Financial statements
Femeda Limited

For the eighteen month period ended 31 December 2011

Company No. 04585850

Contents

Report of the directors

The directors present their report and the financial statements of the company for the 18 month period ended 31 December 2011

Principal activity and business review

The principal activity of the company during the period was the development of medical devices

During the period the company raised a further £2 0 million of investment funding These funds have been used to further develop the company's products In 2012 the company has successfully raised a further £1 7 million in investment funding and is now close to completing development and testing with a market launch of the company's products planned for 2013

Directors

The directors who served the company during the period were as follows

J Bradley
J H Herbert
A S Wight
C I Willis
A E Buchan (appointed 29 December 2010)
C I Webb (appointed 1 July 2011)
A Hewitt (appointed 5 September 2011)
M Wyatt (appointed 17 May 2012)
A C Kibble (resigned 31 July 2011)
B N Blyth (resigned 30 September 2011)
E M French (resigned 18 April 2012)

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Report of the directors (continued)

Directors' responsibilities statement (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditor are unaware, and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor are aware of that information

Auditor

Grant Thornton UK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

BY ORDER OF THE BOARD

G J Foster
Secretary
10 January 2013

Wellington House
Wynyard Avenue
Billingham
Cleveland
TS22 5TB

GrantThornton

Independent auditor's report to the members of Femeda Limited

We have audited the financial statements of Femeda Limited for the eighteen month period ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor
As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the eighteen month period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the accounting policies concerning the company's ability to continue as a going concern As explained in the accounting policies, further funding will be required to enable the company to meet its obligations as they fall due and this indicates the existence of a material uncertainty, which may cast doubt about the company's ability to continue as a going concern We understand that the directors are in regular dialogue with their investors and that the Board is satisfied that sufficient funding to enable the company to meet its debts as they fall due for the foreseeable future, and at least twelve months from the date of this report, will be forthcoming The financial statements do not, therefore, include the adjustments that would result if the company were unable to continue as a going concern

Independent auditor's report to the members of Femeda Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Richard Hobson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
10 January 2013

Profit and loss account

	Note	**18 months to 31 December 2011 £**	Year to 30 June 2010 £
Turnover		–	–
Other operating charges	1	**(3,173,391)**	(982,016)
Operating loss	2	**(3,173,391)**	(982,016)
Interest receivable		**8,045**	2,864
Loss on ordinary activities before taxation		**(3,165,346)**	(979,152)
Tax on loss on ordinary activities	5	**-**	378
Loss for the financial period	13	**(3,165,346)**	(978,774)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the periods as set out above

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	31 December 2011 £	30 June 2010 £
Fixed assets			
Tangible assets	6	**5,606**	7,326
Current assets			
Debtors	7	**38,315**	51,549
Cash at bank		**759,900**	1,415,871
		798,215	1,467,420
Creditors amounts falling due within one year	8	**(344,629)**	(198,638)
Net current assets		**453,586**	1,268,782
Total assets less current liabilities		**459,192**	1,276,108
Creditors: amounts falling due after more than one year	9	**(207,467)**	(74,666)
		251,725	1,201,442
Capital and reserves			
Called-up equity share capital	12	**110,928**	109,440
Share premium account	13	**5,416,846**	3,477,332
Share options reserve	13	**429,375**	154,748
Profit and loss account	13	**(5,705,424)**	(2,540,078)
Shareholders' funds	14	**251,725**	1,201,442

The financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

These financial statements were approved by the directors and authorised for issue on 10 January 2013 and are signed on their behalf by

J Bradley
Director

Company Registration Number 04585850

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards

The company's business and activities are set out in the Report of the directors on pages 3 and 4 The company meets its day to day working capital requirements through investment from third party funders

Despite the current economic climate, the directors believe that the company, once trading commences later in 2013, will achieve significant growth within their chosen market and obtain strong levels of profitability Whilst the product is approaching the end of its development phase, the company has relied upon, and continues to rely upon, external investment to meet its day to day cash requirements On the basis of its forecasts, and funding committed to date, there is a risk that the company does not have sufficient cash to meet its requirements for the next 12 months

The company has instituted a further investment round, under which £1 0 million was invested during April 2012 and May 2012 and a further £0 7 million in December 2012 A further amount of funding will be required for the company to continue operations throughout 2013

After making enquiries, the directors have a clear expectation that the company will obtain the investment required to enable it to continue in operational existence for the foreseeable future There is also a clear expectation that a CE mark accreditation will be obtained in the near future (an application was made in December 2012) For these reasons, they continue to adopt the going concern basis in preparing the financial statements Therefore these financial statements do not include any adjustments that would arise if the going concern basis of preparation was not considered appropriate

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small

Research and development

Research and development expenditure is written off in the year in which it is incurred

Fixed assets

Fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of the fixed assets, less their residual value, over their useful expected lives on the following basis

Plant & machinery - 20% per annum

Where the expected future benefit attributable to the asset in the continuing operations of the business is not probable, the asset is written off in the year in which it is incurred

Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Share-based payments

The company issues equity-settled share-based payments to certain employees (including directors) Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph

The company has issued cash-settled share-based payments to certain employees (including directors) Cash-settled share-based payments are measured at the fair value of the liability on initial recognition and is expensed on a straight-line basis over the vesting period The fair value of the liability is re-measured at each balance sheet date until settlement Changes as a result of the re-measurement of the fair value are recognised in the profit and loss account

Fair value is measured using the Black Scholes valuation model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities

Grant income

The company recognises grant income over the period to which the grant relates Any balance which has been received which is not recognisable in the profit and loss account is considered to be deferred income

Notes to the financial statements

1 Other operating charges

	18 months to 31 December 2011 £	Year to 30 June 2010 £
Administrative expenses	**3,173,391**	982,016

2 Operating loss

Operating loss is stated after charging/(crediting)

	18 months to 31 December 2011 £	Year to 30 June 2010 £
Amortisation of government grants re fixed assets	**-**	(50,634)
Research and development expenditure written off	**1,489,628**	249,692
Auditor's remuneration		
Audit fees	**10,000**	5,000
Tax compliance fees	**2,100**	3,040
Net loss on foreign currency translation	**1,013**	-
Operating leases – land & buildings	**18,000**	12,000

3 Particulars of employees

The average number of staff employed by the company during the financial period amounted to

	18 months to 31 December 2011 No	Year to 30 June 2010 No
Number of management staff	**5**	5

The aggregate payroll costs of the above were

	18 months to 31 December 2011 £	Year to 30 June 2010 £
Wages and salaries	**376,457**	220,519
Social security costs	**44,628**	27,528
Equity-settled share-based payments	**274,627**	137,793
Cash-settled share-based payments	**132,801**	74,666
	828,513	460,506

Notes to the financial statements (continued)

4 Directors

Remuneration in respect of directors was as follows

	18 months to 31 December 2011	Year to 30 June 2010
	£	£
Emoluments	**360,359**	211,151

Remuneration of the highest paid director was as follows

	18 months to 31 December 2011	Year to 30 June 2010
	£	£
Emoluments	**105,901**	98,575

5 Tax on loss on ordinary activities

(a) Analysis of (credit)/charge in the period

	18 months to 31 December 2011	Year to 30 June 2010
	£	£
Current tax		
Corporation tax	-	-
Overprovision in prior year	-	(378)
Total current tax	-	(378)

(b) Factors affecting current tax (credit)/charge
The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 20% (2010 - 21%)

	18 months to 31 December 2011	Year to 30 June 2010
	£	£
Loss on ordinary activities before taxation	**(3,165,346)**	(979,152)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2010 – 21%)	**(633,069)**	(205,622)
Expenses not deductible for tax purposes	**81,827**	44,679
Depreciation for the period in excess of capital allowances	**15**	(308)
Adjustments to tax charge in respect of previous periods	-	(378)
Unrelieved tax losses	**551,227**	161,251
Total current tax (note 5(a))	-	(378)

Notes to the financial statements (continued)

5 Tax on loss on ordinary activities (continued)

The company has unrelieved tax losses carried forward as at 31 December 2011 No deferred tax asset has been recognised in respect of these tax losses as at 31 December 2011 (or 30 June 2010), as it is not probable that there will be suitable taxable profits emerging in future periods against which to relieve them Relief for these tax losses will only be recognised if it becomes probable that suitable taxable profits will arise in future periods The potential deferred tax asset unrecognised as at 31 December 2011 is £ 4,918,341 (30 June 2010 - £2,162,205)

6 Tangible fixed assets

	Plant & machinery
	£
Cost	
At 1 July 2010	7,326
Additions	1,174
At 31 December 2011	8,500
Depreciation	
At 1 July 2010	-
Charge for the period	2,894
At 31 December 2011	2,894
Net book value	
At 31 December 2011	**5,606**
At 30 June 2010	7,326

7 Debtors

	31 December 2011	30 June 2010
	£	£
Other debtors	**34,257**	47,550
Called up share capital not paid	**1,223**	1,223
Prepayments and accrued income	**2,835**	2,776
	38,315	51,549

Notes to the financial statements (continued)

8 Creditors: amounts falling due within one year

	31 December 2011 £	30 June 2010 £
Trade creditors	**225,087**	17,071
Other creditors	**13,992**	-
Accruals and deferred income	**105,550**	181,567
	344,629	198,638

9 Creditors: amounts falling due after more than one year

	31 December 2011 £	30 June 2010 £
Liability for cash-settled share-based payments due in more than one year	**207,467**	74,666

10 Share-based payments

The company has granted share options to certain employees of the company Such options are exercisable at a price established at the date the option is granted The exercise period commences on the date of grant and if the grants remain unexercised after a period of ten years, the options expire

Equity-settled share-based payments

The options deemed to have vested fully are identified below The inputs into the Black Scholes option pricing model were

- Expected volatility 35%
- Expected life 10 years
- Risk free rate 4%

Class of share	Exercise price	Fair value at date of issue	Options vested at 30 June 2010	Options vested and remaining at 31 December 2011
Ordinary	£5 87	£5 88	2,880	2,880

The share options which have not yet deemed to have vested are detailed below

The vesting period for these shares is deemed to be between 1 2 years and 2 3 years determined by the specific vesting conditions in the share options The total expense of these options will be spread over the period from grant date to vesting date

Notes to the financial statements (continued)

10 Share-based payments (continued)

The company has recognised a total expense of £274,627 in the period (year ended 30 June 2010 £137,793) for share options granted

Class of share	Exercise price	Fair value at date of issue	Options granted / (lapsed) during the period	Options held at 31 December 2011
B1 Ordinary	£1	£17 1131	(5,760)	17,820
B2 Ordinary	£1	£17 1131	-	9,216
Ordinary	£18	£6 2254	-	1,152
Ordinary	£14	£8 6245	63,278	63,278

The inputs into the Black Scholes option pricing model were

- Expected volatility 45%
- Expected life 10 years
- Risk free rate 4%

Expected volatility was determined by estimating the historical volatility of similar companies in comparable industries

Cash-settled share-based payments

In the prior year the company granted 23,040 'Phantom' share options which give the participant a right to cash equal to the options cancelled under the previous arrangement The company has recognised a total expense of £132,801 in the period (year ended 30 June 2010 - £74,666) for these share options

Class of share	Exercise price	Fair value at 31 December 2011	Options granted during the period	Options held at 31 December 2011
Phantom shares	£5 87	£10 99	-	23,040

The fair value was determined using the Black Scholes option pricing model, with the following inputs

- Expected volatility 45%
- Expected life 10 years
- Risk free rate 4%

Expected volatility was determined by estimating the historical volatility of similar companies in comparable industries

11 Related party transactions

The directors consider that there is no ultimate controlling related party

Notes to the financial statements (continued)

12 Share capital

Allotted and called up

	31 December 2011 No.	31 December 2011 £	30 June 2010 No	30 June 2010 £
274,781 Ordinary shares (2010 - 209,839) of £0 01 each	**274,781**	**2,748**	209,839	2,098
310,802 Ordinary 'A' shares (2010 - 230,446) of £0 01 each	**310,802**	**3,108**	230,446	2,305
10,493,267 Deferred shares of £0 01 each	**10,493,267**	**104,933**	10,493,267	104,933
13,924 (2010 - 10,404) B2 Ordinary shares of £0 01 each	**13,924**	**139**	10,404	104
	11,092,774	**110,928**	10,943,956	109,440

The amounts of paid up share capital for the following categories of shares differed from the called up share capital stated above due to unpaid amounts and were as follows

	31 December 2011 £	30 June 2010 £
Ordinary shares	**1,223**	1,223

During the period, the following shares were issued to raise additional capital for the business

- 64,942 Ordinary shares of £0 01 each
- 80,356 Ordinary 'A' shares of £0 01 each
- 3,520 B2 Ordinary shares of £0 01 each

Total consideration for these share issues was £2,037,693 of which £2,036,205 has been credited to the share premium account

13 Reserves

	Share premium account £	Share options reserve £	Profit and loss account £
At 1 July 2010	3,477,332	154,748	(2,540,078)
Loss for the period	-	-	(3,165,346)
Premium on issue of new equity shares	2,036,205	-	-
Expenses in respect of issue of new equity shares	(96,691)	-	-
Equity-settled share-based payments charge in period	-	274,627	-
At 31 December 2011	**5,416,846**	**429,375**	**(5,705,424)**

Notes to the financial statements (continued)

14 Reconciliation of movements in shareholders' funds

	18 months to 31 December 2011 £	Year to 30 June 2010 £
Loss for the financial period	**(3,165,346)**	(978,774)
Issue of equity share capital	**1,941,002**	1,797,620
Equity-settled share-based payments charge in period	**274,627**	137,793
Net (reduction in)/addition to shareholders' funds	**(949,717)**	956,639
Opening shareholders' funds	**1,201,442**	244,803
Closing shareholders' funds	**251,725**	1,201,442