



FUTURA

M E D I C A L

INTERIM REPORT

2004

FUTURA MEDICAL PLC Interim Report for the six months ended 30 June 2004

CONTENTS

	Pages
Interim Statement	1 – 2
Unaudited consolidated profit and loss account	3
Unaudited consolidated balance sheet	4
Unaudited consolidated cash flow statement	5
Notes to the interim financial information	6 – 8

INTERIM STATEMENT

Chairman and Chief Executive Joint Interim Statement

It is now just over a year since Futura Medical plc was admitted to trading on the Alternative Investment Market and we are pleased with both the significant progress we have made in product development terms as well as the strong financial position Futura now enjoys. This, we believe, will move us closer to exploiting the potential of our exciting product range.

Product Development

MED2001/MED2002 – Eroxon™
Treatment for Erectile Dysfunction ("ED")

In our last report we mentioned ongoing commercial discussions regarding distribution partners as well as concerns raised about the potential risk of misuse and possible interaction with PDE5 inhibitors¹. As a result of these concerns we decided to adjust the formulation of MED2001 to maximise the localised effect of the drug when directly applied to the penis and also reduce the systemic uptake thereby minimising any possible drug interaction. This development work is progressing well and the new formulation (MED2002) has already been completed, showing dramatically improved dermal absorption rates. We are now completing this development work by conducting two small studies to confirm dose and blood plasma levels on MED2002 prior to conducting Phase III studies in 2005.

Currently it is estimated that between 5% and 10% of ED sufferers also experience angina². For safety reasons, medication normally used to treat angina restricts this significant subset of ED patients from taking any of the current oral PDE5 inhibitors. This therefore represents a significant subset of patients with an unmet clinical need. In addition to the reformulation work we have also completed a study on 14 patients taking oral nitrates to treat their mild angina. These patients, who had a low cardiovascular risk and moderate to severe ED, took part in a clinical study at St Jean's Hospital in Brussels. The product was found to be safe and well tolerated with no clinically significant changes in blood pressure. Pending regulatory and ethical clearance we would expect to include a group of angina patients suffering from ED within our Phase III study next year.

We are conscious that shareholders are keen for us to announce further distribution partners for MED2002. Our shareholders have supported our stated strategy of financing our development programme through the issue of new shares rather than distribution partner milestone payments. As a consequence we are well financed and can largely dictate when we sign distribution agreements, to maximise shareholder returns, rather than just to be able to pay for continued product development. Prior to the start of our Phase III trials our objectives were to complete successfully the design of the novel applicator, the angina study and the formulation adjustment, as well as sign further distribution agreements with key partners. We are well advanced in this process and believe we will achieve all our current objectives in time for the announcement of our full year results, if not sooner.

CSD500 – Zanifil™
Condom safety device

Earlier in the year we commented that, although the formulated gel Zanifil™ was stable, we were seeing some loss of the Glyceryl Trinitrate ("GTN"), the active ingredient, when the gel was added to the condom. Considerable pilot work has been undertaken to deepen our understanding of the chemistry within this complex system of condom, lubricant, gel and packaging and improve the stability of GTN within this. A number of potential solutions have been identified to improve stability and further work is underway to investigate these in order for production trials to take place.

Notes

- 1 Viagra™, Cialis™ and Levitra™ are all PDE5 inhibitors. Phosphodiesterase type 5 enzyme is responsible for the breakdown of CGMP, a messenger molecule produced, inter alia, as a result of sexual stimulation. CGMP causes smooth muscle relaxation within the penis, resulting in an increased inflow of blood.
- 2 Angina (heaviness or tightness in the centre of the chest) is caused when arteries supplying the heart become so narrow that not enough oxygen-containing blood can reach the heart muscle.

INTERIM STATEMENT

FLD 500

Female lubrication device

We announced in April the pilot stage results of a single-blind, placebo-controlled study being conducted at the Porterbrook Clinic in Sheffield. Following the positive early results in both efficacy and safety terms seen in this study, the trial has been extended with further results expected by the end of October. We will then be sharing the complete results with SSL International plc which currently holds an option on the worldwide distribution rights for this product, to determine their interest in taking the product forward and to agree the additional work required in order to complete the EU dossier for regulatory submission.

Financial Matters

Our overall loss for the six months ended 30 June 2004 was £578,702. Research and development costs of £360,391 are consistent with last year's interim results. Other administrative expenses have increased compared with the comparative six month period due principally to increased costs for challenging intellectual property rights, investor relations, AIM-related items, licence negotiations, and staffing chiefly following the appointment of non-executive directors appropriate to the stewardship as a quoted company.

Overall costs continue to be within our internal budgets. Cash at the end of June 2004 was approximately £4.3 million. Unlike in the comparative six month period cash flow, this year we received the research and development tax credit relating to last year during July 2004 just outside of the reporting period of these interim results.

Turnover comprises royalty revenue in respect of sales by CST Medical Limited ("CST"). On 1 July 2004, again just outside of this reporting period, Futura sold its royalty rights in respect of the UK and the Republic of Ireland back to CST for a one-off cash payment of £125,000. We retain an equity stake in CST, all intellectual property transferred to us in accordance with our agreement with them, and the remaining royalty rights on sales of the Vielle™ stimulator in territories outside the UK and Republic of Ireland.

In February, we exercised the second call option raising £780,000 after costs. In March we raised a further £1.75 million, after costs, by way of a joint placing between Williams de Broë plc and Canaccord Capital (Europe) Limited. Following this, the Board considered the £800,000 available under the third and final option with Long Fleet Systems Inc to be surplus to requirements and in April we formally advised them of our intention to decline the option (which has subsequently lapsed).

We continue to focus on maintaining a tight control on expenditure without compromising progress on the development projects.

An eye on the future

Our absolute priority remains the completion of the development of our three products. The current financial resources of Futura clearly remain earmarked for this purpose. Nevertheless, with the expected completion of our clinical programme for the last of the three dossiers for EU submission during 2006, a small period of time in pharmaceutical terms, we have started to explore other product development and investment opportunities in order to continue generating shareholder value into the future.

Dr William D Potter
Non-executive Chairman

James H Barder
Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 31 July 2003 £	Audited 11 months ended 31 December 2003 £
Turnover		4,646	-	-
Research and development costs		(360,391)	(349,942)	(626,746)
AIM admission costs		-	(351,299)	(351,299)
Other administrative costs		(364,297)	(265,093)	(530,238)
Administrative expenses		(724,688)	(966,334)	(1,508,283)
Operating loss		(720,042)	(966,334)	(1,508,283)
Other interest receivable and similar income		76,159	20,290	47,733
Interest payable and similar charges		-	(362)	(584)
Loss on ordinary activities before taxation		(643,883)	(946,406)	(1,461,134)
Tax on loss on ordinary activities	2	65,181	58,786	100,771
Loss on ordinary activities after taxation and retained loss for the period	3	(578,702)	(887,620)	(1,360,363)
Loss in pence per share – basic and diluted	4	(1.2)	(2.1)	(3.2)

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.

FUTURA MEDICAL PLC

Interim Report for the six months ended 30 June 2004

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2004 £	Unaudited 31 July 2003 £	Audited 31 December 2003 £
Fixed Assets				
Tangible assets		24,567	25,470	21,901
		24,567	25,470	21,901
Current Assets				
Stock		16,045	-	17,279
Debtors		260,187	207,128	148,192
Cash at bank and in hand		4,299,913	2,046,433	2,401,708
		4,576,145	2,253,561	2,567,179
Creditors: amounts falling due within one year		(242,498)	(137,596)	(180,044)
Net current assets		4,333,647	2,115,965	2,387,135
Total assets less current liabilities		4,358,214	2,141,435	2,409,036
Provision for liabilities and charges		-	(37,894)	-
Net assets		4,358,214	2,103,541	2,409,036
Capital and reserves				
Called up share capital	5	97,167	88,051	90,517
Share premium account	6	8,385,347	5,088,345	5,864,117
Other reserves		1,152,165	1,152,165	1,152,165
Profit and loss account		(5,276,465)	(4,225,020)	(4,697,763)
Equity shareholders' funds	7	4,358,214	2,103,541	2,409,036

CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 31 July 2003 £	Audited 11 months ended 31 December 2003 £
Net cash outflow from operating activities	8	(691,259)	(1,091,880)	(1,533,281)
Returns on investments and servicing of finance				
Interest received		69,056	27,284	48,157
Interest paid		-	(362)	(584)
Net cash inflow from returns on investments and servicing of finance		69,056	26,922	47,573
Corporation Tax				
Research and development tax credit received		-	128,297	128,297
		-	128,297	128,297
Capital expenditure				
Payments to acquire tangible assets		(10,357)	-	(2,213)
Net cash outflow from capital expenditure		(10,357)	-	(2,213)
Net cash outflow before use of liquid resources and financing		(632,560)	(936,661)	(1,359,624)
Management of liquid resources				
Increase in short term deposits	9	(1,888,089)	(404,172)	(841,025)
Financing				
Issue of ordinary shares		2,604,000	1,700,000	2,500,000
Expenses paid in connection with share issues		(76,120)	(228,225)	(249,987)
Net cash inflow from financing		2,527,880	1,471,775	2,250,013
Increase in net cash	9	7,231	130,942	49,364

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The unaudited Interim Report was approved by the Board of Directors on 24 September 2004.

The financial information contained in this Interim Report has been prepared on the basis of the accounting policies set out in the Group's Annual Report for the 11 month period ended 31 December 2003.

The financial information for the six months ended 30 June 2004 and for the six months ended 31 July 2003 is unaudited. The six month comparative periods correspond to the first six months of each accounting period and reflect the change in accounting reference date from 31 January to 31 December.

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 11 month period ended 31 December 2003 has been extracted from the statutory accounts of Futura Medical plc for that period which received an unqualified audit report and have been delivered to the Registrar of Companies.

2. 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.

3. Dividends

No dividends have been paid and none are proposed.

4. Loss per ordinary share

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.

The calculation of the loss per ordinary share is based on a loss of £578,702 (six months to 31 July 2003: loss of £887,620; 11 months to 31 December 2003: loss of £1,360,363) and on a weighted average of 47,471,613 shares in issue (six months to 31 July 2003: 41,731,175 shares; 11 months to 31 December 2003: 42,907,701 shares).

5. Share capital

During February 2004 the Company issued 1,125,175 ordinary shares of 0.2 pence each through a private placing at 71.1 pence each. The shares were issued at a premium of £797,750.

On 8 March 2004, the Company issued 2,200,000 ordinary shares of 0.2 pence each through a private placing at 82 pence per share. The shares were issued at a premium of £1,799,600.

NOTES TO THE INTERIM FINANCIAL INFORMATION
6. Share premium

	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 31 July 2003 £	Audited 11 months ended 31 December 2003 £
Opening share premium	5,864,117	3,621,427	3,621,427
Premium on shares issued	2,597,350	1,695,143	2,492,677
Less: share issues costs	(76,120)	(228,225)	(249,987)
Closing share premium	8,385,347	5,088,345	5,864,117

7. Reconciliation of movements in shareholders' funds

	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 31 July 2003 £	Audited 11 months ended 31 December 2003 £
Retained loss for the period	(578,702)	(887,620)	(1,360,363)
Net proceeds from issue of shares	2,527,880	1,471,775	2,250,013
Net increase in shareholders' funds	1,949,178	584,155	889,650
Opening shareholders' funds	2,409,036	1,519,386	1,519,386
Closing shareholders' funds	4,358,214	2,103,541	2,409,036

8. Reconciliation of operating profit to operating cashflows

	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 31 July 2003 £	Audited 11 months ended 31 December 2003 £
Operating loss	(720,042)	(966,334)	(1,508,283)
Depreciation	7,690	6,758	12,540
Decrease/(increase) in stocks	1,234	-	(17,279)
(Increase)/decrease in debtors	(39,711)	(60,481)	34,593
Increase/(decrease) in creditors	59,570	(71,823)	(54,852)
Net cash outflow from operating activities	(691,259)	(1,091,880)	(1,533,281)

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 31 July 2003 £	Audited 11 months ended 31 December 2003 £
Increase in cash and overdraft in the period	7,231	130,942	49,364
Cash inflow from changes in liquid resources	1,888,089	404,172	841,025
Movement in net funds in the period	1,895,320	535,114	890,389
Net funds at start of period	2,401,708	1,511,319	1,511,319
Net funds at end of period	4,297,028	2,046,433	2,401,708

FUTURA MEDICAL PLC

Interim Report for the six months ended 30 June 2004

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 Finance Director Product Development Director Non-executive Director Non-executive Director
Secretary	A L Clayden	
Registered office	Surrey Technology Centre 40 Occam Road The Surrey Research Park Guildford Surrey GU2 7YG	
Registered number	4206001	
Nominated adviser and joint broker	Williams de Broë plc 6 Broadgate London EC2M 2RP	
Joint broker	Canaccord Capital (Europe) Limited Brook House 27 Upper Brook Street London W1K 7QF	
Registered auditors	BDO Stoy Hayward LLP Kings Wharf 20-30 Kings Road Reading Berkshire RG1 3EX	
Solicitors	Memery Crystal 44 Southampton Buildings London WC2A 1AP	
Registrars	Capita Registrars The Registry Beckenham Kent BR3 4TU	

* Members of the Audit Committee

** Members of the Remuneration Committee

*** Adviser to the Remuneration Committee

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

Futura Medical plc
Surrey Technology Centre 40 Occam Road The Surrey Research Park Guildford Surrey GU2 7YG
Tel: 01483 685670 Fax: 01483 685671
mail@futuramedical.co.uk www.futuramedical.co.uk