



FUTURA

MEDICAL PLC

INTERIM REPORT

2003

FUTURA MEDICAL PLC Interim Report for the six months ended 31 July 2003

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INTERIM STATEMENT

Chairman and Chief Executive Joint Interim Statement

The six months to the end of July was a period of significant transformation for Futura Medical plc ("Futura" or the "Company") leading to both the Introduction of Futura to the Alternative Investment Market ("AIM") on 22 July 2003 as well as a successful private placement immediately preceding this, which raised £1.7 million.

In addition development continues apace with the completion of the Phase II double-blind, placebo controlled, escalating-dose study for MED2001 and the signing of a global distribution agreement for CSD500 with LRC Products Limited, (a wholly owned subsidiary of SSL International plc, the distributors of the Durex™ brand condom range).

Company Matters – Financial update

Both Richard Drury and Amanda Staveley stepped down from the Board due to their other business commitments and in the knowledge of the increasing workload from Futura following our Introduction to AIM. We would like to take this opportunity to thank them for their contribution to the Board over the past two years.

In their place we welcomed both Jonathan Freeman, a former director of Beeson Gregory and current partner of Gambit Corporate Finance with over 10 years experience in corporate finance and Andrew Slater, a former main board director of SSL International plc with over 20 years of international healthcare marketing experience.

We continue to focus on maintaining a tight control on expenditure. Our overall loss for the six months ended 31 July 2003 of £966,334 includes AIM Admission costs of £351,299 (36% of the loss). The balance of operating loss of £615,035 is broadly in line with the prior year. Overall costs continue to be within our internal budgets. Cash at the end of July 2003 was in excess of £2 million.

The Board recently approved a change in our financial year-end, which will now be 31 December as opposed to 31 January. The next set of full financial statements will therefore be for the 11 months ending 31 December 2003. The next Interim statement will be for the 6 months ending 30 June 2004.

Product Development

MED2001 – Eroxon™
Treatment for Erectile Dysfunction

Following the completion of our Phase II double-blind, placebo controlled, escalating-dose ranging study we are pleased to report a good safety profile for the product.

The study was conducted to the standards of Good Clinical Practice, as defined by the International Committee on Harmonisation by internationally renowned and experienced investigators who had conducted previous clinical trials of other drugs for the treatment of erectile dysfunction ("ED"). 67 subjects with an average age of 48 years and average disease duration of two years were recruited. All subjects were diagnosed as suffering from mild to moderate ED (based on medically accepted diagnostic criteria) from psychogenic, organic or "mixed" origins.

The primary purpose of this study was to assess safety on a dose-escalating basis and we were pleased to say that MED2001 was well tolerated. The systemic adverse events, which were mostly mild and moderate headaches in some subjects, were in line with expectations and suggested a dose-related response. Local tolerability was also good.

A secondary objective of the study was to determine if a dose related efficacy response could be seen. Analysis is still ongoing and although some dose related trends against placebo were seen these trends did not achieve statistical significance. This was in part due to the large degree of inter

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and intra subject variability taken together with an unexpectedly high placebo response of nearly 60% and the limited size of the study. All ED studies show a significant placebo response, typically 30%, which is partly attributed to the psychogenic issues surrounding ED sufferers. The mode of application of MED2001 (a cream being massaged directly onto the glans of the penis) versus taking a pill is thought to have contributed to this unexpectedly high placebo effect. Analysis of the efficacy data using more appropriate statistical techniques to accommodate the large inter and intra subject variability is continuing.

The phase III clinical trial program will recruit larger patient numbers. This is the phase of development where we would expect to generate statistically significant results on efficacy. Given our experience from the Phase II study close attention will be given to the study design and methods of analysis to manage the placebo response and minimise the impact on the study conclusions.

In the past few weeks we have conducted a rigorous review of all our clinical studies using appropriate external advisers. In light of this review we have recently modified our regulatory strategy to seek to license MED2001 as a pharmacy line product rather than a prescription only medicine within the EU. ED is understandably considered an embarrassing condition, although the publicity surrounding the launch and promotion of Viagra™ and more recently Levitra™ has increased public awareness and acceptability of ED. Nevertheless it is widely recognised that only around one in five men will go to his General Practitioner to seek treatment for ED. We believe that MED2001, as potentially the first ethical 'over the counter' treatment within the EU will considerably help address the embarrassment problem faced by many ED sufferers. It could also have the added advantage of removing the issues facing many governments over the state funding of what is considered by some to be 'lifestyle' medication.

Our patent applications for MED2001 continue with the patent now granted in 22 territories.

It has always been our strategy to seek distribution agreements with pharmaceutical distributors once we are at an advanced stage of development with a particular product, thereby maximising the potential royalty stream to the Company. We have been able to adopt this strategy due to the loyalty and financial support of our shareholders. Over the past years we have received significant interest from a number of pharmaceutical groups interested in distribution rights for MED2001 in some 30 different territories throughout the world. Until recently we have deliberately deferred serious discussions for the reasons already outlined however we will be working closely with a number of these companies over the next few months with a view to concluding distribution agreements and finalising the necessary development work as we move into the final stages of the completion of the MED2001 dossier.

While both pharmaceutical development and commercial negotiation can proceed slowly, we would hope to report to shareholders further progress by the end of the year.

CSD500 - Zanifil™ *Condom safety device*

Early in the year we signed a global distribution agreement with the world's largest branded condom manufacturer and distributor, SSL International plc (makers of the Durex™ condom range) for the lifetime of the patents. The precise terms of the agreement are commercially sensitive and therefore must remain confidential. The non-confidential details were disclosed in our AIM Admission document at the time of our Introduction to AIM. We are delighted to have signed a distribution with such a powerful brand, which should generate significant revenue for the Company once CSD500 is licensed.

Completion of the EU dossier continues with an anticipated submission in 2004. The approval process in other non-EU territories will be facilitated once approval has been given within the EU. Nevertheless discussions have already commenced with the FDA and we will be working closely in collaboration with the FDA to achieve regulatory approval within the United States.

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FLD500

Female lubrication device

The protocol for a proof of concept study, largely to determine a safe and well tolerated dose, on 10 female subjects has recently been submitted to the necessary authorities for ethical approval. Once this is granted we anticipate the study commencing at the Porterbrook clinic in Sheffield.

Conclusion

The mandate from our shareholders has always been to seek to develop and license MED2001 and CSD500. One of the reasons for listing Futura on AIM was to increase the public profile of Futura in order to identify potential product distributors and also new development opportunities. As both CSD500 and MED2001 progress to the more advanced stage of their development we emphasise our continuing interest in identifying and developing other pharmaceutical drugs or devices. They should be related to sexual health and well being and be able to justify commercially their development costs.

Finally what has been summarised in this report does little justice to the amount of work undertaken not only by the staff of Futura but also by our small army of extremely professional consultants and advisers, to whom we are extremely grateful.

Dr William D Potter
Non-Executive chairman

James H Barder
Chief Executive

FUTURA MEDICAL PLC

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited Six months ended 31 July 2003 £	Unaudited Six months ended 31 July 2002 £	Audited Year ended 31 January 2003 £
Research and development costs		(349,942)	(369,499)	(810,754)
AIM admission costs	2	(351,299)	-	-
Other administrative costs		(265,093)	(244,826)	(485,322)
Administrative expenses		(616,392)	(244,826)	(485,322)
Operating loss		(966,334)	(614,325)	(1,296,076)
Other interest receivable and similar income		20,290	30,081	59,534
Interest payable and similar charges		(362)	(505)	(714)
Loss on ordinary activities before taxation		(946,406)	(584,749)	(1,237,256)
Tax on loss on ordinary activities	3	58,786	77,505	152,175
Loss on ordinary activities after taxation and loss for the period	4	(887,620)	(507,244)	(1,085,081)
(Loss) per share – basic	5	(2.1)	(1.3)	(2.7)
(Loss) per share – full diluted	5	-	-	-

All amounts relate to continuing activities.

Statement of Total Recognised Gains and Losses

There were no recognised gains and losses in the period, or in the prior periods, other than those passing through the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

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CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 31 July 2003 £	Unaudited 31 July 2002 £	Audited 31 January 2003 £
Fixed Assets				
Tangible assets		25,470	38,471	32,228
		25,470	38,471	32,228
Current Assets				
Debtors		207,128	244,590	223,151
Cash at bank and in hand		2,046,433	1,475,711	1,511,319
		2,253,561	1,720,301	1,734,470
Creditors: amounts falling due within one year		(137,596)	(266,045)	(234,896)
Net current assets		2,115,965	1,454,256	1,499,574
Total assets less current liabilities		2,141,435	1,492,727	1,531,802
Provision for liabilities and charges		(37,894)	(12,416)	(12,416)
Net assets		2,103,541	1,480,311	1,519,386
Capital and reserves				
Called up share capital	6	88,051	80,724	83,194
Share premium account	7	5,088,345	3,006,985	3,621,427
Other reserves		1,152,165	1,152,165	1,152,165
Profit and loss account		(4,225,020)	(2,759,563)	(3,337,400)
Equity shareholders' funds	8	2,103,541	1,480,311	1,519,386

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CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited Six months ended 31 July 2003 £	Unaudited Six months ended 31 July 2002 £	Audited Year ended 31 January 2003 £
Net cash outflow from operating activities	9	(1,091,880)	(658,296)	(1,265,974)
Returns on investments and servicing of finance				
Interest received		27,284	30,081	50,888
Interest paid		(362)	(505)	(714)
Net cash inflow/(outflow) from returns on investments and servicing of finance		26,922	29,576	50,174
Corporation Tax				
Research and development tax credit received		128,297	29,998	153,876
		128,297	29,998	153,876
Capital expenditure				
Payments to acquire tangible assets		-	(2,174)	(2,776)
Net cash outflow from capital expenditure		-	(2,174)	(2,776)
Net cash outflow before use of liquid resources and financing		(936,661)	(600,896)	(1,064,700)
Management of liquid resources				
(Increase) / Decrease in short term deposits	10	(404,172)	541,086	483,411
Financing				
Issue of ordinary shares		1,700,000	-	617,500
Expenses paid in connection with share issues		(228,225)	(83,634)	(84,222)
Cash received pending share issue		-	117,500	-
Net cash inflow from financing		1,471,775	33,866	533,278
Increase / (Decrease) in net cash	10	130,942	(25,944)	(48,011)

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The Interim Report was approved by the Board of Directors on 19 September 2003.

The financial information contained in this Interim Report has been prepared on the basis of the accounting policies set out in the Group's audited accounts for the year ended 31 January 2003.

The financial information for the six months ended 31 July 2003 and for the six months ended 31 July 2002 is unaudited.

The financial information for the Group set out above does not constitute "statutory accounts" within the meaning of Section 240 of the Companies Act 1985. The information for the year ended 31 January 2003 has been extracted from the statutory accounts of Futura Medical plc for that year which received an unqualified audit report and have been delivered to the Registrar of Companies.

2. Introduction to the Alternative Investment Market of the London Stock Exchange

On 22 July 2003, Futura Medical plc listed by way of an Introduction to the Alternative Investment Market of the London Stock Exchange. Exceptional costs were incurred of £351,299 in respect of the listing and these are included with administrative expenses contributing to the operating loss.

3. Taxation

Taxation represents tax credits for certain research and development expenditure based on the expenditure incurred in the relevant period or year. Deferred tax assets have not been recognised on the basis that their future economic benefit is not certain.

4. Dividends

No dividends have been paid and none are proposed.

5. Loss per ordinary share

The calculation of the loss per ordinary share is based on a loss of £887,620 (six months to 31 July 2002: loss of £507,244; year to 31 January 2003: loss of £1,085,081) and on a weighted average of 41,731,175 shares in issue (six months to 31 July 2002: 40,362,000 shares; year to 31 January 2003: 40,730,808 shares).

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of Financial Reporting Standard 14.

6. Share capital

On 22 July 2003 the Company issued 2,428,571 ordinary shares of 0.2 pence each through a private placing at 70 pence each. The shares were issued at a premium of £1,695,143.

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. Share premium

	Unaudited Six months ended 31 July 2003 £	Unaudited Six months ended 31 July 2002 £	Audited Year ended 31 January 2003 £
Opening share premium	3,621,427	3,018,212	3,018,212
Premium on shares issued	1,695,143	-	615,030
Less: share issues costs	(228,225)	(11,227)	(11,815)
Closing share premium	5,088,345	3,006,985	3,621,427

8. Reconciliation of movements in shareholders' funds

	Unaudited Six months ended 31 July 2003 £	Unaudited Six months ended 31 July 2002 £	Audited Year ended 31 January 2003 £
Retained loss for the period	(887,620)	(507,244)	(1,085,081)
Net proceeds from issue of shares	1,471,775	(11,227)	605,685
Net addition/(reduction) in shareholders' funds	584,155	(518,471)	(479,396)
Opening shareholders' funds	1,519,386	1,998,782	1,998,782
Closing shareholders' funds	2,103,541	1,480,311	1,519,386

9. Reconciliation of operating profit to operating cashflows

	Unaudited Six months ended 31 July 2003 £	Unaudited Six months ended 31 July 2002 £	Audited Year ended 31 January 2003 £
Operating loss	(966,334)	(614,325)	(1,296,076)
Depreciation	6,758	6,730	13,575
Loss on sale of tangible fixed assets	-	259	259
(Increase) in debtors	(60,481)	(22,116)	(28,822)
(Decrease) / Increase in creditors	(71,823)	(28,844)	45,090
Net cash outflow from operating activities	(1,091,880)	(658,296)	(1,265,974)

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. Reconciliation of net cash flow to movement in net funds

	Unaudited Six months ended 31 July 2003 £	Unaudited Six months ended 31 July 2002 £	Audited Year ended 31 January 2003 £
Increase / (Decrease) in cash in the period	130,942	(25,944)	(48,011)
Cash outflow / (inflow) from changes in liquid resources	404,172	(541,086)	(483,411)
Movement in net funds in the period	535,114	(567,030)	(531,422)
Net funds at start of period	1,511,319	2,042,741	2,042,741
Net funds at end of period	2,046,433	1,475,711	1,511,319

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DIRECTORS AND ADVISERS

Directors	Dr W D Potter (*/**) J H Barder A L Clayden D B Davies J D Freeman (*/**) A Slater (**)	Non-executive Chairman Chief Executive Officer Finance Director Product Development Director Non-executive Director Non-executive Director
Secretary	A L Clayden	
Registered office	Surrey Technology Centre 40 Occam Road Surrey Research Park Guildford Surrey GU2 7YG	
Registered number	4206001	
Nominated adviser and broker	Williams de Broë plc 6 Broadgate London EC2M 2RP	
Registered auditors	BDO Stoy Hayward Kings Wharf 20-30 Kings Road Reading Berkshire RG1 3EX	
Solicitors	Memery Crystal 31 Southampton Row London WC1B 5HT	
Bankers	Leopold Joseph & Sons Limited 99 Gresham Street London EC2V 7NG	
Registrars	Capita Registrars The Registry Beckenham Kent BR3 4TU	

* Members of the Audit Committee

** Members of the Remuneration Committee

The interim report will be posted to shareholders and copies are available to the public at the Company's registered office.

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