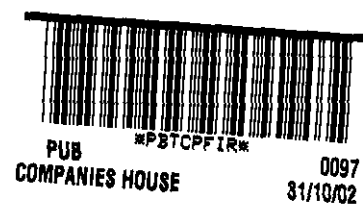


G2 DESIGN LIMITED
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 December 2001
Registered number 2704165



DIRECTOR'S REPORT

The directors present their report and audited financial statements for the year ended 31 December 2001.

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 8. The Company made a profit for the year, before and after taxation of £12,620 (Eighteen months ended 31 December 2000: £19,813).

The Directors do not recommend the payment of a dividend (2000: 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
29 October 2002

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 8.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Directors' Report, and, as described on page 2, this includes responsibility for preparing 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 2001 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

30 October 2002

Profit and loss account
 For the year ended 31 December 2001

		Year ended	18 month
		31	period
	Note	December	ended
		2001	31
			December
			2000
		£	£
Turnover		12,635	19,813
Administrative expenses		(15)	-
Profit before and after tax	2 - 4,8	12,620	19,813

There are no recognised gains or losses other than the profit for each of the periods stated above.

Balance sheet
At 31 December 2001

	Note	As at 31 December 2001 £	As at 31 December 2000 £
Current assets			
Debtors	5	79,081	66,461
Creditors: amounts falling due within one year	6	(940)	(940)
Net current assets		<u>78,141</u>	<u>65,521</u>
Net assets		<u>78,141</u>	<u>65,521</u>
Capital and reserves			
Share capital	7	11,959	11,959
Profit and loss account	8	66,182	53,562
Equity shareholders' funds	8	<u>78,141</u>	<u>65,521</u>

These financial statements were approved by the Board of Directors on 29 October 2001 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 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 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 provided on all timing differences to the extent they are expected to reverse in the future without being replaced.

2. Profit for the financial year

In the year ended 31 December 2001 and the period ended 31 December 2000 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 period. No fees or other emoluments were paid to the Company's Directors during either period.

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.

5. Debtors

	2001 £	2000 £
Amounts due from group undertakings	<u>79,081</u>	<u>66,461</u>

All debtors are due within one year.

6. Creditors: amounts falling due within one year

	2001 £	2000 £
Other creditors	<u>940</u>	<u>940</u>

7. Called up share capital

	2001 £	2000 £
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 2001 £	Total 2000 £
At beginning of year	11,959	53,562	65,521	45,708
Profit for the financial year	-	12,620	12,620	19,813
At end of year	<u>11,959</u>	<u>66,182</u>	<u>78,141</u>	<u>65,521</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.