

FUTURA MEDICAL PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2003**

Company Registration Number 04206001 (England and Wales)



FUTURA MEDICAL PLC

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Directors

J H Barder
A L Clayden
D B Davies

R Drury
Dr W D Potter

Secretary and registered office

Anthony Clayden
Surrey Technology Centre
40 Occam Road
Guildford
Surrey
GU2 7YG

Company number

04206001

Auditors

BDO Stoy Hayward, Kings Wharf, 20-30 Kings Road, Reading,
Berkshire RG1 3EX

FUTURA MEDICAL PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2003

The Directors present their report together with the audited financial statements for the year ended 31 January 2003.

Principal activities

The principal activity of the group is the research, development, production and sale of pharmaceutical products.

Review of business and research and development

During the year the company successfully raised £617,500 before expenses through a private placing of shares on 29th July 2002. These funds have been used to provide working capital for further research and development.

The results for the year are set out in the profit and loss account on page 6.

During the year, the subsidiary company Futura Medical Developments Limited has continued to incur research and development expenditure which has been written off as incurred. The continuing emphasis on cost control and focus on product development is reflected in an increased spend on research and development and an overall reduction in total expenditure.

Future developments

As well as continuing its existing research and development program, the group plans to identify and find new opportunities for potential products to add to its portfolio.

Research and development activities

The main area of research and development continues to be in the field of sexual health.

Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 January 2003 (2002 - £Nil).

Directors

The directors of the company during the year were:

Executive Directors

J H Barder
A L Clayden
D B Davies
C A Kemp (Resigned 08/02/2002)

Non Executive Directors

R Drury
Dr W D Potter
A L Staveley (Resigned 07/05/2003)
Dr R Pruijm (Resigned 12/06/2002)

FUTURA MEDICAL PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £0.002 each			
	31 January 2003		1 February 2002	
	Beneficial Interests	Other interests	Beneficial interests	Other interests
J H Barder	236,997	314,500	236,997	314,500
R Drury	10,000	-	-	-
D B Davies	15,152	-	15,152	-

Other than shown in the table above, no director had any interest in the shares of the company or any other group companies at 31st January 2003.

The directors' interests in share options to acquire further shares in the company are set out in Note 14 of the financial statements.

No options were exercised during the year.

Supplier payment policy

The group's policy concerning the payment of its trade creditors is to:

- (a) advise each supplier of the terms of payment operated by the group when negotiating transactions;
- (b) ensure that those suppliers are made aware of the terms of payment in contracts where applicable and on all purchase orders provided in support of all purchases;
- (c) pay in accordance with the agreed terms all properly submitted purchase invoices.

The payment policy applies to all payments to creditors and usually involves payment on a net monthly basis. However it is group policy to prepay for training courses and flights, which often require shortened payment terms.

The average credit period (expressed as creditor days) during the year was 55 days (2002 - 42 days) for the group. At the year end the company had no creditors giving rise to the average credit period of nil days (2002 - 98 days).

Directors' responsibilities

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 group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

FUTURA MEDICAL PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements will be published on the company'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 company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

BDO Stoy Hayward were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Anthony Clayden
Secretary

Date: 10 June 2003

FUTURA MEDICAL PLC

INDEPENDENT AUDITORS' REPORT

To the shareholders of Futura Medical plc

We have audited the financial statements of Futura Medical Plc for the year ended 31 January 2003 on pages 6 to 18 which have been prepared under the accounting policies set out on pages 10 and 11.0

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

FUTURA MEDICAL PLC

INDEPENDENT AUDITORS' REPORT *(Continued)*

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 January 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
Reading

Date: 10 June 2003

FUTURA MEDICAL PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2003

	Note	2003 £	2002 £
Research and development costs		(810,754)	(682,902)
Other administrative expenses		(485,322)	(660,416)
Operating loss	2	<u>(1,296,076)</u>	<u>(1,343,318)</u>
Other interest receivable and similar income	5	59,534	22,163
Interest payable and similar charges	6	(714)	(28,872)
Loss on ordinary activities before taxation		<u>(1,237,256)</u>	<u>(1,350,027)</u>
Tax on loss on ordinary activities	7	152,175	100,000
Loss on ordinary activities after taxation	18	<u>(1,085,081)</u>	<u>(1,250,027)</u>

All amounts relate to continuing activities.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 10 to 18 form part of these financial statements

FUTURA MEDICAL PLC

BALANCE SHEETS AS AT 31 JANUARY 2003

		Group		Company	
	Note	2003 £	2002 £	2003 £	2002 £
Fixed Assets					
Tangible assets	8	32,228	43,286	-	-
Investments	9	-	-	60,724	60,724
		<u>32,228</u>	<u>43,286</u>	<u>60,724</u>	<u>60,724</u>
Current Assets					
Debtors - due within one year	10	223,151	174,968	21,062	58
- due after more than one year	10	-	-	2,186,409	1,130,619
		<u>223,151</u>	<u>174,968</u>	<u>2,207,471</u>	<u>1,130,677</u>
Cash at bank and in hand		<u>1,511,319</u>	<u>2,042,741</u>	<u>1,510,514</u>	<u>1,990,422</u>
		<u>1,734,470</u>	<u>2,217,709</u>	<u>3,717,985</u>	<u>3,121,099</u>
Creditors: amounts falling due within one year	11	<u>(234,896)</u>	<u>(262,213)</u>	<u>(4,586)</u>	<u>(75,657)</u>
Net current assets		<u>1,499,574</u>	<u>1,955,496</u>	<u>3,713,399</u>	<u>3,045,442</u>
Total assets less current liabilities		<u>1,531,802</u>	<u>1,998,782</u>	<u>3,774,123</u>	<u>3,106,166</u>
Provision for liabilities and charges	12	<u>(12,416)</u>	<u>-</u>	<u>(12,416)</u>	<u>-</u>
Net assets		<u>1,519,386</u>	<u>1,998,782</u>	<u>3,761,707</u>	<u>3,106,166</u>
Capital and reserves					
Called up share capital	13	83,194	80,724	83,194	80,724
Share premium account	17	3,621,427	3,018,212	3,621,427	3,018,212
Other reserves	15	1,152,165	1,152,165	-	-
Profit and loss account	16	<u>(3,337,400)</u>	<u>(2,252,319)</u>	<u>57,086</u>	<u>7,230</u>
Equity shareholders' funds	18	<u>1,519,386</u>	<u>1,998,782</u>	<u>3,761,707</u>	<u>3,106,166</u>

The financial statements on pages 6 to 18 were approved by the Board on 10 June 2003

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J H Barder
Director

The notes on pages 10 to 18 form part of these financial statements

FUTURA MEDICAL PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2003

	Note	2003 £	2003 £	2002 £	2002 £
Net cash outflow from operating activities	1		(1,265,974)		(1,261,481)
Returns on investments and servicing of finance					
Interest received		50,888		22,163	
Interest paid		(714)		(45,219)	
Net cash inflow/(outflow) from returns on Investments and servicing of finance			50,174		(23,056)
Corporation Tax					
Research and development tax credit received		153,876		-	
			153,876		-
Capital expenditure					
Payments to acquire tangible assets		(2,776)		(50,155)	
Net cash outflow from capital expenditure			(2,776)		(50,155)
Net cash outflow before use of liquid resources and financing			(1,064,700)		(1,334,692)
Management of liquid resources					
Decrease/(Increase) in short term deposits			483,411		(1,989,306)
Financing					
Issue of ordinary shares		617,500		3,803,500	
Expenses paid in connection with share issues		(84,222)		(189,381)	
Increase in shareholder loans		-		150,000	
Repayment of shareholder loans		-		(676,549)	
Net cash inflow from financing			533,278		3,087,570
(Decrease)/Increase in net cash	2		(48,011)		236,428

The notes on page 9 form part of this cash flow statement

FUTURA MEDICAL PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2003

1 Reconciliation of operating loss to net cash outflow from operating activities

	2003 £	2002 £
Operating loss	(1,296,076)	(1,343,318)
Depreciation	13,575	8,743
Loss on sale of fixed assets	259	-
Increase in debtors	(28,822)	(30,535)
Increase in creditors	45,090	103,629
Net cash outflow from operating activities	<u>(1,265,974)</u>	<u>(1,261,481)</u>

2 Analysis of net cash

	At 1 February 2002	Cash flow	At 31 January 2003
Cash at bank and in hand	53,435	(48,011)	5,424
Other liquid resources	1,989,306	(483,411)	1,505,895
	<u>2,042,741</u>	<u>(531,422)</u>	<u>1,511,319</u>

3 Reconciliation of net cash flow to movement in net funds

	2003 £	2002 £
(Decrease)/Increase in cash in the period	(48,011)	(236,428)
Cash outflow from decrease in debt	-	526,549
Cash (inflow)/outflow from changes in liquid resources	(483,411)	1,989,306
Movement in net funds in the year	(531,422)	2,279,427
Net funds/(debt) at start of year	2,042,741	(236,686)
Net funds at end of year	<u>1,511,319</u>	<u>2,042,741</u>

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

Based on the company's cashflow projections and forecasts for the period ending 12 months from the date of approval of these financial statements the directors consider that the company will continue to operate and meet all of its committed expenditure and debts as they fall due. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards. The following principle accounting policies have been applied:

In preparing these financial statements the company has adopted FRS 19 – Deferred Tax for the first time. The adoption of FRS 19 has had no impact on the results of the company.

1.3 Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiary, Futura Medical Developments Limited, for the year ended 31 January 2003.

Under the provisions of Financial Reporting Standard 6, Acquisitions and Mergers, these consolidated accounts are prepared using merger accounting.

The consolidated profit and loss account includes the results of the subsidiary for the year and the subsidiary's reserves have been credited to group reserves. All intra-group sales and profit are eliminated on consolidation.

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The company made a profit of £49,856 for the year. (2002 - £7,230).

1.4 Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- The project is clearly defined and related expenditure is separately identifiable;
- The project is technically feasible and commercially viable;
- Current and future costs are expected to be exceeded by future sales; and
- Adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over the period in which economic benefit is expected to arise commencing in the year the group starts to benefit from the expenditure.

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% Straight line
Fixtures, fittings & equipment	25% Straight line

1.6 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.8 Pension costs

Company contributions to personal pension schemes are charged to the profit and loss account in the year in which they become payable.

1.9 Share based employee remuneration

When shares and share options are granted to employees a charge is made to the group profit and loss account and a reserve created in capital and reserves to record the fair value of the awards in accordance with UITF Abstract 17 "Employee Share Schemes". No charge has been made as all options were issued at fair value.

1.10 National insurance on share options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted after 19 May 2000, provision for any National Insurance contribution has been made based on the prevailing rate of National Insurance.

1.11 Liquid resources

For the purpose of the cash flow statement liquid resources are defined as short term money market deposits and notice accounts.

2 Operating loss

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	13,575	8,743
Loss on sale of fixed assets	259	-
Auditors' remuneration		
- Audit services	8,536	7,750
- Tax services	3,619	-
	<u>12,413</u>	<u>8,743</u>

The audit services relating to the company amount to £3,000 (2002 - £3,000)

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

3 Wages and salaries

The average monthly number of persons employed by the group during the year which include directors, and their aggregate emoluments are shown below:

	2003	2002
	No.	No.
Management and administration	8	6
The costs incurred in respect of those employed were:		
	£	£
Wages and salaries	380,437	295,518
Social security costs	40,540	31,363
Other pension costs	22,560	19,292
	<u>443,537</u>	<u>346,173</u>

4 Directors' emoluments

	2003	2002
	£	£
Directors		
Aggregate emoluments	312,572	267,505
Compensation for loss of office	30,000	-
Company pension contributions	19,000	17,792
	<u>341,572</u>	<u>285,297</u>

Emoluments disclosed above include the following amounts paid to the highest director:

	2003	2002
	£	£
Aggregate emoluments	117,656	105,782
Company pension contributions to money purchase scheme	10,500	7,167

During the year consultancy services totalling £24,000 (2002 - £Nil) were charged to the group by C A Kemp who resigned as a director on 8 February 2002. This amount is not included in the figures above.

During the year 1 (2002- 1) director participated in private money purchase pension schemes.

5 Other interest receivable and similar income

	2003	2002
	£	£
Bank interest receivable	59,534	22,163

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

6 Interest payable and similar charges

	2003 £	2002 £
On shareholder loans	-	27,820
Bank interest and similar charges	714	1,052
	<u>714</u>	<u>28,872</u>

7 Taxation

	2003 £	2002 £
<i>Current tax</i>		
UK corporation tax on profits for the year	(128,297)	(123,878)
Underprovision in prior year	(23,878)	23,878
	<u>(152,175)</u>	<u>(100,000)</u>
Taxation on loss on ordinary activities	(152,175)	(100,000)
	<u>(152,175)</u>	<u>(100,000)</u>

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Loss on ordinary activities before tax	(1,237,256)	(1,350,027)
	<u>(1,237,256)</u>	<u>(1,350,027)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20% (2001 – 20%)	(247,451)	(270,005)
Expenses not deductible for tax purposes	206	5,385
Difference between depreciation and capital allowances	1,580	(4,746)
Unutilised tax losses	138,751	114,519
Additional relief attaching to R&D tax claim	(21,383)	30,969
Adjustment to tax charge in respect of previous periods	(23,878)	-
Underprovision in current year	-	23,878
	<u>(152,175)</u>	<u>(100,000)</u>
Current tax charge for the year	(152,175)	(100,000)
	<u>(152,175)</u>	<u>(100,000)</u>

The group has tax losses of approximately £2,200,000 (2002 - £1,500,000) available for offset against future taxable profits.

Deferred tax assets amounting to £440,683 (2002 - £301,422) have not been recognised on the basis that their future economic benefit is not certain. The deferred tax asset comprises:

	2003 £	2002 £
Accelerated capital allowances	(3,373)	(5,004)
Other short term timing differences	2,983	3,888
Unutilised tax losses	441,320	302,568
	<u>440,930</u>	<u>301,422</u>
	<u>440,930</u>	<u>301,422</u>

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

8 Tangible fixed assets

Group	Plant and machinery £	Fixtures fittings, and equipment £	Total £
Cost			
At 1 February 2002	22,121	31,864	53,985
Additions	982	1,794	2,776
Disposals	-	(1,298)	(1,298)
At 31 January 2003	23,103	32,360	55,463
Depreciation			
At 1 February 2002	4,473	6,226	10,699
Disposals	-	(1,039)	(1,039)
Charge for year	5,314	8,261	13,575
At 31 January 2003	9,787	13,448	23,235
Net book value			
At 31 January 2003	13,316	18,912	32,228
At 31 January 2002	17,648	25,638	43,286

All fixed assets of the group are held in Futura Medical Developments Limited.

9 Fixed asset investments

Company	Shares in subsidiary undertakings £
Cost and net book value at 1 February 2002	60,724
Additions	-
Cost and net book value at 31 January 2003	60,724

Interests in group undertakings

Subsidiary undertaking	Description of shares held	Proportion of nominal value of issued shares held and voting rights
Futura Medical Developments Limited	Ordinary £1 shares	100%

The above company is incorporated in England and Wales, and is included in the consolidated accounts. Futura Medical Developments Limited undertakes research, development, production and sale of pharmaceutical products.

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

10 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts receivable within one year:				
Corporation tax repayable	128,297	129,998	-	-
Other debtors	55,114	34,118	12,416	58
Prepayments and accrued income	39,740	10,852	8,646	-
	<u>223,151</u>	<u>174,968</u>	<u>21,062</u>	<u>58</u>
Amounts receivable after more than one year:				
Amounts owed by subsidiary	-	-	2,186,409	1,130,619
	<u>-</u>	<u>-</u>	<u>2,186,409</u>	<u>1,130,619</u>

11 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade creditors	145,638	164,009	-	72,407
Taxation and social security	13,311	17,115	-	-
Accruals and deferred income	75,947	81,089	4,586	3,250
	<u>234,896</u>	<u>262,213</u>	<u>4,586</u>	<u>75,657</u>

12 Provision for liabilities and charges

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
National Insurance on share options	12,416	-	12,416	-
	<u>12,416</u>	<u>-</u>	<u>12,416</u>	<u>-</u>

The eventual liability to National Insurance is dependent on the following factors:

- The market price of the company's shares at the date of exercise;
- The number of options that will be exercised; and
- The prevailing rate of National Insurance at the date of exercise.

The eventual liability to National Insurance is expected to be recovered from the option holders in accordance with the terms of the option agreements. Accordingly, a corresponding asset is shown in other debtors (note 10).

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

13 Share capital

	2003	2002	Authorised 2003 £	2002 £
Ordinary shares of 0.2 pence each	500,000,000	500,000,000	1,000,000	1,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2003	Allotted, called up and fully paid 2002	2003 £	2002 £
Ordinary shares of 0.2 pence each	41,597,000	40,362,000	83,194	80,724
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 29th July 2002 the company issued 1,235,000 ordinary shares of 0.2 pence each through a private placing at 50 pence each. The shares were issued at a premium of £615,030.

14 Share options

Mr J H Barder, Mr A L Clayden and Mr D B Davies, being directors of the company during the year, became entitled whilst directors to purchase the number of shares shown below at the option prices stated under an Enterprise Management Incentive Scheme. The Enterprise Management Initiative Scheme options were granted on 5 March 2002.

The options granted over 0.2 pence ordinary shares were as follows:

Exercise price Per share	A L Clayden	D B Davies	J H Barder	Total options granted
33 pence	500,000	1,000,000	-	1,500,000
53 pence	-	-	250,000	250,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	500,000	1,000,000	250,000	1,750,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Mr R Drury, Dr W D Potter, A L Staveley and Dr R Pruijm, being directors of the company during the year, became entitled whilst directors to purchase the number of shares shown below at the option prices stated under a Pre-IPO Scheme. The Pre-IPO Scheme options were granted on 21 March 2002.

The options granted over 0.2 pence ordinary shares were as follows:

Price Per share	R Drury	Dr W D Potter	A L Staveley	Dr R Pruijm	Total options granted
33 pence	100,000	250,000	100,000	15,000	465,000
53 pence	-	125,000	-	-	125,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	100,000	375,000	100,000	15,000	590,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All options can be exercised during the period 1 February 2004 until 31 January 2006 or such later date as the Board may grant.

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

15 Other Reserves

Other reserves represents the reserve arising on the acquisition of Futura Medical Developments Limited on 6th June 2001 via a share for share exchange accounted for as a Group reconstruction using merger accounting.

16 Profit and loss account

	Group £	Company £
Profit and loss account brought forward	(2,252,319)	7,230
(Loss)/profit for the year	<u>(1,085,081)</u>	<u>49,856</u>
Profit and loss account carried forward	<u><u>(3,337,400)</u></u>	<u><u>57,086</u></u>

17 Share premium

	Group & company £
At 1 February 2002	3,018,212
Premium on shares issued during the year	615,030
Less: share issue costs	<u>(11,815)</u>
At 31 January 2003	<u><u>3,621,427</u></u>

18 Reconciliation of movements in shareholders' funds

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
(Loss)/profit for the financial year	(1,085,081)	(1,250,027)	49,856	7,230
Net proceeds from issue of shares	<u>605,685</u>	<u>3,038,212</u>	<u>605,685</u>	<u>3,098,936</u>
Net (reduction)/addition to shareholders' funds	(479,396)	1,788,185	655,541	3,106,166
Opening shareholders funds	<u>1,998,782</u>	<u>210,597</u>	<u>3,106,166</u>	<u>-</u>
Closing shareholders' funds	<u><u>1,519,386</u></u>	<u><u>1,998,782</u></u>	<u><u>3,761,707</u></u>	<u><u>3,106,166</u></u>

FUTURA MEDICAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

19 Related party transactions

During the period the company lent Futura Medical Developments Limited, its wholly owned subsidiary, £1,055,790 (2002: £1,267,500). At the balance sheet date the amount owed by Futura Medical Developments Limited amounted to £2,186,409 (2002: £1,130,169).

Dr W D Potter, a director of the company, provides consulting services to Futura Medical Developments Limited through Stapleford Scientific Services and more recently Stapleford Scientific Services Limited. Of the total fees and expenses invoiced by these businesses of £38,197 (2002: £19,056), the amount outstanding at 31 January 2003 to Stapleford Scientific Services Limited was £4,777 (2002: £2,063). There was no amount outstanding at 31 January 2003 to Stapleford Scientific Services.

R D Drury, a director of the company, provides consulting services to Futura Medical Developments Limited through Swan Lane Limited. Of the total fees and expenses invoiced of £12,840 (2002: £nil), there was no amount outstanding at 31 January 2003.

20 Ultimate controlling party

The directors do not believe there to be an ultimate controlling party.