

G2 DESIGN LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

31 December 2003
Registered number 2704165



DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the exploitation of patent rights.

RESULTS AND DIVIDENDS

The audited accounts are set out on pages 4 to 9. The Company made a profit for the year before and after taxation of £381 (2002: £7,225).

The Directors do not recommend the payment of a dividend (2002: Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the period were:

NM Goble
CCO Goble

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

The interests of NM Goble and CCO Goble in the share capital of Gyrus Group PLC are disclosed in the annual report and accounts of that company.

AUDITORS

A resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board



T.E. Rankin
Company Secretary
26 October 2004

Fortran Road,
St. Mellons,
Cardiff,
CF3 0LT

STATEMENT OF 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 of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G2 DESIGN LIMITED

We have audited the financial statements on pages 4 to 9.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Directors' Report, and as described on page 2 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with the 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE

26 October 2004

Profit and loss account

For the year ended 31 December 2003

	Note	Year ended 31 December 2003	Year ended 31 December 2002 £
Turnover		381	7,240
Administrative expenses	2-4	-	(15)
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Profit for the year before and after tax	8	381	7,225
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There are no recognised gains or losses other than the profit for each of the periods stated above.

The accompanying notes are an integral part of these financial statements.

Balance sheet
 As at 31 December 2003

	Note	As at 31 December 2003 £	As at 31 December 2002 £
Current assets			
Debtors	5	86,687	86,306
Creditors:			
Amounts falling due within one year	6	(940)	(940)
Net current assets		<u>85,747</u>	<u>85,366</u>
Net assets		<u>85,747</u>	<u>85,366</u>
Capital and reserves			
Share capital	7	11,959	11,959
Profit and loss account	8	73,788	73,407
Equity shareholders' funds	8	<u>85,747</u>	<u>85,366</u>

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 October 2004 and were signed on its behalf by:



N.M. Goble
 Director

Notes to the Financial Statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Accounting conventions

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of preparation

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking, and the financial statements of its ultimate parent undertaking, Gyrus Group PLC, are publicly available.

The Company has taken advantage of the exemption under Financial Reporting Standard 8 from the requirement to disclose transactions with Group companies.

Going concern

These financial statements have been prepared on the going concern basis as the Company receives support from its ultimate parent company Gyrus Group PLC.

Turnover

Income from royalties is included in the profit and loss account in the period in which it is earned.

Intellectual property rights

All expenditure on intellectual property rights, including the costs of patents and trademarks and the defence of the Company's intellectual property rights, are written off to the profit and loss account as incurred.

Taxation

Corporation tax is recorded on taxable profits at the current rate.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19: Deferred Tax. In accordance with FRS19: Deferred Tax, deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

2. Profit for the financial year

In the year ended 31 December 2003 and the year ended 31 December 2002 audit fees were incurred by the company's ultimate parent undertaking, Gyrus Group PLC.

Notes to the Financial Statements (continued)

3. Staff numbers and costs

The Company had no employees during either year. No fees or other emoluments were paid to the Company's Directors during either years.

4. Taxation

There is no charge to corporation tax due to the availability of tax losses in group companies which can be group relieved and which the Company receives free of charge.

Analysis of charge for the year

	31 December 2003 £	31 December 2002 £
Current tax		
UK corporation tax on profit for the year	-	-
Tax charge on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2002: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	31 December 2003 £	31 December 2002 £
Current tax reconciliation		
Profit on ordinary activities before taxation	381	7,255
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	114	2,177
Effects of:		
(Utilisation) of group tax losses	(114)	(2,177)
Current tax charge for the year	-	-

There is no provided or un-provided deferred tax in this or the preceding year.

Notes to the Financial Statements (continued)

5. Debtors

	31 December 2003 £	31 December 2002 £
Amounts due from group undertakings	<u>86,687</u>	<u>86,306</u>

All debtors are due within one year.

6. Creditors: amounts falling due within one year

	31 December 2003 £	31 December 2002 £
Other creditors	<u>940</u>	<u>940</u>

7. Called up share capital

	31 December 2003 £	31 December 2002 £
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	<u>11,959</u>	<u>11,959</u>

8. Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss £	Total 2003 £	Total 2002 £
At beginning of year	11,959	73,407	85,366	78,141
Profit for the financial year	-	381	381	7,225
At end of year	<u>11,959</u>	<u>73,788</u>	<u>85,747</u>	<u>85,366</u>

Notes to the Financial Statements (continued)

9. Financial commitments

There were no financial commitments at the current or preceding balance sheet date.

10. Ultimate parent undertaking and controller

The immediate parent undertaking is Gyrus Medical Limited. The ultimate parent undertaking and controller of the Company is Gyrus Group PLC, a company registered in England and Wales, which heads the only group that prepares consolidated financial statements including those of G2 Design Limited. Copies of the financial statements of Gyrus Group PLC can be obtained from the Registrar of Companies or from the Company Secretary, Fortran Road, St. Mellons, Cardiff, CF3 0LT.