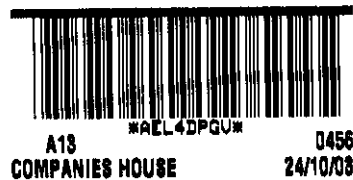


XIMED GROUP PLC AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

31 DECEMBER 2002

Company Registration No. 3071324



XIMED GROUP PLC AND ITS SUBSIDIARIES

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XiMED GROUP PLC AND ITS SUBSIDIARIES
OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

Mr K W Brooks
Mr W F Widger
Mr A B Baldry
Mr C Herron

Chairman
(Appointed 9 October 2002)

COMPANY SECRETARY

Oxford Corporate Services Limited

REGISTERED OFFICE

Keble House
Church End
South Leigh
Witney
Oxfordshire
OX29 6UR

AUDITORS

Solomon Hare LLP
37 Market Place
Chippenham
Wiltshire
SN15 3HT

BANKERS

The Royal Bank of Scotland plc
Southern Corporate Office
P O Box 391
40 Islington High Street
London N1 8JX

SOLICITORS

BrookStreet Des Roches
1 Des Roches Square
Witan Way
Witney
Oxfordshire
OX8 6BE

STOCKBROKERS

J M Finn and Co
Salisbury House
London Wall
London
EC2M 5TA

XiMED GROUP PLC AND ITS SUBSIDIARIES

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

The restructuring is now complete with the sale of Phytogenics, the subsidiary that marketed Prevacan, and with the group having reduced costs to a minimum in the UK. The focus is now very much on development of the Company's intellectual property, and in particular that relating to Pierce's Disease. Trials are going forward with Arista Biologics Inc in California. These have already established that the treatment has many more commercial applications other than vines. It is hoped that positive data will be available by the end of 2003.

The scientific team in the States continues to explore possible uses for other products in the Company's intellectual property bank.

A Baldry MP
Chairman

8 October 2003

XiMED GROUP PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

The directors present their annual report with the financial statements of the Group for the year ended 31 December 2002.

Principal activity

The principal activities of the Group in the year under review were the development and marketing of intellectual property, particularly in the area of terpenes and other health related products.

The review of this year's business activities are as set out in the Chairman's Statement.

The company is conducting field trials using its terpene intellectual property for the control of Pierce's Disease and the results to date have been very encouraging.

Research and development

An indication of research and development activities is included within the Chairman's Statement.

Results and dividends

The loss for the year after taxation amounted to £1,408,217 (2001 - £2,130,828). The directors are unable to recommend any dividend.

Directors

The directors in office in the year and their beneficial interests in the Company's issued ordinary share capital at the end of the year were as follows: -

		Ordinary shares of £0.01 each	
		2002	2001
		or when appointed	
K W Brooks		425,165	425,165
A B Baldry		-	-
W F Widger		-	-
C Herron	(appointed 9 October 2002)	50,000	-

Mr G J Henley-Price served as a director from 22 March 2002 to 26 November 2002.

XiMED GROUP PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

...continued...

The directors have been granted options to subscribe for ordinary shares of £0.01 in the Group as set out below:-

	<u>At</u> <u>01.01.02</u>	<u>Granted</u> <u>in the year</u>	<u>Lapsed</u> <u>in year</u>	<u>At</u> <u>31.12.02</u>	<u>Exercise</u> <u>price</u> £	<u>Date from</u> <u>which</u> <u>exercisable</u>	<u>Expiry</u> <u>date</u>
K W Brooks	50,000	-	-	50,000	0.135	22.12.00	21.12.07
	10,000	-	-	10,000	1.35	19.07.02	18.07.04
	18,900	-	-	18,900	1.35	14.12.02	13.12.04
	43,100	-	-	43,100	1.60	14.12.02	13.12.04
	125,000	-	-	125,000	0.95	08.12.03	07.12.05
	247,000	-	-	247,000			
W Widger	100,000	-	-	100,000	1.60	04.05.00	19.04.07
	50,000	-	-	50,000	0.95	08.12.03	07.12.05
	150,000	-	-	150,000			
A B Baldry	10,000	-	-	10,000	1.35	19.07.02	18.07.04
	5,000	-	-	5,000	1.70	05.03.99	14.07.06
	33,800	-	-	33,800	1.60	14.12.02	13.12.04
	4,200	-	-	4,200	1.35	14.12.02	13.12.04
	50,000	-	-	50,000	0.95	08.12.03	07.12.05
	100,000	-	-	100,000	1.60	04.05.00	19.04.07
	203,000	-	-	203,000			

The directors have no interest in the shares of any other Group Company, including rights to subscribe for shares.

XiMED GROUP PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

...continued...

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 Group as at the end of the financial year and of the profit or loss of the Group 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;
- follow applicable accounting standards, 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 Group 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 Group and 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 Group and to prevent and detect fraud and other irregularities.

Payment of creditors

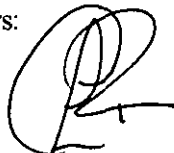
It is the Group and Company's policy to pay suppliers within an acceptable period of allowed creditors days in accordance with the agreed terms. The Group and Company acted in accordance with this policy throughout the year. The Group had 8 days purchases outstanding at 31 December 2002 (2001 – 10 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 2002.

Auditors

On 1 October 2002, Solomon Hare, the Company's auditor, transferred its entire business to Solomon Hare LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Solomon Hare as extending to Solomon Hare LLP with effect from 1 October 2002.

A resolution to re-appoint Solomon Hare LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the Board of Directors:



Oxford Corporate Services Limited, Company Secretary

Approved by the Board on 8 October 2003

Registered Office:

Keble House
Church End
South Leigh, Witney
Oxfordshire OX29 6UR

XIMED GROUP PLC AND ITS SUBSIDIARIES

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF

XIMED GROUP PLC

We have audited the financial statements for the year ended 31 December 2002 set out on pages 7 to 30. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 13 to 14.

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

As described on page 5 the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Directors is not consistent with the financial statements, if the Group 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 Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises only the Chairman's Statement and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

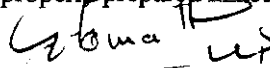
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 Group's and 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 and the Group as at 31 December 2002 and of the Company's results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Solomon Hare LLP
Chartered Accountants
Registered Auditors
CHIPPENHAM

8 October 2003

XiMED GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Note</u>	2002 £	2001 £
Turnover	2	3,049	196,038
Cost of sales		(56,751)	(142,238)
Gross (loss) / profit		(53,702)	53,800
Administration expenses - normal		(1,236,261)	(2,015,884)
Administration expenses - amortisation of goodwill		(161,870)	(176,143)
Other operating income	4	(1,451,833) 6,618	(2,138,227) 11,000
Operating loss	3	(1,445,215)	(2,127,227)
Interest receivable and similar income		348	2,817
Interest payable and similar charges	5	(1,444,867) -	(2,124,410) (6,418)
Loss on ordinary activities before taxation		(1,444,867)	(2,130,828)
Tax on loss on ordinary activities	7	36,650	-
Loss on ordinary activities after taxation		(1,408,217)	(2,130,828)
Retained loss for the financial year		(1,408,217)	(2,130,828)
Earnings per share (pence) – loss (normal and diluted)	8	(8.0)	(16.4)

The results shown in the profit and loss account above represent continuing operations.

The group has no recognised gains or losses other than the profit or loss for the above two financial years.

The Company has taken advantage of section 230 of the Companies Act 1985 not to publish its own profit and loss account.

XiMED GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET - 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed Assets			
Intangible assets	9	1,575,045	70,188
Goodwill	10	1,027,096	1,206,170
Negative goodwill	10	-	(17,204)
Net goodwill		1,027,096	1,188,966
Tangible assets	11	3,670	18,658
		2,605,811	1,277,812
Current Assets			
Debtors	13	14,321	63,929
Cash at bank and in hand		8,746	48,569
		23,067	112,498
Creditors: amounts falling due within one year	14	(599,749)	(1,249,998)
Net Current Liabilities		(576,682)	(1,137,500)
Net assets		2,029,129	140,312
Capital and Reserves:			
Called up share capital	15	221,048	129,496
Share premium account	16	8,546,135	5,340,653
Merger reserve	17	1,778,225	1,778,225
Profit and loss account	18	(8,516,279)	(7,108,062)
Shareholders' funds	19	2,029,129	140,312

These financial statements were approved by the directors on 8 October 2003 and are signed on their behalf by:



K W Brooks Esq.
Director

XiMED GROUP PLC AND ITS SUBSIDIARIES
COMPANY BALANCE SHEET - 31 DECEMBER 2002

	Note	2002 £	2001 £
Fixed Assets			
Intangible assets	9	1,575,045	70,188
Tangible assets	11	3,670	3,494
Investments	12	20,000	550,143
		1,598,715	623,825
Current Assets			
Debtors	13	54,255	65,749
Cash at bank and in hand		8,746	48,043
		63,001	113,792
Creditors: amounts falling due within one year	14	(597,070)	(1,079,603)
Net Current Liabilities		(534,069)	(965,811)
Net total assets/(liabilities)		<u>1,064,646</u>	<u>(341,986)</u>
Capital and Reserves:			
Called up share capital	15	221,048	129,496
Share premium account	16	8,546,135	5,340,653
Merger reserve	17	1,778,225	1,778,225
Profit and loss account	18	(9,480,762)	(7,590,360)
Shareholders' funds	19	<u>1,064,646</u>	<u>(341,986)</u>

These financial statements were approved by the directors on 8 October 2003 and are signed on their behalf by:



K W Brooks Esq.
Director

XIMED GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002		2001
	£	£	£
Net cash flow from operating activities	(1,435,556)		(381,217)
Returns on investments and servicing of finance			
Interest received	348		2,817
Interest paid	-		(647)
Interest element of finance leases	-		(5,771)
	348		(3,601)
Taxation			
Corporation tax (paid) or received	36,650		-
	(1,398,558)		(384,818)
Capital expenditure and financial investment			
Purchase of intangible fixed assets	(35,496)		(47,053)
Purchase of tangible fixed assets	(2,883)		(12,106)
Sale of tangible fixed assets	18,749		117,521
	(19,630)		58,362
Cash (outflow)/inflow before financing	(1,418,188)		(326,456)
Financing			
Proceeds from Issue of equity share capital	47,052		50,284
Share premium from issue of equity share capital	1,359,927		-
Capital element of finance leases	-		(57,813)
	1,406,979		(7,529)
Decrease in cash during the year	(11,209)		(333,985)

XIMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating loss	(1,445,215)	(2,127,227)
Depreciation	5,740	263,759
Decrease in debtors	49,608	379,568
(Decrease)/Increase in creditors	(378,080)	859,405
Decrease in stock	-	58,141
Foreign currency exchange loss	-	55
Amortisation of trademarks & intellectual property	177,139	8,939
Goodwill amortisation (net)	161,870	176,143
Profit on disposal of fixed assets	(6,618)	-
Net cash outflow from operating activities	(1,435,556)	(381,217)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2002 £	2001 £
Decrease in cash in the year	(11,209)	(333,985)
Translation difference	-	(55)
Finance lease capital repayments	-	57,813
Change in net funds	(11,209)	(276,227)
Net (debt)/funds at 1 January 2002	8,230	284,457
Net (debt)/funds at 31 December 2002	(2,979)	8,230

XiMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

... continued ...

ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	<u>At 01.01.02</u> £	<u>Cash flows</u> £	<u>Exchange movement</u> £	<u>At 31.12.02</u> £
Cash at bank and in hand	48,569	(39,823)	-	8,746
Bank overdraft	(40,339)	28,614	-	(11,725)
Net (debt)/funds	8,230	(11,209)	-	(2,979)

NON CASH TRANSACTIONS

The acquisition of Arista Limited as per note 23 and subsequent transfers of intellectual property for £1,646,500 was for nil cash consideration via share allotments in XiMed Group plc.

As detailed in note 22, Oxford Commercial Services Limited converted debt into equity.

XIMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with statements of standard accounting practice issued by UK accounting bodies and under the historical cost convention.

The Group financial statements combine the financial statements of XiMed Group Plc and its wholly owned subsidiaries Phytogenics Limited, Reductogen Limited, BioClinical Services Limited and Energiser Limited and the financial statements of its 99.7% owned subsidiary Profemme Limited made up to 31 December 2002. No profit and loss account is presented for XiMed Group Plc as provided by S.230(3) of the Companies Act 1985.

Going concern

The directors have prepared the financial statements on the going concern basis. This basis has been used as, in the directors' opinion, the group has adequate financial resources, which include the continued support of third parties.

As noted in the Directors' Report trials of the company's terpene applications, represented by the intangible assets in the Balance Sheet, are being conducted and the directors believe that these will result in revenues being generated in the future. At this time it is not possible to identify the precise quantum and timing of this income.

Turnover

Turnover represents amounts invoiced by the Group in respect of goods sold and services rendered during the year stated net of value added tax. Territory rights income is recognised on an invoiced basis.

Depreciation of tangible fixed assets

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over the expected useful life as follows:-

Plant and equipment	- 20% on a reducing balance basis
Furniture, fixtures and fittings	- 25% per annum on a straight line basis
	- 15% per annum on a reducing balance basis
Computer and office equipment	- 33.33% per annum on a straight line basis
Leasehold property	- life of lease

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:-

Licences and Trademarks	- 10% per annum on a straight line basis
Goodwill on consolidation	- 10% per annum on a straight line basis

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the period of the lease.

XiMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

... continued ...

1. ACCOUNTING POLICIES *(continued)*

Intangible fixed assets

Goodwill arising on consolidation is capitalised and amortised over its useful economic life. Costs in relation to trademarks are capitalised when they are incurred and are then written off over their useful economic lives and the life of the trademark, which is currently deemed to be 10 years.

Research and development

Research and development costs in relation to all existing products are written off in the year in which they are incurred.

Investments in group companies

Shares in group companies are stated at cost less provision for any impairment in value.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal instalments.

Deferred taxation

During the year, the Group has adopted Financial Reporting Standard 19 "Deferred Tax", which requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses for taxation and accounting purposes.

The previous policy provided for deferred tax only to the extent that it was probable that an actual deferred tax asset or liability was expected to crystallise in the foreseeable future.

Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing difference can be deducted. This change in accounting policy has had no impact on the loss for the year or net assets.

Pension costs

The Group operates a Defined Contribution Pension Scheme for its directors and employees. Pension costs charged against profits represent the amounts payable to the Scheme in respect of the year. The assets of the Scheme are held separately from those of the Group in an independently administered fund.

Foreign currencies

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 loss.

XiMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

... continued ...

2. TURNOVER AND GROUP LOSS

The turnover and loss of the Group during the year is attributable to the one principal activity of the Group.

An analysis of turnover is below:-

	2002 £	2001 £
United Kingdom	3,049	155,319
E.U.	-	30,992
U.S.A.	-	9,727
	3,049	196,038

All turnover originates from, and all assets are situated in, the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging:

	2002 £	2001 £
Net loss on foreign exchange	3,128	55
Profit on disposal of fixed assets	(6,618)	-
Amortisation	177,139	185,083
Auditors' remuneration	10,000	6,245
Other accounting services	42,775	24,984
Depreciation:-		
- owned assets	5,740	168,806
- leased assets	-	94,953
Operating lease rentals:-		
- land and buildings	6,740	57,307
- others	-	54,986
Research and development costs	11,459	18,807
	6,618	11,000

4. OTHER OPERATING INCOME

	2002 £	2001 £
Grant income	-	10,000
Rent received	-	1,000
Profit on disposal of fixed assets	6,618	-
	6,618	11,000

XIMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

... continued ...

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank interest	-	647
Hire purchase finance and leasing	-	5,771
	-	6,418

6. EMPLOYEES AND DIRECTORS

During the year staff costs, including executive directors, amounted to:-

	2002 £	2001 £
Wages and salaries	-	583,799
Social security costs	468	39,986
Other pension costs	7,049	48,639
	7,517	672,424

The average number of employees during the year was as follows:-

	No	No
Administration	-	6
Production	-	13
Management	4	7
	4	26

XiMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

... continued ...

6. EMPLOYEES AND DIRECTORS (continued)

Staff costs include the following emoluments in respect of directors:-

	2002 £	2001 £
Directors' remuneration	10,000	192,681
Pension contributions	-	11,711
	10,000	204,392

The number of directors who are accruing benefits under Company pension schemes were as follows:-

	2002	2001
Money purchase schemes	-	2

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2002 £	2001 £
Under provision re: tax credits for Research & Development	36,650	-

No tax charge arises on the results for the year. Tax losses carried forward amount to approximately £4,304,000 (2001 - £3,526,000).

Factors affecting tax charge for the year

The UK standard rate of corporation tax is 30% (2001 – 30%), whereas the current tax assessed for the financial year as a percentage of the loss before taxation is Nil (2001 – Nil). The differences are explained below:

	2002 %	2001 %
Standard rate of corporation tax in the United Kingdom	(30.0)	(30.0)
Effects of:		
Losses carried forward	24.6	28.1
Other expenses not deductible for tax purposes	5.4	1.9
Current tax rate for the year	Nil	Nil

XIMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

... continued ...

8. EARNINGS PER SHARE

	2002	2001
Earnings per ordinary share (pence)	(8.0)	(16.4)

Earnings per share have been calculated on the net basis on the loss on ordinary activities after taxation of £1,408,217 (2001 - £2,130,828) using the weighted average number of ordinary shares in issue of 17,527,165 (2001 - 12,922,510). Due to the loss for the year there is no dilution of earnings arising from options in existence.

9. INTANGIBLE FIXED ASSETS - GROUP

	<u>Intellectual Property</u> £	<u>Licences and trademarks</u> £	<u>Total</u> £
Cost			
At 1 January 2002	-	89,391	89,391
Additions	1,646,500	35,496	1,681,996
At 31 December 2002	1,646,500	124,887	1,771,387
Amortisation			
At 1 January 2002	-	19,203	19,203
Charge for the year	164,650	12,489	177,139
At 31 December 2002	164,650	31,692	196,342
Net book value			
At 31 December 2002	1,481,850	93,195	1,575,045
Net book value			
At 31 December 2001	-	70,188	70,188

XiMED GROUP PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

... continued ...

9. INTANGIBLE FIXED ASSETS – COMPANY

	<u>Intellectual Property</u> £	<u>Licences and trademarks</u> £	<u>Total</u> £
Cost			
At 1 January 2002	-	89,391	89,391
Additions	1,646,500	35,496	1,681,996
At 31 December 2002	1,646,500	124,887	1,771,387
Amortisation			
At 1 January 2002	-	19,203	19,203
Charge for the year	164,650	12,489	177,139
At 31 December 2002	164,650	31,692	196,342
Net book value			
At 31 December 2002	1,481,850	93,195	1,575,045
Net book value			
At 31 December 2001	-	70,188	70,188

10. GOODWILL - GROUP

	<u>Positive goodwill</u> £	<u>Negative goodwill</u> £	<u>Net goodwill</u> £
Cost			
At 1 January 2002	1,790,742	(26,465)	1,764,277
Disposals	-	26,465	26,465
At 31 December 2002	1,790,742	-	1,790,742
Amortisation			
At 1 January 2002	584,572	(9,261)	575,311
Charge/write back for the year	179,074	(17,204)	161,870
Relating to disposals	-	26,465	26,465
At 31 December 2002	763,646	-	763,646
Net book value			
At 31 December 2002	1,027,096	-	1,027,096
Net book value			
At 31 December 2001	1,206,170	(17,204)	1,188,966

XiMED GROUP PLC AND ITS SUBSIDIARIES
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11. TANGIBLE FIXED ASSETS - GROUP

	<u>Leasehold improvements</u> £	<u>Plant and equipment</u> £	<u>Furniture, fixtures and fittings</u> £	<u>Computer and office equipment</u> £	<u>Total</u> £
Cost					
At 1 January 2002	73,661	392,403	61,355	18,534	545,953
Additions	-	-	-	2,883	2,883
Disposals	(73,661)	(392,403)	(61,355)	-	(527,419)
At 31 December 2002	-	-	-	21,417	21,417
Depreciation					
At 1 January 2002	73,661	377,239	61,355	15,040	527,295
Provided in the year	-	3,033	-	2,707	5,740
On disposals	(73,661)	(380,272)	(61,355)	-	(515,288)
At 31 December 2002	-	-	-	17,747	17,747
Net book value					
At 31 December 2002	-	-	-	3,670	3,670
Net book value					
At 31 December 2001	-	15,164	-	3,494	18,658

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11. TANGIBLE FIXED ASSETS - COMPANY

	Furniture, fixtures and fittings £	Computer and office equipment £	Total £
Cost			
At 1 January 2002	12,691	18,534	31,225
Additions	-	2,883	2,883
At 31 December 2002	12,691	21,417	34,108
Depreciation			
At 1 January 2002	12,691	15,040	27,731
Provided in the year	-	2,707	2,707
At 31 December 2002	12,691	17,747	30,438
Net book value			
At 31 December 2002	-	3,670	3,670
Net book value			
At 31 December 2001	-	3,494	3,494

12. FIXED ASSET INVESTMENTS - COMPANY

	2002 £	2001 £
Shares in subsidiary undertakings		
Balance at 1 January 2002	550,143	721,911
Additions in the year	200,000	-
Provision in the year	(730,143)	(171,768)
Balance at 31 December 2002	20,000	550,143

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12. FIXED ASSET INVESTMENTS – COMPANY (continued)

The investment in subsidiary companies at book value comprises the following:-

	2002 £	2001 £
Phylogenics Limited	20,000	-
BioClinical Services Limited	-	-
Reductogen Limited	-	-
Profemme Limited	-	550,143
Energiser Limited	-	-
	20,000	550,143

The activities of the company's subsidiary undertakings are as follows:-

Phylogenics Limited

- Management, development and marketing of nutraceuticals. This company was sold after the year-end to an unrelated third party for £60,000 and the investment has been written down this year to reflect that value.

BioClinical Services Limited

- Contract research and development – trading suspended.

Reductogen Limited

- Development and licensing of pharmaceutical products – trading suspended.

Profemme Limited

- Research and development of pharmaceutical products.

Energiser Limited

- Dormant

All the subsidiary undertakings are wholly owned except for Profemme Limited which is 99.7% owned. All the subsidiary undertakings are incorporated in Great Britain. The results of all the subsidiary undertakings are included in the consolidated financial statements.

The minority interest in Profemme is considered immaterial to the presentation of the Company's results and is therefore not shown on the profit and loss account and consolidated balance sheet.

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13. DEBTORS - GROUP

	2002 £	2001 £
Trade debtors	-	12,645
Other debtors	554	25,341
Prepayments and accrued income	-	1,667
VAT recoverable	13,767	24,276
	14,321	63,929

DEBTORS - COMPANY

	2002 £	2001 £
Trade debtors	-	2,291
Other debtors	452	122
Prepayments and accrued income	-	1,667
VAT recoverable	13,803	25,240
Amounts due from Group undertakings	40,000	36,429
	54,255	65,749

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NOTES TO THE FINANCIAL STATEMENTS
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14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR - GROUP

	2002 £	2001 £
Bank overdraft	11,725	40,339
Trade creditors	221,345	371,682
Other taxes and social security costs	-	33,090
Other creditors	352,149	794,887
Accruals and deferred income	14,530	10,000
	599,749	1,249,998

CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR - COMPANY

	2002 £	2001 £
Bank overdraft	12,007	18,024
Trade creditors	219,362	273,825
Other creditors	351,171	777,754
Accruals and deferred income	14,530	10,000
	597,070	1,079,603

A debenture dated 24 May 2001 in favour of Battlebridge Nominees Limited secures a fixed and floating charge over all assets, goodwill, stocks and book debts of the company.

The bank overdraft is secured by an Intercompany Composite Guarantee dated 30 January 2001 in favour of The Royal Bank of Scotland.

XiMED GROUP PLC AND ITS SUBSIDIARIES
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15. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised 100,000,000 ordinary shares of £0.01 each (2001 : 100,000,000)	1,000,000	1,000,000
Allotted and called up 22,104,736 ordinary shares of £0.01 each (2001 - 12,949,593)	221,048	129,496

Share options

Directors' share options are disclosed in the Directors' report.

During the year the company allotted the following ordinary shares:

January 2002	50,000	shares at £0.01	for cash
March 2002	774,000	shares at £0.37	for cash and settlement of debt
March 2002	7,740,560	shares at £0.37	in part respect of cash and the acquisition of an intellectual property bank
August 2002	373,096	shares at £0.25	in settlement of debt
September 2002	127,487	shares at £0.25	in settlement of debt
October 2002	40,000	shares at £0.275	for cash
November 2002	50,000	shares at £0.20	for cash

16. SHARE PREMIUM ACCOUNT - GROUP AND COMPANY

	2002 £	2001 £
At 1 January 2002	5,340,653	5,290,912
Premium on shares issued in the year	3,205,482	49,741
At 31 December 2002	8,546,135	5,340,653

XIMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

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17. MERGER RESERVE - GROUP AND COMPANY

	2002 £	2001 £
At 1 January 2002	1,778,225	1,778,225
At 31 December 2002	1,778,225	1,778,225

The merger reserve was created on the acquisition of Reductogen Limited on 20 February 1998 and the acquisition of Profemme Limited on 11 January 2000.

18. PROFIT AND LOSS ACCOUNT RESERVE - GROUP

	2002 £	2001 £
At 1 January 2002	(7,108,062)	(4,977,234)
Retained loss for the year	(1,408,217)	(2,130,828)
At 31 December 2002	(8,516,279)	(7,108,062)

PROFIT AND LOSS ACCOUNT RESERVE - COMPANY

	2002 £	2001 £
At 1 January 2002	(7,590,360)	(4,339,876)
Retained loss for the year	(1,890,402)	(3,250,484)
At 31 December 2002	(9,480,762)	(7,590,360)

XIMED GROUP PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

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19. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS- GROUP

	2002 £	2001 £
Loss for the financial year after taxation	(1,408,217)	(2,130,828)
New equity share capital issued (nominal value)	91,552	542
Net premium on new share capital subscribed	3,205,482	49,741
Opening shareholders' funds at 1 January 2002	140,312	2,220,857
Closing shareholders' funds at 31 December 2002	2,029,129	140,312

RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS- COMPANY

	2002 £	2001 £
Loss for the financial year after taxation	(1,890,402)	(3,250,484)
New equity share capital issued (nominal value)	91,552	542
Net premium on new share capital subscribed	3,205,482	49,741
Opening shareholders' funds at 1 January 2002	(341,986)	2,858,215
Closing shareholders' funds at 31 December 2002	1,064,646	(341,986)

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20. COMMITMENTS

Lease commitments

At 31 December 2002 the Group had annual commitments under non-cancellable operating leases as follows:-

	2002		2001	
	<u>Land and buildings</u> £	<u>Other</u> £	<u>Land and buildings</u> £	<u>Other</u> £
Operating leases which expire:-				
- within one year	6,740	-	-	27,239
- between two and five years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21. PENSIONS

The Company operated a defined contribution pension scheme for the benefit of its directors and employees. The assets of the scheme are administered by the trustees in a fund independent from those of the Company.

XiMED GROUP PLC AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

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22. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemptions in Financial Reporting Standard 8 with regard to disclosure of transactions with other Group undertakings.

During the year the Group traded with BrookStreet Des Roches, a firm of solicitors in which K W Brooks is a partner, as follows:-

	2002 £	2001 £
Provision of legal services	16,424	25,229
Other creditors due at the year end	92,436	92,436

The Group has also traded with Oxford Commercial Services Limited and Oxford Corporate Services Limited, companies in which K W Brooks is a director. The transactions in aggregate were as follows:-

	2002 £	2001 £
Provision of management and statutory secretarial services	22,697	36,324
Trade creditors due at the year end	-	26,489
Other creditors due at the year end	147,067	296,000

During the year Oxford Commercial Services Limited advanced further funds to the Group totalling £94,622 (2001 - £296,000) and converted £243,555 worth of debt into share capital of the company. At the year end the amount due to this company was £147,067 (2001 - £296,000).

During the year the Group paid £Nil (2001 - £26,500) to A B Baldry for consultancy services and directors fees.

The directors regard all the transactions disclosed above as being on an arms' length basis and in the normal course of business.

XiMED GROUP PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

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23. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 27 March 2002 the company acquired a new subsidiary, Arista Limited in respect of its terpene based intellectual property bank which was subsequently assigned to XiMed Group plc as detailed in note 9 of the financial statements. Arista Limited was then wound up.

24. POST BALANCE SHEET EVENTS

Phytogenics Limited was sold to an unconnected party for £60,000 on 4 March 2003.

In January 2003 this company issued 40,000 £1 shares in respect of the capitalisation of debt owed to its parent company, XiMed Group plc.

25. FINANCIAL INSTRUMENTS

Where permitted by FRS 13, short-term debtors and creditors are excluded from these disclosures.

Debt instruments

At the present time the company is financed with short-term borrowings and equity. All borrowings at the year-end were at floating rates, repayable on demand and denominated in £ sterling.

Currency risk

The group publishes its financial statements in pounds sterling and conducts some of its business in US dollars. As a result, it is subject to foreign currency exchange risk due to exchange movements, which will affect the group's transaction costs and translation of the results. No financial instruments are utilised to manage risk and currency gains and losses are charged to the Profit and Loss account as incurred. At the year end the group had the following net foreign currency debtors or creditors:

	2002	2001
	£	£
US Dollars Debtor	1,157	1,210
US Dollars Creditor	(4,200)	-

Interest risk

The group has an exposure to interest rate risk. Currently, the directors utilise variable rate borrowings.

Liquidity

An analysis of financial liabilities is set out in note 14.

Fair values

The directors consider that the carrying value of financial assets and liabilities is not materially different to their fair values.