



# Financial statements Femeda Limited

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**For the Year Ended 30 June 2010**



**Company No. 4585850**

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 June 2010

### **Principal activity and business review**

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

During the year the company raised a further £1.9 million of investment funding. These funds have been used to further develop the company's products following the successful clinical trials conducted in 2009. By the end of 2010, the company had successfully raised a further £2.0 million in investment funding, with an initial investment of £1.2 million and a further £0.8 million due for investment in 2011. The funds will be used to complete development and testing and then to market and launch the company's products.

### **Directors**

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

J Bradley  
E M French  
J H Herbert  
A C Kibble  
A S Wight  
B N Blyth  
C Willis (appointed 18 September 2009)

A E Buchan was appointed as a director on 29 December 2010

### **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 judgments and accounting 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.

## 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 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  
14 March 2011

## 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 2010 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](http://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 30 June 2010 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

### **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, certain of the required funding remains subject to certain conditions, and this indicates the existence of a material uncertainty, which may cast doubt about the company's ability to continue as a going concern. The financial statements do not 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  
22 March 2011

## 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, 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 later in 2011, 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 £1.2 million was invested in December 2010 and a further £0.8 million is due to be invested later in 2011 to enable product development to continue and to enable the product to be brought to market. This £0.8 million remains, however, subject to the company achieving certain conditions to the satisfaction of its investors. The directors are confident that such investment will be forthcoming, and that the company will be able to bring its products to market within the required timescale in the second half of 2011.

Until these conditions have been satisfied, however, doubt may be cast on the company's ability to continue as a going concern. Nevertheless, after making enquiries, the directors have a reasonable expectation that the company will obtain the investment required to enable it to continue in operational existence for the foreseeable future. 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**

All fixed assets are initially recorded at cost.

## 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.

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.

### **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.



## Profit and loss account

	Note	2010 £	2009 £
Turnover		—	—
Other operating charges	1	<u>982,016</u>	<u>593,302</u>
<b>Operating loss</b>	2	<u>(982,016)</u>	<u>(593,302)</u>
Interest receivable		2,864	13,769
<b>Loss on ordinary activities before taxation</b>		<u>(979,152)</u>	<u>(579,533)</u>
Tax on loss on ordinary activities	5	378	(11,148)
<b>Loss for the financial year</b>	14	<u><u>(978,774)</u></u>	<u><u>(590,681)</u></u>

All of the activities of the company are classed as continuing

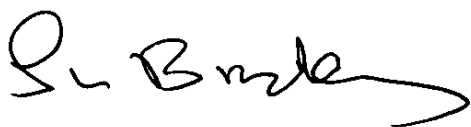
The company has no recognised gains or losses other than the results for the year as set out above

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

## Balance sheet

	Note	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	6	<u>7,326</u>	<u>–</u>
<b>Current assets</b>			
Debtors	7	51,549	125,874
Cash at bank		<u>1,415,871</u>	<u>328,638</u>
		<b>1,467,420</b>	<b>454,512</b>
<b>Creditors' amounts falling due within one year</b>	8	<u>198,638</u>	<u>209,709</u>
<b>Net current assets</b>		<b>1,268,782</b>	<b>244,803</b>
<b>Total assets less current liabilities</b>		<b>1,276,108</b>	<b>244,803</b>
<b>Creditors: amounts falling due after more than one year</b>	9	<u>74,666</u>	<u>–</u>
		<b>1,201,442</b>	<b>244,803</b>
<b>Capital and reserves</b>			
Called-up equity share capital	12	109,440	108,286
Share premium account	13	3,477,332	1,680,866
Share options reserve	13	154,748	152,594
Profit and loss account	13	(2,540,078)	(1,696,943)
<b>Shareholders' funds</b>	14	<u>1,201,442</u>	<u>244,803</u>

These financial statements were approved by the directors and authorised for issue on 14 March 2011 and are signed on their behalf by



J Bradley  
Director

Company Registration Number 4585850

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

## Notes to the financial statements

### **1 Other operating charges**

	2010	2009
	£	£
Administrative expenses	<u>982,016</u>	<u>593,302</u>

### **2 Operating loss**

Operating loss is stated after charging/(crediting)

	2010	2009
	£	£
Amortisation of government grants re fixed assets	(50,634)	(172,024)
Research and development expenditure written off	249,692	312,922
Auditor's remuneration		
Audit fees	5,000	4,500
Tax compliance fees	3,040	3,500
Net loss on foreign currency translation	<u>—</u>	<u>1,924</u>

### **3 Particulars of employees**

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

	2010	2009
	No	No
Number of management staff	<u>5</u>	<u>5</u>

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	220,519	164,525
Social security costs	27,528	18,216
Equity-settled share-based payments	137,793	—
Cash-settled share-based payments	74,666	—
	<u>460,506</u>	<u>182,741</u>

## Notes to the financial statements (continued)

### 4 Directors

Remuneration in respect of directors was as follows

	2010 £	2009 £
Emoluments	<u>211,151</u>	<u>156,124</u>

Remuneration of the highest paid director was as follows

	2010 £	2009 £
Emoluments	<u>98,575</u>	<u>53,080</u>

### 5 Tax on loss on ordinary activities

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

	2010 £	2009 £
Current tax		
Corporation tax	-	-
(Under)/over provision in prior year	(378)	11,148
Total current tax	<u>(378)</u>	<u>11,148</u>

(b) Factors affecting current tax (credit)/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% (2009 - 21%)

	2010 £	2009 £
Loss on ordinary activities before taxation	<u>(979,152)</u>	<u>(579,533)</u>
Loss on ordinary activities by rate of tax	(205,622)	(121,702)
Expenses not deductible for tax purposes	44,679	12
Capital allowances for the year in excess of depreciation	(308)	-
Adjustments to tax charge in respect of previous periods	(378)	11,148
Unrelieved tax losses	<u>161,251</u>	<u>121,690</u>
Total current tax (note 5(a))	<u>(378)</u>	<u>11,148</u>

## Notes to the financial statements (continued)

### **6 Tangible fixed assets**

	<b>Plant &amp; Machinery</b>
	<b>£</b>
Cost	
At 1 July 2009	-
Additions	7,326
At 30 June 2010	<u>7,326</u>
Depreciation	
At 1 July 2009 and 30 June 2010	-
Net book value	
At 30 June 2010	<u>7,326</u>
At 30 June 2009	<u>-</u>

### **7 Debtors**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Corporation tax recoverable	-	20,498
Other debtors	47,550	30,430
Called up share capital not paid	1,223	1,223
Prepayments and accrued income	2,776	73,723
	<u>51,549</u>	<u>125,874</u>

### **8 Creditors: amounts falling due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	17,071	74,183
Other creditors	-	89,654
Accruals and deferred income	181,567	45,872
	<u>198,638</u>	<u>209,709</u>

### **9 Creditors: amounts falling due after more than one year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Liability for cash-settled share-based payments due in more than one year	<u>74,666</u>	<u>-</u>

## Notes to the financial statements (continued)

### 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. Certain of these options were cancelled on 18 September 2009 and the company recognised total expenses of £Nil (2009 £Nil) in relation to equity-settled share-based payment transactions.

The remaining options are deemed to have vested fully and the fair value is identified below. The inputs into the Black Scholes option pricing model were:

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

Details of the share options fully vested and cancelled during the year are as follows:

Class of share	Exercise price	Fair value at date of issue	Options cancelled during the year	Options vested and remaining at 30 June 2010
Ordinary	£5.87	£5.88	(23,040)	2,880

To facilitate the growth share plan a new class of B Ordinary shares in the company was created during the year. On 18 September 2009 the company granted new share options for certain employees (including directors). The share options are deemed to be new options, not replacements and therefore have been accounted for accordingly. In addition 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 vesting period for these shares is deemed to be over three years from date of grant. The total expense of these options will be spread over the period from grant date to vesting date.

The company has recognised a total expense of £139,793 in the year to 30 June 2010 for share options granted.

Class of share	Exercise price	Fair value at date of issue	Options granted during the year	Options held at 30 June 2010
B1 Ordinary	£1	£17.1131	23,040	23,040
B2 Ordinary	£1	£17.1131	9,216	9,216
Ordinary	£18	£6.2254	1,152	1,152
Phantom shares	£5.87	£12.9629	23,040	23,040

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.

## Notes to the financial statements (continued)

### 11 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.

### 12 Share capital

Authorised share capital

	2010 £	2009 £
353,449 (2009 - 396,109) Ordinary shares of £0.01 each	3,534	3,961
307,460 Ordinary 'A' shares of £0.01 each	3,075	3,075
10,493,267 Deferred shares of £0.01 each	104,933	104,933
23,040 B1 Ordinary shares of £0.01 each	230	-
19,620 B2 Ordinary shares of £0.01 each	197	-
	<u>111,969</u>	<u>111,969</u>

Allotted and called up

	2010 No	£	2009 No	£
209,839 Ordinary shares (2009 - 202,080) of £0.01 each	209,839	2,098	202,080	2,021
230,446 Ordinary 'A' shares (2009 - 133,224) of £0.01 each	230,446	2,305	133,224	1,332
10,493,267 Deferred shares of £0.01 each	10,493,267	104,933	10,493,267	104,933
10,404 B2 Ordinary shares of £0.01 each	10,404	104	-	-
	<u>10,943,956</u>	<u>109,440</u>	<u>10,828,571</u>	<u>108,286</u>

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:

	2010 £	2009 £
Ordinary shares	<u>1,223</u>	<u>1,223</u>

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

- 7,759 Ordinary shares of £0.01 each
- 97,222 Ordinary 'A' shares of £0.01 each
- 10,404 B2 Ordinary shares of £0.01 each

Total consideration for these share issues was £1,797,620, of which £1,796,466 has been credited to the share premium account.

## Notes to the financial statements (continued)

### 13 Reserves

	Share premium account £	Share options reserve £	Profit and loss account £
At 1 July 2009	1,680,866	152,594	(1,696,943)
Loss for the year	–	–	(978,774)
Premium on issue of new equity shares	1,796,466	–	–
Recognition of equity-settled share-based payments in the year	–	137,793	–
Forfeiture of share options in the year	–	(135,639)	135,639
At 30 June 2010	<u>3,477,332</u>	<u>154,748</u>	<u>(2,540,078)</u>

### 14 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Loss for the financial year	(978,774)	(590,681)
Issue of equity share capital	1,797,620	–
Recognition of equity-settled share-based payments in the year	137,793	–
Net addition/(reduction) to shareholders' funds	<u>956,639</u>	<u>(590,681)</u>
Opening shareholders' funds	244,803	835,484
Closing shareholders' funds	<u>1,201,442</u>	<u>244,803</u>