,361)

Non-current liabilities

Trade and other liabilities	(35)	(33)
Financial liabilities	(2,250)	-
Deferred shares	(746)	(746)
Warrants issued	(357)	(357)
	(3,388)	(1,136)
Total liabilities	(6,766)	(6,497)

Net assets	4,084	22,250
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Capital and reserves*Equity*

Share capital	7,913	7,555
Share premium account	42,014	42,065
Shares to be issued	-	271
Merger reserve	(2,293)	(2,293)
Other reserves	728	728
Share option reserve	305	305
	48,667	48,631
Retained earnings	(44,649)	(26,438)
Minority interests	66	57
Total equity	4,084	22,250

Healthcare Enterprise Group Plc**Consolidated Cash Flow Statement
For the 12 months ended 29 February 2008 (unaudited)**

	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
Operating activities		
Loss for the period	(17,990)	(4,020)
Adjustments to reconcile loss for the period to net cash flow from operating activities		
Depreciation of property, plant and equipment	169	149
Amortisation of intangible fixed assets	-	89
Loss on disposal of property, plant and equipment	-	55
Impairment of goodwill	13,664	-
Amortisation adjustment in respect of Alpha Trading (Asia) Limited	-	35
Decrease in inventories	1,075	262
Decrease (increase) in trade and other receivables	2,131	(130)
Decrease in creditors and other payables	(244)	(1,644)
FRS 20 share option provision	-	305
Investments written off	376	856
Exchange differences	(10)	(58)
Cash generated from operating activities	(829)	(4,101)
Tax paid	-	(19)
Net cash inflow from operations	(829)	(4,120)
Investing activities		
Payments to acquire property, plant and equipment	(53)	(87)
Development costs capitalised subsidiary undertakings	-	(149)
Distribution agreement costs capitalised	-	(100)

Purchase of fixed asset investments	(49)	-
Disposal expense of subsidiary	(10)	-
Purchase of subsidiary undertakings	-	(93)
Net cash (outflow) from investing activities	(112)	(429)

Financing activities

Interest paid	(195)	(113)
Proceeds from issue of share capital	36	6,581
Share issue costs	-	(337)
Increase (Decrease) in long term borrowings	2,250	(1,125)
Repayment of short term borrowings	(1,730)	(222)
New finance lease commitments	15	-
Repayment of capital element of finance leases	(19)	(34)
Net cash (outflow) from financing activities	357	4,750
Decrease in cash and cash equivalents	(584)	201
Cash and cash equivalents at beginning of period	690	489
Cash and cash equivalents at end of period	106	690

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of Healthcare Enterprise Group plc for the 12 months ended 29 February 2008 were authorised for issue by the Directors on 29 May 2008.

The financial information contained in this second interim financial statement is unaudited and has been prepared in accordance with the Group's accounting policies, based on IFRS as adopted by the European Union, that are expected to apply for the 16 month period ending 30 June 2008. IFRS remains subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

The financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The Company's statutory accounts for the 12 months ended 28 February 2007, prepared under UK GAAP, have been delivered to the Registrar of Companies and were subject to an Emphasis of Matter in the Audit Report dated 26 June 2007 as follows:

"Emphasis of Matter - Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the uncertainty over the Group's ability to continue as a going concern. The financial statements are prepared on a going concern basis which is dependent on the Group managing its cashflows in the foreseeable future by achieving its sales forecasts and realising certain asset and equity inflows. There can be no certainty that the outcome of these assumptions, along with the other matters explained in note 1 to the financial statements, will be as forecast by the Directors. In view of the significance of these uncertainties we consider that they should be drawn to your attention. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern."

These consolidated interim financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Prior to 2007 the Group prepared its audited financial statements under UK GAAP. For the 16 month period ended 30 June 2008, the Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union ('IFRS'). IFRS 1 'First time adoption of International Financial Reporting Standards', requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements. The accompanying financial information has been prepared based on the current status of IFRS or Interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

It should be noted that there is a possibility that the full year IFRS comparatives may require adjustment before constituting final IFRS accounts. This is because the IFRS standards that will be applicable at 30 June 2008 including those that will be applicable on an optional basis are not known with certainty at the time of preparing this document.

As a general rule, IFRS 1 requires the standards effective at the reporting date to be applied retrospectively. However retrospective application is prohibited in some areas, particularly where retrospective application would require judgment by management about past conditions after the outcome of the particular transaction is already known. A number of optional exemptions from full retrospective application of IFRS are granted where the cost of compliance is deemed to exceed the benefits to users of the financial statements. Where applicable, the options selected by management are set out in note 9 below. As required by IFRS 1, the effect of transition from UK GAAP to IFRS on the Group's equity and profit has been explained in note 10.

Principal Accounting Policies

Accounting policies detailed below have been adopted and these are in compliance with IFRS.

Basis of consolidation

The consolidated accounts incorporate the financial statements of Healthcare Enterprise Group plc and all of its subsidiary undertakings made up to 29 February 2008. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and deconsolidated from the date that control ceases. The financial statement of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period of the parent company and are based on consistent accounting policies. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated, including unrealised profits or losses.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Goodwill and business combinations

Business combinations on or after 1 March 2006 are accounted for under IFRS3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable

assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised as an asset at 1 March 2006 is recorded at its carrying amount under UK GAAP and is not amortised.

After initial recognition goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

Where the recoverable amount of the business is less than its carrying amount, including goodwill, an impairment loss is recognised in the consolidated income statement.

Development costs

These are capitalised only if a project satisfies all of the six specified criteria in accordance with IAS 38.

Associates

Entities (other than subsidiary undertakings) in which the Group has a participating interest and over whose operating and financial policies the Group exercises significant influence are treated as associates. In the Group financial statements associates are accounted for using the net equity method.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight line basis to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated using the following rates:

Freehold land is not depreciated

Buildings 2% per annum

Short leasehold improvements equally over the lease period

Plant and equipment 15-33% per annum

Fixtures and fittings 20-33% per annum

Annual reviews are performed on the expected useful lives and estimated residual values of the individual assets. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with their carrying amount and are included in the consolidated income statement.

Financial instruments

The Group has adopted both IAS32, Financial Instruments: Disclosure and Presentation and IAS 39, Financial Instruments: Recognition and Measurement.

Financial assets and liabilities are recognized on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Operating leases

Costs in respect of operating leases are charge to the Group income statement on a straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

Hire purchase contracts

Assets obtained under hire purchase contracts, which transfer to the Group substantially all of the risks and rewards of ownership of the assets are capitalised as property, plant and equipment and depreciated over their estimated useful life. Obligations under such contracts are included in financial liabilities net of finance charges allocated to future periods. The interest element is charged to the Consolidated income statement.

Foreign currencies

Transactions in foreign currencies are recorded at the date of exchange at the date of the transaction. Assets and liabilities expressed in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date.

The results of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Any exchange differences arising on opening net assets are taken directly to reserves.

All other foreign exchange differences are taken to the Consolidated Income Statement.

Investments

Investments are stated at cost less provision for impairment.

Pensions

Certain subsidiaries of the Company operate defined contribution schemes for their employees and directors. The assets of the schemes are held separately from those of the Group. The annual contributions are charged to the Consolidated Income statement. The Company provides no other post-retirement benefits to its employees and directors.

Share based payments

The Group grants share options to directors, employees and certain consultants. Equity settled share based options are measured at fair value at the date of grant and expenses in line with the vesting conditions, based on the estimated number of options that will eventually vest. The fair value is measured using the Black Scholes model as there are no complex market performance criteria to be considered.

Inventories

Inventories are valued at the lower of cost and net realisable value. Provisions are made for obsolete, slow moving and defective stock where appropriate. Net realisable value is based on estimated selling price less further costs to completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2009**2. Critical accounting policies, judgements and estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Deferred taxation:

In the preparation of the financial statements, the Group estimates the income taxes as well as any deferred taxes based on temporary differences. Deferred tax assets relating to tax loss carry-forwards and temporary differences are recognised in those cases when future taxable income is expected to permit the recovery of those tax assets. Changes in assumptions in the projections of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes.

Goodwill and intangibles:

The measurement and impairment of indefinite life intangible assets (including goodwill) are key sources of estimation uncertainty that have a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year.

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the businesses to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate.

Share-based payments:

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the continuing participation of employees.

**NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 29 February 2008****3. SEGMENTAL ANALYSIS**

	Year ended 29 Feb 2008				Year ended 28 Feb 2007			
	Corporate £'000	Crest £'000	Ebiox £'000	Other £'000	Corporate £'000	Crest £'000	Ebiox £'000	Other £'000
Revenue	-	6,671	620	-	-	12,228	146	293
Gross profit	-	2,657	283	-	-	5,241	146	131
Operating loss before exceptional items	(1,013)	(1,674)	(402)	(31)	(1,203)	(579)	(372)	(178)

4. REVENUE ANALYSIS

An analysis of revenue type is given below:

	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
Product revenue	7,291	12,667

An analysis of revenue by geographical destination is given below:

	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
United Kingdom	6,577	10,418
Continental Europe	490	1,079
North America	87	166
Far East	46	523
Middle East	91	437
Rest of World	-	44
	7,291	12,667

5. NET OPERATING EXPENSES - EXCEPTIONAL

	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
Impairment of goodwill on acquisition	13,664	-
Compensation for loss of office	-	293
Reorganisation costs	816	1,593
Write down of Ridgecrest Healthcare Group Inc.	-	762
Writedown of investment in ValiRx plc and Cancer Therapeutics Inc.	376	-
Amortisation adjustment in respect of Alpha Trading (Asia) Limited	-	35
Stock writedown	319	-
Loss on disposal of Alpha Trading (Asia) Limited	17	-
Profit on CICS disposal	(321)	-
Amortisation of goodwill	-	(1,300)
FRS 20 share option charge	-	305
	14,871	1,688

NOTES TO THE FINANCIAL STATEMENTS For the 12 months ended 29 February 2008

6. EARNINGS PER SHARE

The basic loss earnings per share has been calculated by dividing the loss for the period/year, by the weighted average number of shares in existence for the period/year.

The loss and weighted average number of shares for the purpose of calculating the diluted loss per share and identical to those used for the loss per share at 29 February 2008 and 28 February 2007 as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive.

	Year ended 29 Feb 2008	Year ended 28 Feb 2007
BASIC AND DILUTED EPS		
Net Loss (£'000)	(18,201)	(4,131)
Weighted average number of shares	308,486,011	213,698,645
Basic and diluted loss per share	(5.90)p	(1.93)p

7. FINANCIAL LIABILITIES - Current Liabilities

	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
Bank loans and overdrafts	349	2,084
Net obligations under hire purchase contracts	15	11
	364	2,095

NOTES TO THE FINANCIAL STATEMENTS For the 12 months ended 29 February 2008

8. FINANCIAL LIABILITIES - Non- Current Liabilities

	Year ended 29 Feb 2008 £'000	Year ended 28 Feb 2007 £'000
8% Convertible Unsecured Loan Stock	1,750	-
8% Loan Notes	500	-
	2,250	-

The issue of £1.75 million of Convertible Unsecured Loan Stock, with interest of 8% per annum and a five year final repayment date. The Company obtained shareholder approval at the General Meeting held on 29 February 2008 to permit such Loan Stock to be convertible into 140 million new ordinary shares in the Company at a conversion price of 1.25p each, should the holders elect to do so.

Options granted to the Loan Stock holders for an aggregate exercise price of up to £1.5 million in cash over up to 45% of the equity in the Company's wholly owned subsidiary, Ebiox Limited ("Ebiox"). This implies a valuation of Ebiox of £3.33 million.

Options granted to the Loan Stock holders for an aggregate exercise price of up to £750,000 in cash over up to 51% of the equity in the Company's wholly owned subsidiary, Reproductive Sciences Limited ("RSL"), (which is proposed to be the holding company for the Company's 19.8% holding in Fertiligent Limited ("Fertiligent"), HCEG's option to acquire the majority of Fertiligent, and HCEG's entitlement to Fertiligent's associated sales and marketing rights). This implies a valuation of RSL of £1.47 million.

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

9. RECONCILIATIONS OF MOVEMENTS IN EQUITY

	Equity Share Capital	Retained Earnings	Minority Interests
	£'000	£'000	£'000
At 1 March 2006	42,431	(22,249)	64
Total recognised income and expense	-	(4,189)	-
Shares issued net of issue costs	6,200	-	-
Minority interest	-	-	(7)
At 28 February 2007	48,631	(26,438)	57
Total recognised income and expense	-	(18,211)	-
Shares issued net of issue costs	87	-	-
Cost of issuing debt	(51)	-	-
Minority Interest	-	-	9
At 29 February 2008	48,667	(44,649)	66

10. TRANSITION TO IFRS

Application of IFRS 1 - First Time Adoption of IFRS

For all periods up to and including the year ended 28 February 2007, the Group prepared its financial statements in accordance with UK GAAP.

The Group's financial statements for the 12 months ended 28 February 2008 will be first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in note 1 and in accordance with the accounting policies outlined in note 1. The Group's date of transition to IFRS is 1 March 2006 and all comparative information in the financial statements is restated to reflect the Group's adoption of IFRS except where otherwise required or permitted under IFRS 1.

In preparing these interim financial statements in accordance with IFRS 1, the Group has taken advantage of certain optional exemptions from full retrospective application of IFRS as detailed below.

a) Business combinations

IFRS 3 'Business Combinations' has not been applied to acquisitions of subsidiaries that occurred before 1 March 2006;

b) Cumulative translation differences

Cumulative foreign exchange translation differences have been set to zero as at the date of 1 March 2006;

An explanation of the effect of how the transition from UK GAAP to IFRS has affected the Group's financial position is set out in the following notes.

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

10. Reconciliation of UK GAAP balance sheet to IFRS balance sheet at 1 March 2006 (unaudited)

	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Goodwill	21,250	-	21,250
Other intangible assets	683	-	683
Property, plant and equipment	545	-	545
Other investments	1,538	-	1,538
	24,016	-	24,016
Current assets			
Inventories	2,096	-	2,096
Trade and other receivables	3,181	-	3,181
Cash and short term deposits	489	-	489
	5,766	-	5,766
Total assets	29,782	-	29,782
Current liabilities			
Trade and other payables	(4,387)	-	(4,387)
Financial liabilities	(1,219)	-	(1,219)
	(5,606)	-	(5,606)
Non-current liabilities			
Trade and other liabilities	(2,827)	-	(2,827)
Financial liabilities	-	-	-
Deferred shares	(746)	-	(746)
Warrants issued	(357)	-	(357)
	(3,930)	-	(3,930)
Total liabilities	(9,536)	-	(9,536)
Net assets	20,246	-	20,246
Capital and reserves			
Equity			
Share capital	4,298	-	4,298
Share premium account	39,078	-	39,078
Shares to be issued	620	-	620
Merger reserve	(2,293)	-	(2,293)
Other reserves	728	-	728
Share option reserve	-	-	-
	42,431	-	42,431
Retained Earnings	(22,249)	-	(22,249)
Minority interests	64	-	64
Total equity	20,246	-	20,246

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

11. Reconciliation of UK GAAP balance sheet to IFRS balance sheet at 28 February 2007 (unaudited) (date of last UK GAAP Financial Statements)

	UK GAAP in IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Goodwill	20,959	-	20,959
Other intangible assets	843	-	843
Property, plant and equipment	428	-	428
Other investments	682	-	682
	22,912	-	22,912
Current assets			
Inventories	1,834	-	1,834
Trade and other receivables	3,311	-	3,311
Cash and short term deposits	690	-	690
	5,835	-	5,835
Total assets	28,747	-	28,747
Current liabilities			
Trade and other payables	(2,977)	-	(2,977)
Financial liabilities	(2,095)	-	(2,095)
Income tax payable	(289)	-	(289)
	(5,361)	-	(5,361)
Non-current liabilities			
Trade and other liabilities	(33)	-	(33)
Financial liabilities	-	-	-
Deferred shares	(746)	-	(746)
Warrants issued	(357)	-	(357)
	(1,136)	-	(1,136)
Total liabilities	(6,497)	-	(6,497)
Net assets	22,250	-	22,250
Capital and reserves			
Equity			
Share capital	7,555	-	7,555
Share premium account	42,065	-	42,065
Shares to be issued	271	-	271
Merger reserve	(2,293)	-	(2,293)
Other reserves	728	-	728
Share option reserve	305	-	305
	48,631	-	48,631
Retained earnings	(26,438)	-	(26,438)
Minority interests	57	-	57
Total equity	22,250	-	22,250

NOTES TO THE FINANCIAL STATEMENTS

For the 12 months ended 29 February 2008

12. Reconciliation of UK GAAP balance sheet to IFRS balance sheet at 29 February 2008(unaudited)

	UK GAAP in IFRS format	Effect of transition to IFRS	IFRS
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	£'000	£'000	£'000
Non-current assets			
Goodwill	7,370	-	7,370
Other intangible assets	768	-	768
Property, plant and equipment	312	-	312
Other investments	355	-	355
	8,805	-	8,805
Current assets			
Inventories	759	-	759
Trade and other receivables	1,180	-	1,180
Cash and short term deposits	106	-	106
	2,045	-	2,045
Total assets	10,850	-	10,850
Current liabilities			
Trade and other payables	(3,014)	-	(3,014)
Financial liabilities	(364)	-	(364)
	(3,378)	-	(3,378)
Non-current liabilities			
Trade and other liabilities	(35)	-	(35)
Financial liabilities	(2,250)	-	(2,250)
Deferred shares	(746)	-	(746)
Warrants issued	(357)	-	(357)
	(3,388)	-	(3,388)
Total liabilities	(6,766)	-	(6,766)
Net assets	4,084	-	4,084
Capital and reserves			
<i>Equity</i>			
Share capital	7,913	-	7,913
Share premium account	42,014	-	42,014
Shares to be issued	-	-	-
Merger reserve	(2,293)	-	(2,293)
Other reserves	728	-	728
Share option reserve	305	-	305
	48,667	-	48,667
Retained earnings	(44,649)	-	(44,649)
Minority interests	66	-	66
Total equity	4,084	-	4,084

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