Grant Thornton

Financial statements
Femeda Limited

For the Year Ended 30 June 2009

Company No. 4585850

Contents

Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 June 2009

Principal activity

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

The company has continued its development programme and in 2009 has undertaken clinical trials in the Middle East and the UK By the end of October 2009, the company had successfully raised a further £1 9 million of investment funding, which the directors believe will provide sufficient funds to meet the ongoing working capital needs of the business until at least January 2011

Directors

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

J Bradley
E M French
J Herbert
A C Kibble
A S Wight
B N Blyth

C Willis was appointed a director on 18 September 2009

Directors' responsibilities

The directors are responsible for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the 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 estimates that are reasonable and prudent,
- 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 keeping proper accounting records that 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

Report of the directors (continued)

Directors' responsibilities (continued)

In so far as the directors are aware

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

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 489 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
9 February 2010

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Independent auditor's report to the members of Femeda Limited

We have audited the financial statements of Femeda Limited for the year ended 30 June 2009 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 auditors

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 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/UKNP

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 30 June 2009 and of its loss for the year 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

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

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

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
Leeds
17 February 2010

Accounting policies

Basis of accounting

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

Going concern

The company's business and activities, together with the factors likely to affect its future cash position, 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, will achieve significant growth within their chosen market and obtain strong levels of profitability As the product is still in the development phase, the company has relied upon, and continues to rely upon, external investment to meet its day to day cash requirements Following the year end, the company has successfully raised a further £1 9 million of investment funding, which the directors believe, on the basis of detailed forecasts, will provide sufficient funds to meet the ongoing working capital needs of the business until at least January 2011 As a result they have adopted the going concern basis of accounting

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

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

Accounting policies (continued)

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

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

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

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

Profit and loss account

	Note	2009 £	2008 £
Turnover		–	–
Other operating charges	1	**(593,302)**	(414,751)
Operating loss	2	**(593,302)**	(414,751)
Interest receivable		**13,769**	48,113
Loss on ordinary activities before taxation		**(579,533)**	(366,638)
Tax on loss on ordinary activities	5	**11,148**	(39,847)
Loss for the financial year	11	**(590,681)**	(326,791)

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 year as set out above

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

Balance sheet

	Note	2009 £	2008 £
Current assets			
Debtors	6	**125,874**	134,815
Cash at bank		**328,638**	771,149
		454,512	905,964
Creditors: amounts falling due within one year	7	**(209,709)**	(70,480)
Net current assets		**244,803**	835,484
Total assets less current liabilities		**244,803**	835,484
Capital and reserves			
Called-up equity share capital	9	**108,286**	108,286
Share premium account	11	**1,680,866**	1,680,866
Share option reserve	11	**152,594**	152,594
Profit and loss account	11	**(1,696,943)**	(1,106,262)
Shareholders' funds	12	**244,803**	835,484

These financial statements were approved by the directors and authorised for issue on 9 February 2010 and are signed on their behalf by

A C Kibble

A C Kibble
Director

Notes to the financial statements

1 Other operating charges

	2009	2008
	£	£
Administrative expenses	593,302	414,751

2 Operating loss

Operating loss is stated after charging/(crediting)

	2009	2008
	£	£
Government grants receivable	(172,024)	(20,621)
Research and development expenditure written off	312,922	144,670
Auditor's remuneration		
Audit fees	4,500	5,950
Taxation fees	3,500	3,100
Net loss on foreign currency translation	1,924	–

3 Particulars of employees

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

	2009	2008
	No	No
Number of management staff	5	5

The aggregate payroll costs of the above were

	2009	2008
	£	£
Wages and salaries	164,525	158,778
Social security costs	18,216	17,792
	182,741	176,570

4 Directors

Remuneration in respect of directors was as follows

	2009	2008
	£	£
Emoluments receivable	156,124	151,050

Notes to the financial statements (continued)

5 Tax on loss on ordinary activities

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

	2009 £	2008 £
Current tax		
UK Corporation tax based on the results for the year at 21% (2008 - 21%)	-	(35,460)
Under/(over) provision in prior year	11,148	(4,387)
Total current tax	11,148	(39,847)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21% (2008 - 21%)

	2009 £	2008 £
Loss on ordinary activities before taxation	(579,533)	(366,638)
Loss on ordinary activities by rate of tax	(121,702)	(76,994)
Expenses not deductible for tax purposes	12	217
Difference in tax rates	-	11,081
Adjustments to tax charge in respect of previous periods	11,148	(4,387)
Research and development uplift	-	(15,514)
Unrelieved tax losses	121,690	45,750
Total current tax (note 5(a))	11,148	(39,847)

6 Debtors

	2009 £	2008 £
Corporation tax recoverable	20,498	51,597
Other debtors	30,430	6,346
Called up share capital not paid	1,223	1,223
Prepayments and accrued income	73,723	75,649
	125,874	134,815

Notes to the financial statements (continued)

7 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	74,183	26,720
Other taxation and social security	–	11,022
Other creditors	89,654	–
Accruals and deferred income	45,872	32,738
	209,709	70,480

8 Related party transactions

The directors consider that there is no ultimate controlling related party

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

9 Share capital

Authorised share capital

	2009 £	2008 £
396,109 Ordinary shares of £0 01 each	3,961	3,961
307,460 'A' Ordinary shares of £0 01 each	3,075	3,075
10,493,267 Deferred shares of £0 01 each	104,933	104,933
	111,969	111,969

Allotted and called up

	2009 No	2009 £	2008 No	2008 £
Ordinary shares of £0 01 each	202,080	2,021	202,080	2,021
'A' Ordinary shares of £0 01 each	133,224	1,332	133,224	1,332
Deferred shares of £0 01 each	10,493,267	104,933	10,493,267	104,933
	10,828,571	108,286	10,828,571	108,286

On 18 September 2009, 42,660 Ordinary shares within the authorised share capital were reclassified as 23,040 'B1' Ordinary shares and 19,620 'B2' Ordinary shares Of these shares, 10,404 'B2' Ordinary shares were allotted and called up on that date

Notes to the financial statements (continued)

Share capital (continued)

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 calls and were as follows

	2009	2008
	£	£
Ordinary shares	1,223	1,223

10 **Share options**

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

The company recognised total expenses of £nil (2008 £nil) in relation to equity-settled share-based payment transactions

Details of the share options outstanding during the year are as follows

Exercise price	Earliest exercise date	Latest exercise date	Options held at 30 June 2008 and 2009
£5 87	29 March 2007	28 March 2017	25,920

The fair value of the shares at 29 March 2007, the date of grant, was deemed to be £5 88

The inputs into the Black Scholes option pricing model were

- expected volatility	35%
- expected life	10 years
- risk-free rate	4%

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

11 **Reserves**

	Share premium account	Share option reserve	Profit and loss account
	£	£	£
At 1 July 2008	1,680,866	152,594	(1,106,262)
Loss for the year	-	-	(590,681)
At 30 June 2009	1,680,866	152,594	(1,696,943)

Notes to the financial statements (continued)

12 Reconciliation of movements in shareholders' funds

	2009	2008
	£	£
Loss for the financial year	**(590,681)**	(326,791)
Opening shareholders' funds	**835,484**	1,162,275
Closing shareholders' funds	**244,803**	835,484