SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 30, 2001.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _______________

Commission File Number 0-21978

FUTUREMEDIA PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organization)

Media House, Arundel Road, Walberton, Arundel, West Sussex BN18 0QP, England
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act:
American Depositary Shares (each representing one Ordinary Share)
Ordinary Shares of 1 1/9 p each
Redeemable Warrants

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of period covered by the annual report: 29,648,374 Ordinary Shares of 1 1/9 p each.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days:

Yes _X_ No ___

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ___ Item 18 _X_

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EXPLANATORY NOTE

As used herein, except as the context otherwise requires, the terms "Company" and "Futuremedia PLC" refer to Futuremedia Public Limited Company and its subsidiaries. The Company is organized under the laws of England and Wales. The Company's offices are located at Media House, Arundel Road, Walberton, Arundel, West Sussex BN18 0QP, England. The Company's telephone number is 011-44-1243-555000. The Company does not have offices in the United States.

Except as the context otherwise requires, "Ordinary Shares" or "Shares" refers to the Ordinary Shares of 1 1/9 pence each of the Company.

The Company's American Depositary Shares ("ADSs") have traded since May 29, 1996, on the Nasdaq SmallCap Market under the symbol FMDAY. Each ADS represents the right to receive one Ordinary Share of the Company. ADSs are evidenced by American Depositary Receipts ("ADRs"). ADSs evidenced by ADRs are issued by the Bank of New York as Depositary (the "Depositary") of the Company's ADR facility in accordance with the terms of a deposit agreement between the Company and the Depositary.

The Company publishes its Consolidated Financial Statements expressed in United Kingdom ("UK") pounds sterling. Such financial statements are prepared in conformity with United States generally accepted accounting principles ("US GAAP"). In this document, references to "US dollars", "US$", "cents" or "$" are to United States ("US") currency and references to "pounds sterling", "sterling", "£", "pence" or "p" are to UK currency. Solely for convenience, this Report contains translations of certain pound sterling amounts into US dollars at specified rates. These translations should not be construed as representations that the pound sterling amounts actually represent such US dollar amounts or could have been or could be converted into US dollars at the rates indicated or any other rates. Unless otherwise indicated, the translation of pounds sterling into US dollars have been made at the rate of £1.00 = $1.4386, the Noon Buying Rate in New York City for cable transfers in pounds sterling as certified for customs purposes, by the Federal Reserve Bank of New York (the "Noon Buying Rate") on April 30, 2001. On November 12, 2001 the Noon Buying Rate was £1=$1.4616. For information regarding rates of exchange between pounds sterling and US dollars from fiscal 1997 to the present see "Item 3 Selected Financial Data - Exchange Rates."

The Company's Fiscal year ends on April 30 of each year. References in this document to a particular year are to the fiscal year unless otherwise indicated.

References in this annual report to the "Companies Act" are to the Companies Act 1985, as amended, of Great Britain; references to the "EU" are to the European Union.

The Company furnishes the Depositary with annual reports containing audited consolidated financial statements and an opinion thereon by independent auditors. The Company also furnishes to the Depositary all notices to shareholders of the Company. The Depositary makes such notices, reports and communications available for inspection by record holders of ADRs and, at the Company's request and expense, the Depositary mails such notices and communications to all record holders of ADRs. Only persons in whose names ADRs are registered on the books of the Depositary will be treated by the Depositary and the Company as holders of ADRs.

Information contained on any of the Company's Internet websites, or any other websites referred to herein, does not constitute part of this report and is not incorporated by reference herein

WARNINGS REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Report and in the documents incorporated by reference are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In essence, forward-looking statements are predictions of future events. Although the Company would not make forward-looking statements unless it believed it had a reasonable basis for doing so, the Company cannot guarantee the accuracy of such statements and actual results may differ materially from those anticipated due to a number of uncertainties, many of which we are not aware of.

The Company has no plans to update its forward-looking statements. The Company's forward-looking statements are accurate only as of the date of this Report, or in the case of forward-looking statements in documents incorporated by reference, as of the date of those documents. The Company identifies forward-looking statements with the words "plans," "expects," "anticipates," "estimates," "will," "should" and similar expressions. Examples of the Company's forward-looking statements may include statements related to:

- the Company's plans, objectives, expectations and intentions;
- the timing, availability, cost of development and functionality of products and solutions under development or recently introduced; and
- the anticipated growth rate of the market for Internet-based learning technologies and products in general and the Company's products and solutions in particular.

Factors that could cause or contribute to differences in the Company's future financial results include those discussed in the Risk Factors set forth in Item 3.D. below as well as those discussed elsewhere in this Report.

Based on its current operations and financial position, the Company anticipates that it will need to seek additional financing by the end of the third fiscal quarter of 2002. Management are considering a number of options which are explained in further detail in other sections of this Report (see "Recent Developments" in Item 4).

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not Applicable

ITEM 3. KEY INFORMATION.

A. SELECTED CONSOLIDATED FINANCIAL DATA.

The selected consolidated financial data as of April 30, 2000 and 2001 and for the years ended April 30, 1999, 2000 and 2001 have been derived from the audited consolidated financial statements of the Company included elsewhere in this Report. The selected consolidated financial data as of April 30, 1997, 1998 and 1999, and for the years ended April 30, 1997 and 1998 have been derived from the audited consolidated financial statements of the Company, which are not included in this Report.

The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Company's audited consolidated financial statements and notes thereto and the discussion thereof included herein.

Income Statement Data	Years Ended April 30					
	2001(1)	2001	2000	1999	1998	1997
	(in thousands, except per share data)					
Net Sales	$1,069	£743	£867	£1,534	£2,700	£2,692
Operating loss	(5,484)	(3,812)	(2,672)	(1,060)	(777)	(1,487)
Loss before income taxes	(5,319)	(3,697)	(2,645)	(1,122)	(886)	(1,554)
Net loss...........................	(5,319)	(3,697)	(2,645)	(1,122)	(886)	(1,434)
Net loss per share - basic and diluted..............................	(18.28)c	(12.71)p	(11.17)p	(5.77)p	(5.58)p	(16.73)p

Balance Sheet Data	At April 30,					
	2001(1)	2001	2000	1999	1998	1997
	(in thousands except number of shares)					
Cash and cash equivalents ...	$3,664	£2,547	£2,612	£435	£43	£177
Total assets............................	6,779	4,713	4,437	2,461	1,970	1,971
Total current liabilities	3,175	2,208	845	366	722	1,345
Long-term debt and capital lease obligations	636	442	384	850	818	5
Net Assets………………….	2,968	2,063	3,208	1,245	430	621
Shareholders' equity	2,968	2,063	3,208	1,245	430	621
Share Capital……………….	473	329	305	230	191	160
Number of Shares…………..	29,648,374	29,648,374	27,416,152	20,684,522	17,229,976	14,410,531

(1) US dollar amounts have been translated solely for convenience at the Noon Buying Rate on April 30, 2001 of £1.00 = $1.4386.

Exchange Rates

The Company publishes its financial statements in Pounds Sterling. The majority of the Company's revenues are denominated in Pounds Sterling and U.S. dollars and the majority of the Company's expenses and debt are denominated in Pounds Sterling.

The following sets forth the exchange rate between the Company's financial reporting currency, the Pound Sterling, and the US dollar, using the Noon Buying Rate. Such rates are not used by the Company in the preparation of its Consolidated Financial Statements:

(a) The exchange rate as of October 31, 2001, the end of the Company's second fiscal quarter, was £1=$1.4591, and at November 12, 2001 was £1=$1.4616

(b) The high and low exchange rates for each month during the previous six months expressed in US dollars per pound sterling were as follows:

Six Months Ended October 31, 2001	**High**	**Low**
October, 2001................................	1.4848	1.4291
September, 2001............................ .	1.4823	1.4688
August, 2001………….……………	1.4648	1.4201
July, 2001	1.4330	1.4061
June, 2001	1.4257	1.3954
May, 2001	1.4443	1.4188

(c) For the five most recent fiscal years, the average rates for each period, calculated by using the average of the exchange rates on the last business day of each month during the period, were as follows:

Year Ended April 30	Average
1997 ....……	1.5708
1998 ....……	1.6457
1999 ....……	1.621
2000 ....……	1.6113
2001…………………………...	1.4676

B. CAPITALIZATION AND INDEBTEDNESS.

Not Applicable

C. REASONS FOR THE OFFER AND USE OF PROCEEDS.

Not Applicable

D. RISK FACTORS.

This Report contains forward-looking statements, which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the following Risk Factors and elsewhere in this Report.

Financial Condition and Liquidity; Need for Additional Financing

As of July 31, 2001 the Company had working capital of £320,000 ($460,000). Based on its current operations and financial position, the Company anticipates that it will need to seek additional financing by the end of the third fiscal quarter of 2002. The Company is evaluating strategic alternatives that may include equity or debt financing, acquisitions or other strategic business transactions. There is no assurance that any additional financing will be available or, if available, will be on terms favorable to the Company. In the event the Company is unable to procure any additional financing or identify strategic alternatives, the Company may be forced to curtail or cease operations.

Dependence on Market for e-learning

Substantially all of the Company's revenues are directly or indirectly related to expenditures of large corporate businesses on emerging net-based learning technologies and associated services. These large businesses may be subject to significant fluctuations as a consequence of general economic conditions, industry patterns or other factors affecting such expenditures. Expenditures for products and services such as the Company's are directly affected by these fluctuations. The Company expects that its operations will continue to depend on these expenditures. Fluctuations, downturns or slowdowns in these large businesses could have a material adverse effect on the Company's business, financial condition and results of operations.

New Products and Technological Change

The Company's business will be significantly impacted by technological changes and innovations. The market for the Company's products is characterized by rapidly changing technology, evolving industry standards and frequent introductions of new products. The Company has historically derived a significant portion of its revenues from the sale of new and enhanced products. The Company's future success will depend upon its ability to enhance its existing products and to develop and introduce, on a timely and cost-effective basis, new competitive products with features that meet changing customer requirements and address technological developments.

The Company's products could be rendered obsolete by new customer requirements or the emergence of new technologies. The failure of the Company to develop, manufacture and sell new products and product enhancements in quantities sufficient to offset a decline in revenues from existing products or to manage product and related inventory transitions successfully, would have a material adverse effect on the Company's business, financial condition and results of operations.

Because of the complexity of the Company's products, significant delays can occur between a product's initial introduction to the market and wide market acceptance. In addition, new products or enhancements may contain errors or performance problems when first introduced, when new versions are released or even after such products or enhancements have been used for a period of time. Despite testing by the Company, such defects may be discovered only after a product has been installed and used by customers. Such errors or performance problems could avoid detection in future shipments of the Company's products and result in expensive and time consuming design modifications, damaged customer relationships and a loss of market share.

As new products are introduced, the Company must attempt to monitor closely the range of its products to be replaced and to phase out their production and distribution in a controlled manner. There can be no assurance, however, that such product transitions will be executed without adversely affecting overall product sales or that the Company will be successful in identifying, developing, and marketing new products or enhancing its existing products.

The development of new products has required, and will continue to require, the Company to expend significant financial and management resources. The Company's business would be materially adversely affected if the Company were to incur delays in developing new products or enhancements or if such products or enhancements did not gain market acceptance. In addition, there can be no assurance that products or technologies developed by one or more of the Company's present or potential competitors could not render obsolete both present and future products of the Company.

Limited Product Life

There is no assurance that the useful life of any product will be long enough to enable the Company to recover its development costs. In addition, sales of certain of the Company's products generally may tend to decline over time unless the products are enhanced or repackaged.

Changing Customer Preferences

Customer preferences for instructional programs, entertainment and other software products are continually changing. There can be no assurance that the Company's products will receive and/or maintain substantial market acceptance. Changes in customer preferences could adversely affect levels of market acceptance of the Company's products and its operating results.

Competition

The net-based learning business is new and rapidly evolving with a growing number of competitors and subject to rapid technological change. The Company currently competes both with smaller UK based companies as well as larger multinational firms in the development and implementation of net-based learning products. Many of these competitors are more established, better capitalized and have a larger market position than the Company.

In addition, these competitors may have the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may devote greater resources to the development, promotion and sale of their products and services than the Company. The Company may also be operating at a cost disadvantage compared to competitors who have greater direct buying power from suppliers or who have lower cost structures.

Early Stage of Market Development

The markets for most of the Company's products are at a relatively early stage of development and customer acceptance. Broader acceptance of the Company's products will be dependent upon customer and end-user reaction to those products and the price and performance of the Company's and its competitors' products. The Company believes that the development of these markets will be, in part, dependent on the success of the Company's efforts to inform and demonstrate to its customers the perceived efficacy of the Company's products. These markets may never develop further and the Company's products may not achieve broader market acceptance.

Reliance on Corporate Customers; Lengthy Sales Cycle

A substantial portion of the Company's revenues is derived from sales of its products to large corporate customers who use the Company's products on their own network infrastructure. These customers demand highly reliable products and often require up to several months to evaluate and test the Company's products before deciding whether to use the Company's products on their network infrastructure. During this evaluation and testing process, the Company is frequently required to expend significant engineering, technical, financial and other resources in adapting its products to the customers' specific requirements, without any assurance that the customers will decide to order the Company's products.

If a corporate customer decides to purchase the Company's products, the sales volume of these products will be significantly dependent upon the timing and effectiveness of the efforts of that customer in incorporating the Company's products into the customer's infrastructure. Some of the Company's customers may also source third party e-learning content products that compete with the Company's products. These customers could give higher priority to the use of competing products. Some of the Company's customers do not have exclusive or long-term purchase obligations with the Company. The failure of customers to accept the Company's products after the Company expends significant resources and the possibility that customers may source third party competing products could each have a material adverse impact on the Company's business, financial condition and results of operations.

Reliance on Significant Customers

For the fiscal year ended April 30, 2001, the Company's two largest customers together represented approximately 40% of gross sales of the Company. The loss of either of these major customers could have a material adverse effect on the Company's business.

Overseas Customers

Some of the Company's products are supplied to customers located outside the UK. Action for the recovery of debts from these customers may prove more difficult and more expensive, if it is possible at all, than from customers located within the jurisdiction of English courts. In addition, claims against the Company may be brought in overseas courts, and may prove more costly or difficult to defend than claims brought in English courts.

Dependence on Limited Sources of Supply

The Company relies on one or only a limited number of suppliers for certain key software components, hosting services and e-learning content. These suppliers are located in various countries. As a result, the Company's relationships with these suppliers are subject to political, legal, economic and other uncertainties, in addition to general risks associated with reliance on limited sources of supply. A change of control of a supplier could also adversely affect the Company's ability to obtain supplies and provide continuity of service on the same or other favorable terms, if at all. The Company does not have long-term purchasing arrangements with all of its suppliers. Obtaining an alternative source of supply of critical software components, hosting services and e-learning content could involve significant delays and other costs, may not be available to the Company on reasonable terms, if at all, and may have a material adverse effect on the Company's business, financial condition and results of operations. The failure of a software component supplier, service provider or e-learning content provider to provide acceptable quality and timely updates and/or support at an acceptable price, or an interruption of supplies, hosting services or support from such a supplier or provider as a result of a fire, natural calamity, strike or other significant event could materially and adversely affect the Company's business, financial condition and results of operations.

Dependence on Outside Contractors

The Company has limited in-house content production capabilities and relies on subcontractors for the majority of its bespoke content production. Reliance on outside contractors reduces the Company's control over quality and delivery schedules. The ability of the Company to provide its customers with products on a timely basis depends, in part, on the ability of the contractors to deliver such products to the Company on a timely basis. Any interruption in or termination of these supplies, a material change in the purchase terms, including pricing or a reduction in their quality or reliability, could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Partnerships

Some of the Company's products are built on a model that seeks to bring together the best available content, technology and services from the best in class vendors. A significant proportion of the Company's proposition is therefore based on the strength of its partnership relations and the Company cannot guarantee that it will be able to maintain the required ongoing relationships with its partners.

Absence of Patent Protection

The Company's ability to compete successfully will depend on (i) its ability to protect its proprietary technology, and (ii) the ability of the Company's suppliers to protect the technology of the products distributed by the Company on their behalf. The Company has no patents with respect to its product design or production processes.

In choosing not to seek patent protection, the Company instead has relied on the complexity of its technology, its trade secret protection policies, common law trade secret laws, copyrights, and confidentiality and/or license agreements entered into with its employees, suppliers, sales agents, customers and potential customers.

As a part of its trade secret protection policies, the Company tries to limit access to, and distribution of, its software, related documentation and other proprietary information. There can be no assurance that such strategy will prevent or deter others from using the Company's products to develop equivalent or superior products or technology, or from doing so independently.

Further, there can be no assurance that the Company will seek or obtain patent protection for future technological developments or that any patents that may be granted in the future would be enforceable or would provide the Company with meaningful protection from competitors.

Moreover, litigation by the Company to enforce or defend its proprietary rights could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel, whether or not such litigation results in a favorable outcome for the Company. In order to avoid such expense or diversion of resources, the Company could agree to enter into a license agreement or other settlement arrangement, notwithstanding the Company's continuing belief in its position.

In addition, there can be no assurance that the Company's products do not, and that its proposed products will not, infringe any patents or rights of others. If a patent infringement claim is asserted against the Company, whether or not the Company is successful in defending such claim, the defense of such claim may be very costly.

While the Company is unable to predict what costs, if any, would be incurred if the Company were obliged to devote substantial financial or management resources to patent litigation, its ability to fund its operations and to pursue its business goals may be substantially impaired.

Dependence on Licensing Arrangements

In addition to its internally generated products, the Company markets, as a distributor, a number of products under license from several suppliers and under varying terms of exclusivity and tenure. While management is confident that such licensing arrangements will continue and, if considered in the Company's best interest, will be renewed, there can be no assurance that licenses will be extended on terms satisfactory to the Company, if at all. While the Company believes that the failure to extend licensing arrangements with respect to one or a small number of products would not substantially affect the Company, the failure to renew a significant number of the present licenses could have an adverse effect on the future profitability of the Company.

Seasonality and Product Shortages

The demand for the Company's products is generally expected to be stronger in the second half of the fiscal year (which ends on April 30) and weaker in the first half due to seasonal buying patterns in the UK and the rest of Europe.

Foreign Trade Regulations

While the Company sells non-UK-produced products, it generally purchases them from EU subsidiaries of foreign suppliers. The Company's ability to remain competitive with respect to the pricing of the imported components could be adversely affected by increases in tariffs or duties, currency fluctuations, changes in trade treaties, strikes in air or sea transportation, and possible future European legislation with respect to pricing and import quotas on products from non-EU countries. The Company's ability to be competitive in or with the sales of imported components also could be affected by other governmental actions related to, among other things, anti-dumping legislation and international currency fluctuations.

Absence of Dividends

The Company has not paid cash dividends during its history with the exception of a dividend paid in 1990. It is unlikely that the Company will declare or pay cash dividends in the foreseeable future. The Company intends to retain earnings, if any, to expand its business operations.

Continued Control By Existing Shareholders

The present directors of the Company and their affiliates beneficially own approximately 39% of the Company's outstanding capital shares (excluding outstanding warrants and options) and, accordingly, they will be in a position to influence the election of the Company's directors and direct its affairs.

Changes in Exchange Rates

A majority of the Company's revenues to date have been received in pounds sterling and the Company maintains its financial statements in pounds sterling. However, revenues and proceeds of funding activities are sometimes received in US dollars, euro and other European currencies, which are translated into pounds sterling as the Company's functional currency. Fluctuations in the value of the pound sterling against the euro and other European currencies have caused, and are likely to cause, amounts translated into pounds sterling to fluctuate in comparison with previous periods. The Company currently does not engage in any hedging transactions that might have the effect of minimizing the consequences of currency exchange fluctuations. Such fluctuations may adversely affect the Company's results of operations.

Listing Maintenance Criteria for Nasdaq System; Disclosure Relating to Low-Priced Stocks

The Company's ADSs, as evidenced by ADRs, which in turn evidence the Company's Ordinary Shares, are currently traded on the Nasdaq SmallCap Market. No assurance can be given that an orderly trading market will be sustained in the future. Moreover, the National Association of Securities Dealers, Inc., (the "NASD") which administers Nasdaq, requires that, in order for a company's securities to continue to be listed on the Nasdaq SmallCap Market, the company must maintain either $2,000,000 in net tangible assets, $35,000,000 in market capitalization or net income of $500,000 in the most recently completed fiscal year or in two of the last three most recently completed fiscal years. With effect from November 30, 2002, the net tangible assets critierion will change to a minimum stockholder's equity requirement of $2,500,000. The Company had stockholder's equity of $2,030,000 as of July 31, 2001. In addition, continued inclusion requires that the Company maintain two registered and active market-makers. The failure to meet these listing maintenance criteria in the future may result in the de-listing of the Company's ADSs from the Nasdaq SmallCap Market. In such an event, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, the Company's Ordinary Shares.

In addition, in the event the Company's ADSs are delisted from the SmallCap Market, the Company's ADSs and Ordinary Shares may become subject to the "penny stock" rules of the United States Securities and Exchange Commission (the "Commission"). A "penny stock" is generally an equity security with a market price of less than $5 per share which is not quoted through the Nasdaq system or a national securities exchange in the US. Due to the risks involved in an investment in penny stocks, US securities laws and regulations impose certain requirements and limitations on broker/dealers who recommend penny stocks to persons other than their established customers and accredited investors, including making a special written suitability determination for the purchaser, providing purchasers with a disclosure schedule explaining the penny stock market and its risks and obtaining the purchaser's written agreement to the transaction prior to the sale. These requirements may limit the ability of broker/dealers to sell penny stocks. Also, because of these requirements and limitations, many broker/dealers may be unwilling to sell penny stocks at all. In the event the Company's Ordinary Shares become subject to the Commission's rules relating to penny stock, the trading market for the ADSs may be materially adversely affected.

Risks of Possible Future Acquisitions

The Company may pursue potential acquisitions of businesses, products or technologies that could complement or expand the Company's business. If the Company identifies an acquisition candidate, the Company cannot assure that the Company would be able to integrate such acquired businesses, products or technologies into the Company's existing business and products. The negotiation of potential acquisitions as well as the integration of an acquired business could cause diversion of management's time and resources. Any potential acquisition, whether or not consummated, could have a material adverse effect on the Company's business, financial condition and results of operations. If the Company consummates one or more significant acquisitions in which consideration consists of Ordinary Shares, stockholders of the Company could suffer significant dilution of their interests in the Company. In addition, the Company could incur or assume substantial debt in connection with an acquisition. Such debt could adversely affect the Company's ability to obtain financing for working capital or other purposes, make the Company more vulnerable to economic downturns and competitive pressures and have a material adverse effect on the Company's business, financial condition and results of operations.

Possible Issuance of Additional Shares

The Company presently has outstanding options and warrants, pursuant to which an aggregate of 6,243,010 Ordinary Shares may be issued upon exercise thereof. The issuance of any additional Ordinary Shares, whether upon the exercise of derivative securities, including options and/or warrants, in connection with a financing or otherwise, including additional Ordinary Shares issuable as a consequence of any anti-dilution provisions set forth in the instruments evidencing such derivative securities, would reduce the proportionate ownership and voting power of then-existing Shareholders.

Risks Associated with Incorporation in England and Wales

The Company is incorporated under English law. The rights of holders of the Shares are largely governed by English law, including the Companies Act 1985, and by the Company's Memorandum and Articles of Association. These rights differ in certain respects from the rights of shareholders in typical US corporations. Although certain provisions of English law resemble various provisions of the corporation laws of the United States and other European countries, principles of law relating to such matters as the fiduciary duties of management and the rights of the Company's stockholders may differ from those that would apply if the Company were incorporated in another country. In addition, English employment law imposes substantial severance obligations on companies.

Service and Enforcement of Legal Process

All of the Company's assets are located in the United Kingdom. Most of the Company's executive officers and directors, and certain of the experts named herein are not residents of the United States, and all or substantial portions of the assets of such persons are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon such persons or to enforce against such persons or the Company any judgments of United States courts predicated upon the civil liability provisions of the securities or other laws of the United States.

Volatility of Stock Price

The market price for the Ordinary Shares has been and may continue to be highly volatile. Factors such as the announcement of technological innovations or new products by the Company or its competitors, variations in anticipated or actual operating results, market conditions and general economic conditions may have a significant impact on the market price of the Ordinary Shares.

ITEM 4. INFORMATION ON THE COMPANY.

A. HISTORY AND DEVELOPMENT OF THE COMPANY.

The legal and commercial name of the Company is "Futuremedia Public Limited Company" or "Futuremedia PLC".

The Company was incorporated in England and Wales as a private limited company in 1982.

The Company is domiciled in England and Wales. It is incorporated in and under the legislation of England and Wales. The address of the Company's registered office is Media House, Arundel Road, Walberton, Arundel, West Sussex, BN18 0QP, England and the telephone number of the Company's registered office is 011-44-1243-555000.

The Company provides e-learning solutions to the corporate market. The main elements of the services provided by the company are; (i) the development and distribution of its web-based Learning Management System, "Solstra™"; (ii) the development and distribution of its complete e-learning solution, "easycando™"; (iii) project management and instructional design of e-learning content; (iv) aggregation, brokerage and distribution of leading e-learning content and applications technologies from leading third party vendors; and (v) consulting and other professional services to support the development and the successful implementation of e-learning solutions.

Following its pioneering of interactive laserdisc technology, the Company re-registered as an English public limited company and completed its initial public offering on Nasdaq in 1993. During the period 1993 to 1996, the Company expanded into Germany, the Netherlands and the US, but withdrew from these markets in 1997 and 1998, choosing to concentrate its management focus on the UK home market and the development of new Internet-enabled solutions.

Recognizing the potential impact on the learning market of the developments being made in Intranet and Internet environments, the Company commenced the development of Solstra in 1997 with British Telecommunications PLC ("BT"), launching the first version of the product in February 1998. In March 2000, the Company launched easycando, its Internet learning portal.

Since April 30, 1998, the Company has invested in capital expenditure totaling £269,000 ($387,000) for edit suite equipment (since disposed), upgrades to its accounting system, network servers, backup system, power supplies, internal telephone system and fire alarm systems together with the routine upgrading and provision of desktop and laptop computers and accessories as required. During the year ended April 30, 2001, investments in capital expenditure used £130,000 ($187,000) of cash. The Company continues to outsource its production activity and consequently the equipment now used comprises network hardware, fiber optic cabling, desktop personal computers, laptops and servers required to support the ongoing business. Where appropriate, the Company owns its capital equipment, and it endeavors to maintain a program of upgrading to ensure the cost-effective provision of desktop and laptop tools to its employees. All equipment acquired for this purpose is industry-standard. For servers to support its Internet portal business, the Company constantly reviews the buy/lease options available and has in the past considered leasing the most cost-effective option and has therefore contracted with third parties to provide these items, though it does not rule out the possibility of purchasing such items outright in the future. This equipment is typically located in secure co-location sites. During fiscal 1999, the Company invested £68,000, in fiscal 2000 it invested a further £71,000 and in the fiscal year ended April 30, 2001, it invested a further £130,000 ($187,000).

The Company intends to continue to invest in computer and other equipment to support its business. Except for the provision of certain network hardware in the UK with which it will provide Application Service Provider ("ASP") and hosting services to its customers financed from its internal financial resources, the Company does not have any principal capital expenditures or divestitures currently in progress.

Recent Developments

On September 10, 2001 Jeremy Gibbs resigned from his position as non-executive Director and Chairman of the Board of Directors of Company. On September 25, 2001 Mr. Rolf Herter was appointed to the Board of Directors of the Company. Mr. Herter is an Attorney at Law and a Partner with the Swiss legal firm Dietrich, Baumgartner & Partners. Mr. Herter joined the Board as a representative of the Rennes Foundation, one of the Company's major European shareholders where he is a member of the Board.

Based on its current operations and financial position, the Company anticipates that it will need to seek additional financing by the end of the third fiscal quarter of 2002. On October 30, 2001 the Company announced that it is in preliminary discussions with a UK public company regarding the potential acquisition of Futuremedia. Management believes that the potential acquirer is able to provide the necessary funding to make the acquisition and to provide the funds required to support the Company's activities.
The Company owns a freehold property which is in excess of current requirements and which is being actively marketed with a view to disposal prior to March 31, 2002. The anticipated sale proceeds of this building, net of the current mortgage debt, repayment of the long-term loan and relocation expenses, will provide additional funds. In addition, management has plans, which it is currently implementing, for further reductions in its cost base. By so reducing its cost base, management believes it will still retain its ability to service its current customer base and to exploit new opportunities using its existing technology, although it will have curtailed its capacity for developing future products.

Should the acquisition of the Company not be successful, management believes that the combined effect of the timely sale of the freehold property and the cost reduction plans, together with cash flows generated from ongoing business, would allow the business to continue for at least the next 12 months.

There are no assurances that the Company will be successful in any of the above, or that any new funds will be made available on terms acceptable to the Company. There is therefore substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amount of classification of liabilities, which might result from the outcome of this uncertainty.

B. BUSINESS OVERVIEW.

The Interactive Learning and Communications Industry

e-Learning is the emerging industry term for Internet-enabled and technology distributed education and training. The key components of e-Learning are content, technology and services.

e-Learning content ranges from basic Hyper Text Markup Language ("HTML") pages and documents to fully interactive events and simulations. It includes bespoke content development and off the shelf courseware. There is currently a major drive to web-enable existing content from various formats such as Instructor led classes, paper based materials, CD ROM's, and existing intellectual assets.

e-Learning technologies have emerged to enable the creation, distribution, tracking and administration of training and learning content. e-Learning technologies also encompass compelling collaborative tools. The core piece of e-Learning infrastructure is known as the learning management system ("LMS"). The LMS supports and delivers the e-Learning content and can incorporate assessment and competency frameworks. The LMS provides the ability to track, manage and report on learning activity and it can integrate with other enterprise systems such as Enterprise Resource Planning ("ERP") and Human Resources applications.

The Internet allows many exciting forms of communication and e-Learning facilitates multiple forms of collaboration between peers, instructors, mentors and experts. Collaboration can be self-paced using threaded discussion capabilities and email, or they can be real-time using the live web-based delivery of events and collaborative learning provided by leading edge technology such as Centra Software's products.

e-Learning services are available to support and improve the effectiveness of e-Learning. Consulting services serve to understand learning requirements, to prepare e-Learning strategies and to ensure successful implementation. Content development services are available to convert legacy content for optimal delivery over the Internet. Hosting services are available to reduce the technological hurdles to e-Learning. Service providers can host technology and content on an ASP model, removing any hardware or software requirements for the organization.

The Company's Products

The Business Setting

The Internet has established itself as the major technological and commercial development of the computing era.

Annual business to business e-commerce is projected to soar from $226 billion in 2000 to $2.8 trillion by 2004, according to emarketer.com.

According to IDC, the worldwide market for IT services grew by 11% to $395 billion in 2000 and by 2005, it will increase to $700 billion. This increase computes to a compound annual growth rate (CAGR) from 2000 to 2005 of 12% per year.

The economy has become heavily knowledge based, business conditions are becoming highly competitive and subject to rapid change, increasing political pressures are driving the prominence of training and development, and of course the rapid expansion of the Internet itself drives an increasing role for learning.

The e-Learning Setting

e-Learning is widely regarded as one of the major growth markets in Internet-enabled commerce.

The Company has two major solutions to address this market, Solstra and easycando. Solstra is a proven Learning Management System, co-developed with BT Solstra was developed to address Intranet deployments of eLearning. Solstra delivers, tracks and manages online learning, a core infrastructure requirement for an e-Learning solution.

Building on both its experience with Solstra and further market developments, the Company developed a new e-learning solution, easycando. The market has indicated the demand for more complete solutions that combine e-learning content, delivery technologies and professional services from a single source. Due to the technological challenges of Intranet deployments, the learning and training industry has mirrored the developments of other major enterprise deployments by increasing demand for fully hosted solutions on an ASP that require no hardware or software installation. This has created a new category of e-learning solutions known as Learning Service Providers ("LSPs").

easycando builds on the proven Solstra Learning Management System, and provides customers with an e-commerce enabled infrastructure that enables them to distribute leading content and services across their organizations and their markets.

Futuremedia's e-learning solutions have received a very favorable reaction from the market with several notable deployments. In addition to established contracts with global companies such as Ford Motor Company, Futuremedia recently announced a major roll-out to 44,000 users at Consignia (the UK Post Office), one of the largest deployments seen in the UK. Several of the market leading content providers, including SmartForce, SkillSoft, Intellexis and Harvard Business School Publishing have signed on to make available e-learning content to be used via easycando. The Company has also formed an alliance around easycando with the global leader in web-based business collaboration, Centra™. The Company has already signed customers for the easycando service including Fastrak Consulting, Thomas Davenport Associates, Sussex Enterprises, Tracy International, Training Decisions, Janssen Cilag, CNDL.

New Products and Technological Changes

The markets for the Company's products and services are highly competitive and subject to rapid change. The Company's success will depend upon its ability to enhance its existing products and services and to introduce new competitive products with features that continue to meet customer requirements and differentiate it from its competitors. The challenges of a competitive market will be addressed to a significant extent by the partnership approach adopted by the Company.

easycando is built on an aggregation model that continually attempts to bring to the solution the best available content, technology and services from the best in class vendors. There is associated risk in this strategy, as a significant proportion of the Company's proposition is based on the strength of its partnership structure, and the Company cannot guarantee that it will be able to maintain the required ongoing relationship with its partners.

As new products are introduced, the Company must attempt to monitor closely the range of its products to be replaced and to phase out their production and distribution in a controlled manner. There can be no assurance, however, that there will be sufficient financial resources available for this purpose or that such product transitions will be executed without adversely affecting overall product sales or that the Company will be successful in identifying, developing, and marketing new products or in enhancing its existing products.

The Company continues to invest in the production of the Company's own products, predominantly for business-to-business markets.

The Company will continue to address key business to business markets including; (i) corporates; (ii) large web-based publishers, portals, Internet Service Providers ("ISPs") and ASPs; and (iii) institutes and associations. The corporate market has been segmented vertically based on a number of market filters. Target vertical markets include pharmaceutical, manufacturing and financial services.

In terms of geographic market scope, the direct sales effort of the Company focuses on the UK and Europe. The Company is attempting to recruit re-sellers to support greater business development across Europe, the US and the rest of the world. The Company is also committed to broader global penetration through existing customers and positioning in specific niche markets.

The Company will seek to leverage partnership agreements into co-marketing opportunities wherever possible. This will be particularly appropriate where the Company provides a re-seller function for its network of content and applications providers under the easycando solution.

As of November 12, 2001, the Company employed four sales and marketing people out of a total of 28 employees.

License Agreements

In addition to its internally generated products, the Company markets, as a distributor, a number of products under license from several suppliers and under varying terms of exclusivity and tenure. While management is confident that such licensing arrangements will continue and, if considered in the Company's best interest, will be renewed, there can be no assurance that licenses will be extended on terms satisfactory to the Company, if at all. While the Company believes that the failure to extend licensing arrangements with respect to one or a small number of products would not substantially affect the Company, the failure to renew a significant number of the present licenses could have an adverse effect on the future profitability of the Company.

Revenue Streams

During fiscal 2001, the Company derived approximately 41% of its gross revenues from its interactive production capability and approximately 59% of its gross revenues from product and services sales in the UK, the rest of Europe and the US. The Company develops custom interactive learning and communications products, some of which are produced in a number of different languages, as well as in English. Production typically takes from one to 18 months, depending on the complexity of the project. The cost to the customer to develop a product ranges from £10,000 to over £1 million.

The Company’s revenues from its operations analyzed by geographic region were as follows:

	Year Ended April 30,						
	2001			2000		1999	
	($000)	(£000)	%	(£000)	%	(£ 000)	%
United Kingdom	706	491	66.1	592	68.3	1,108	72.2
Rest of Europe	215	149	20.0	57	6.6	86	5.6
Rest of the World	148	103	13.9	218	25.1	340	22.2
TOTALS	1,069	743	100.0	867	100.0	1,534	100.0

The Rest of the World consists predominantly of sales to the US. Certain orders placed by UK companies have been for products that will be used globally.

Seasonality

The demand for the Company’s products is generally expected to be stronger in the second half of the fiscal year (which ends on April 30) and weaker in the first half due to seasonal buying patterns in the UK and the rest of Europe.

The Company’s purchases of raw materials are limited to generic, widely available computer systems and proprietary learning materials for resale. The prices of these materials have not been subject to material volatility in the past three years.

Customers and Suppliers

The Company markets its products primarily to commercial end users in a diverse and growing range of industries, including financial institutions, fast-moving consumer goods manufacturers, automobile companies and manufacturing, commercial and service organizations, mainly through its direct sales force. The Company provides technical assistance and support to purchasers of its products. The technical assistance involves providing answers to questions ranging from specifications and installation to availability of supporting software. In fiscal 2001, the Company’s two largest customers each accounted for 20% of the Company’s revenues, respectively, representing an aggregate of 40% of revenues (compared to an aggregate of 51% in fiscal 2000 and 69% in 1999).

The sales process for the Company's products usually involves a team drawn from sales, marketing, engineering and senior management to provide planning and product customization and to assure open communications and support throughout the selling process and after a sale is made. The Company's marketing activities include participation in trade shows, publication of articles in trade journals, participation in industry forums and distribution of sales literature.

The Company provides support for its products through its own support staff operating out of the Company's office in the UK.

The Company has entered into contracts in the normal course of its business with certain of its customers and suppliers, on some of which its financial results are materially dependent. The Company believes that it has complied and continues to comply in all material respects with the terms, and that it has performed and continued to perform its obligations in respect, of all such contracts.

Competition

e-learning is a nascent market that has exhibited a huge growth in market entrants as a result of low perceived barriers to entry. Although the competitive landscape remains fragmented there are clear signs of consolidation. Market leadership is still not clearly defined, but significant merger and acquisition activity is occurring and several vendors are beginning to build prominent brands and market share.

Developments in the market since April 30, 2000 have clearly demonstrated the limited viability of the business to consumer e-learning opportunity at this time. The Company remains wholly focused on the business to business opportunity and therefore competition specific to this sphere is a critical concern.

Leading companies include SmartForce, Click2Learn, WBT Systems, Docent and Saba Software. Major consulting companies such as PricewaterhouseCoopers, Accenture and KPMG are developing and integrating major e-learning solutions and some are creating separate branded initiatives, e.g. Ernst & Young (Intellinex). Global technology companies such as IBM and Hewlett-Packard are moving into e-learning from a major customer base in classroom based training. ERP vendors are adding learning management system modules to their overall solutions. Content companies such as major publishers are developing e-learning strategies, and will bring significant resources to this arena. These companies tend to be more established, better capitalized and have a larger market position than the Company. Because such companies have greater financial and marketing resources than the Company, as well as substantially larger research and development facilities, they represent significant competition to the Company. Many of these companies at present focus mainly on the US marketplace, but some are beginning to build a European and global presence, with varying degrees of success.

The Company plans to differentiate itself by building on its existing presence and proven record in specific vertical markets, and by developing a detailed understanding of the business conditions and technology environment in those industries. The Company also plans to broaden its product and service range to address specific markets, for example industry specific content aggregation and technology integration to meet industry compliance requirements. The Company expects that its emphasis on a complete solution, incorporating technology, content and services will mitigate the risk associated with focus solely on one segment of the e-learning market, such as technology.

In addition, the Company sells foreign-produced products, which are generally purchased from EU subsidiaries of foreign suppliers. The ability to remain competitive with respect to the pricing of the imported components could be adversely affected by increases in tariffs or duties, changes in trade treaties, strikes in air or sea transportation, and possible future European legislation with respect to pricing and import quotas on products from non-EU countries. The Company's ability to be competitive in, or with, the sales of imported components could also be adversely affected by other government actions related to, among other things, anti-dumping legislation and international currency fluctuations. While the

Company does not believe that such factors adversely impact its business at present, there can be no assurance that such factors will not materially adversely affect the Company in the future.

Intellectual Property

The Company's ability to compete successfully will depend on its ability to protect its proprietary technology, and on the ability of the Company's suppliers to protect the technology of the products distributed by the Company on their behalf. Although the Company believes that its technology is proprietary, the Company has no patents with respect to its product design or production processes.

In choosing not to seek patent protection, the Company instead has relied on the complexity of its technology, its trade secret protection policies, common law trade secret laws, copyrights, and confidentiality and/or license agreements entered into with its employees, suppliers, sales agents, customers and potential customers. As part of its trade secret protection policies, the Company limits access to, and distribution of, its software, related documentation and other proprietary information. There can be no assurance, however, that such a strategy will prevent or deter others from using the Company's products to develop equivalent or superior products or technology, or from doing so independently. Further, there can be no assurance that the Company will seek or obtain patent protection for future technological developments, nor that any patents that may be granted in the future would be enforceable or would provide the Company with meaningful protection from competitors.

The "Solstra" trade name is a registered trademark owned by BT and licensed to the Company. The Company and BT have jointly registered the solstra.com domain name on the World Wide Web. The Company has registered the futuremedia.co.uk and easycando.com domain names on the World Wide Web.

The Company has licenses to certain software on a normal commercial basis. It uses this software variously for its normal business purposes and for product development. Certain elements of the Company's products are dependant on such licenses. The Company believes that it has complied and continues to comply in all material respects with the terms of all such licenses.

C. ORGANIZATIONAL STRUCTURE.

The Company is the principal operating business of the group. It also has the following wholly-owned subsidiaries:

Name	Country of Incorporation
Lasermedia UK Ltd	England
Lasermedia International Ltd.	England
Futuremedia Interactive Ltd.	England
Futuremedia America Inc.	United States
Easycando.com Ltd.	England
Futuremedia (BVI) Ltd	British Virgin Islands

D. PROPERTY, PLANT AND EQUIPMENT.

The Company's main office is located in Arundel, West Sussex, England, and consists of approximately 7,000 square feet of office space located on nine acres of land. The Company owns the freehold of the property, which is subject to a mortgage to National Westminster Bank PLC. This mortgage was substantially repaid during the year ended April 30, 2000, though the Company retains the right to draw down monies at any time during the remaining term of the loan up to the value then outstanding. At November 12, 2001 there was a total of £24,000 ($35,000) of interest and principal owing. The increase from April 30, 2001 represents the amount of unpaid accumulated interest accrued for the period May 1, 2001 to November 12, 2001. Presently, the Company is seeking to relocate its headquarters to a location where resources with the appropriate skills are more readily available and with better access to London and to international airports. Any new premises will be selected to provide possible expansion in the future as needed. The Company's premises at Arundel are presently being offered for sale, at a price in excess of the carrying value of approximately £900,000, for commercial or residential use, and still carry approval from the appropriate planning authorities for an extension of the offices of approximately 5,800 square feet, which is valid for construction to begin at any time through September 2002.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Operating and Financial Review and Prospects contains forward-looking statements, which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 3.D. and elsewhere in this Report.

A. OPERATING RESULTS.

Overview

For the fiscal years ended April 30, 1999, 2000 and 2001, the Company reported net losses of £1,122,000, £2,645,000 and £3,697,000 ($5,319,000), respectively, on revenues of £1,534,000, £867,000 and £743,000 ($1,069,000), respectively. As a consequence of the Company's operating results, the Company has encountered significant cash constraints on its operations for most of fiscal years 1999, 2000 and 2001. Since April 30, 2001, the Company has continued to sustain trading losses with a consequent impact on its cash position.

2001 Compared with 2000

Revenues

The Company achieved sales of £743,000 ($1,069,000) in the year ended April 30, 2001 a reduction of 14% when compared to £867,000 in the previous year. The lower revenues have resulted from the continued decline in the CD-Rom based delivery medium, underpinning the Company's strategy to move away from that business and to re-focus the business onto Internet-based solutions. The new business strategy is subject to different revenue recognition rules whereby revenues are booked over the relevant subscription period. As a consequence there was a significant increase in order backlog, most of which the Company expects to recognize as revenue over an extended period of time. At April 30, 2001, the Company had a backlog of customer orders of approximately £1,429,000 ($2,056,000), compared with £149,000 at April 30, 2000.

Cost of Sales

The Company's cost of sales as a percentage of revenues increased to 241% in 2001, from 205% in 2000. The increase in percentage for the current year reflects the reduction in revenues, since the major part of the Company's cost of sales in 2001 were personnel related.

Gross Loss

Gross loss as a percentage of revenues increased from (105)% in 2000 to (141)% in 2001, due primarily to the reduced revenues.

Operating Expenses

Operating expenses increased by 57% to approximately £2.8 million ($4.0 million), or 372% of total revenues in 2001 from approximately £1.8 million or 203% of total revenues in 2000. The increase in actual expenditure in the current year results from continued investments made by the Company in pursuit of its new business direction and primarily comprises selling, marketing, legal, professional expenses and recruitment fees.

Other Income and Expenses

Financial income improved to a net £84,000 ($121,000) in 2001 compared with net financial expense in 2000 of £44,000, as a result of a reduction in interest expense following the substantial reduction in long-term borrowings made in the previous year, together with improved income from interest earned on cash deposits held.

Foreign Currency Gains/Losses

Financial gains from exchange rate movements amounted to £31,000 ($44,000) in 2001 compared with a gain of £71,000 in 2000. Gains arose primarily from the strengthening of the £ sterling against the US$ throughout the fiscal year, but were lower than the previous year, when the Company completed more £ sterling/US$ transactions, including a number of private fundings.

Income Tax Expense

There was no tax charge in 2001 and in 2000. The Company possesses significant tax losses in the UK that are available for offset against future profits without limit of time. At April 30, 2001, potential deferred tax assets amounted to £3,592,000 ($5,167,000), of which £nil was recognized, compared to £2,491,000 of which £65,000 was recognized in expectation of profits to be earned for the year to April 30, 2001 at the end of April 2000.

2000 Compared with 1999

Revenues

The Company achieved sales of £867,000 in the year ended April 30, 2000, a reduction of 43% when compared to £1,534,000 in the previous year. The lower revenues resulted primarily from the Company's strategy to re-focus the business away from the declining CD-Rom based delivery medium towards Internet-based solutions.

Cost of Sales

The Company's cost of sales as a percentage of revenues increased to 205% in 2000, from 122% in 1999. The increase in percentage for the 2000 reflects the reduction in revenues, since the major part of the Company's cost of sales in 2000 were personnel related, particularly given the need to retain key personnel and to acquire new skills for the changed business.

Gross Loss

Gross loss as a percentage of revenues increased from (22)% in 1999 to (105)% in 2000, due primarily to the reduced revenues.

Operating Expenses

Operating expenses increased by 143% to approximately £1.8 million, or 203% of total revenues in 2000 from approximately £0.7 million or 47% of total revenues in 1999. The increase in actual expenditure in 2000 resulted from investments made by the Company in pursuit of its new business direction and primarily comprised selling, marketing, legal and professional expenses.

Other Income and Expenses

Financial expense reduced to a net £44,000 in 2000 compared with net financial expense in 1999 of £52,000, as a result of a reduction in interest expense following the substantial reduction in long-term borrowings made in 2000.

Foreign Currency Gains/Losses

Financial gains from exchange rate movements amounted to £71,000 in 2000 compared with a loss of £10,000 in 1999. Gains arose primarily from the strengthening of the £ sterling against the US$ in the latter part of fiscal 2000, when the Company undertook a number of private fundings.

Income Tax Expense

There was no tax charge in 2000 and in 1999. The Company possesses significant tax losses in the UK that are available for offset against future profits without limit of time. At April 30, 2000, potential deferred tax assets amounted to £2,491,000 ($3,920,000), of which £65,000 ($102,000) was recognized against profits expected to be earned in the year ended April 30, 2001, compared to £1,807,000 of which £65,000 was recognized at the end of April 1999.

The Company has suffered little adverse impact from inflation, because the core purchases of personal computer and other delivery technologies used by the Company have been subject to falling prices. This trend is expected to continue in the future.

The impact of foreign currency fluctuations experienced by the Company is disclosed under "Foreign Currency Gains/Losses" and "Risk Factors". The Company has no non-Pounds Sterling currency borrowings and has no other hedging instruments.

The Company is not aware of governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect its operatio

B. LIQUIDITY AND CAPITAL RESOURCES.

Need for Additional Financing

There is a recognized need to secure additional funding during the third quarter of the current fiscal year. On October 30, 2001 the Company announced that it is in preliminary discussions with a UK public company regarding the potential acquisition of Futuremedia. Management believes that the potential acquirer is able to provide the necessary funding to make the acquisition and to provide the funds required to support the Company's activities.

The Company owns a freehold property which is in excess of current requirements and which is being actively marketed with a view to disposal prior to March 31, 2002. The anticipated sale proceeds of this building, net of the current mortgage debt, repayment of the long-term loan and relocation expenses, will provide additional funds. In addition, management has plans, which it is currently implementing, for further reductions in its cost base. By so reducing its cost base, management believes it will still retain its ability to service its current customer base and to exploit new opportunities using its existing technology, although it will have curtailed its capacity for developing future products.

Should the acquisition of the Company not be successful, management believes that the combined effect of the timely sale of the freehold property and the cost reduction plans, together with cash flows generated from ongoing business, would allow the business to continue for at least the next 12 months.

There are no assurances that the Company will be successful in any of the above, or that any new funds will be made available on terms acceptable to the Company. There is therefore substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amount of classification of liabilities, which might result from the outcome of this uncertainty.

Internal and External Sources of Liquidity

During July 1997, additional funding was secured by way of issue of Variable Rate Unsecured Loan Stock 2002 (the "Loan Stock") by Futuremedia (B.V.I.) Limited, a wholly owned subsidiary of Futuremedia PLC, to the value of $600,000 for the purpose of funding group capital investment in support of the agreed business plan. The Loan Stock was issued pursuant to a loan stock agreement between the Company and Futuremedia (B.V.I) Limited (the "Loan Stock Agreement"). At the same time, warrants granting the right to obtain one Ordinary Share for each $0.28125 of Loan Stock outstanding at a price per share of $0.28125 per Ordinary Share were issued. The Loan Stock is repayable on July 28, 2002 unless the Loan Stockholder exercises, in part or in full, the warrants noted above, an offer is made for the Company, or the Company sells more than 20% of its net assets. The Loan Stockholder has given an undertaking that, should an offer be made for the Company, it will waive the right to immediate repayment in exchange for the creation of a legal charge on the freehold property and defer until the sale of the property is concluded. The proceeds from the exercise of the warrants can only be used to repay the equivalent amount of Loan Stock. Under the arrangement, there remains a further £247,000 ($400,000) available to be drawn down at the Company's sole option. Interest is payable on amounts drawn down at commercial rates. At the discretion of the warrant holder, interest is payable either in cash or in warrants aggregated to the principal sum advanced. In January 2000, 711,111 of the outstanding warrants were exchanged for ordinary shares at $0.28125 per ordinary share for a total value of £127,097 ($200,000). As at April 30, 2001, the warrantee had requested that interest be paid in cash until further notice. Consequently the interest accrued for the three months ended April 30, 2001 was paid in cash, leaving a balance of warrants outstanding of 2,146,567.

Since its initial public offering 1993, the Company has undertaken a series of private placements to fund its working capital and to allow investment in product developments. Between January 1997 and April 2001, the Company issued an aggregate of 14,516,725 Ordinary Shares to 21 non-US persons in reliance on Regulation S, representing aggregate gross proceeds to the Company of approximately £10.2 million. These private placements include a single placement during the fiscal year ended April 30, 2001, representing aggregate proceeds to the Company of approximately £2.66 million ($4.0 million).

Since November 1997, the Company has used National Westminster Bank PLC to provide general banking services, a variable overdraft facility of up to £200,000 ($288,000) and a mortgage of up to £500,000 ($810,000) secured by a mortgage on the property at which the Company's headquarters is located. In February 2000, the Company substantially repaid the mortgage, leaving a balance at April 30, 2001 of principal and interest outstanding amounting to £22,000 ($32,000) but it retains the facility to draw down monies up to the outstanding balance at any time during the remainder of the loan period. At April 30, 2001 £324,000 ($466,000) remained available for drawdown. At November 12, 2001, the amount of interest and principal outstanding was £24,000 ($35,000) and approximately £286,000 ($418,000) was available to draw down. The increase in the value of the outstanding debt arises from the accumulated unpaid interest in the period commencing May 1, 2001 to November 12, 2001, and the reduction in the amount available to be drawn down results from a calculation based on the theoretical amount outstanding had the loan not been substantially repaid.

The sufficiency of the Company's resources to fund its working capital needs is subject to known and unknown risks, uncertainties and other factors that may have a material adverse effect on the Company's business, including without limitation the factors discussed in this Report under "Risk Factors".

Sources and Amounts of Cash Flows

On July 31, 2001, the total amount of cash and cash equivalents on hand was £1,364,000 ($1,955,000) compared with a total of cash and cash equivalents at April 30, 2001 of £2,547,000. This reduction primarily represents losses incurred in the three months to July 31, 2001, together with specific advance payments made to content suppliers in support of the Consignia contract. At November 12, 2001 the total cash and cash equivalents on hand was £647,000 ($946,000).

On April 30, 2001, the total amount of cash and cash equivalents on hand was £2,547,000 ($3,664,000) as compared to cash and cash equivalents of £2,612,000 as at April 30, 2000. This marginal reduction primarily represents the effect of the losses sustained in the year, offset by the funding initiative undertaken by the Company in July, 2000 and cash generated as a result of up-front payments from clients for the provision of the Company's services. The Company's ratio of current assets to current liabilities stood at 1.6 at April 30, 2001, compared with 3.8 at April 30, 2000. As at November 12, 2001 this ratio was 1.0.

Cash balances have been constrained primarily as a result of investment in new products and capital assets and also operating losses. This has resulted in the Company suffering periods of severe constraints on its operations arising from the requirement to maintain its cash flow. The Company expects to continue to experience constraints because of these requirements.

As of April 30, 2001, the Company had long-term obligations of approximately £442,000 ($636,000), all long-term debt. As of that date, the current portion of these long-term obligations totaled £Nil ($Nil). The Company's long-term debt was represented by the Loan Stock Instrument and the mortgage on the Company's property. The loans both bear interest reflecting UK base rates plus a premium and ranged from 7.50 % to 8.00 % during the year to April 30, 2001. The Loan Stock Instrument falls due in July, 2002 or before in the event that an offer is made for the Company or the Company sells more than 20% of its net assets. The Loan Stockholder has given an undertaking to waive the right to repayment if an offer is made for the Company in exchange for the creation of a legal charge on the freehold property, and to defer repayment until the sale of the property is concluded. The mortgage matures in February 2008. None of the Company's long-term obligations may be prepaid without penalty. The loan to the Company from National Westminster Bank PLC is secured on the Company's freehold office building and on its debtors.

At April 30, 2001, the Company's only material commitment for capital expenditures was for the purchase of £135,000($194,000) of computer hardware for ASP hosting activities. As of November 12, 2001 the Company had no material commitments for capital expenditures.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Company Sponsored Research and Development

The Company is committed to appropriate ongoing product research and development in an effort to continually upgrade, modify and improve its products to meet changing market and consumer needs. The Company has been a beta test site for hardware products and software developed by a number of companies and has also developed software and hardware itself for internal purposes and for the open market. Research and development work is undertaken by the development team whose focus has been on Solstra^{M} and easycando, supported by other members of production staff as required.

During the fiscal year ended April 30, 2001, a total of £608,000 ($875,000) of research and development costs was expensed. During the fiscal years ended April 30, 2000 and 1999, £259,000 and £25,000, respectively, of research costs were expensed. The significant increase in the fiscal year ended April 30, 2001 reflects the end of the research and development project financed by BT, amounting to £340,000 in the year ended April 30, 2000. An average of seven staff were employed on research and development activities in the year ended April 30, 2001.

Strategic Relationships

The Company, when it determines it to be advantageous, enters into agreements with others for joint financing of products. The Company believes that these relationships can help to widen the Company's product range. The Company's joint development of Solstra with BT is an example of this type of relationship.

The Company also intends to develop commercial arrangements with providers of on-line learning courses for the re-sale of their products through easycando. To date, the Company has contracted with KnowledgePool Ltd. (England), Intellexis International Ltd. (London, England), M2S (Sweden), SmartForce Ltd (UK), Xebec McGraw-Hill, (UK), and SkillSoft (US).

D. TREND INFORMATION.

At July 31, 2001, the Company had a backlog of customer orders of approximately £1,408,000 ($2,018,000), compared with £149,000 at April 30, 2000. The significant increase reflects not only the high order take achieved in the fourth quarter of the current fiscal year, but also the nature of that business which was largely fee-based, with the revenues being recognized over the period of the subscription. At November 12, 2001, the backlog was approximately £1,225,000 ($1,790,000).

As of July 31, 2001 the Company had working capital of £320,000 ($459,000). There is a recognized need to secure additional funding during the third quarter of the current fiscal year. On October 30, 2001 the Company announced that it is in preliminary discussions with a UK public company regarding the potential acquisition of Futuremedia. Management believes that the potential acquirer is able to provide the necessary funding to make the acquisition and to provide the funds required to support the Company's activities.

The Company owns a freehold property which is in excess of current requirements and which is being actively marketed with a view to disposal prior to March 31, 2002. The anticipated sale proceeds of this building, net of the current mortgage debt, repayment of the long-term loan and relocation expenses, will provide additional funds. In addition, management has plans, which it is currently implementing, for further reductions in its cost base. By so reducing its cost base, management believes it will still retain its ability to service its current customer base and to exploit new opportunities using its existing technology, although it will have curtailed its capacity for developing future products.

Should the acquisition of the Company not be successful, management believes that the combined effect of the timely sale of the freehold property and the cost reduction plans, together with cash flows generated from ongoing business, would allow the business to continue for at least the next 12 months.

There are no assurances that the Company will be successful in any of the above, or that any new funds will be made available on terms acceptable to the Company. There is therefore substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amount of classification of liabilities, which might result from the outcome of this uncertainty.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

A. DIRECTORS AND SENIOR MANAGEMENT.

The Company's directors and senior management, and any employees such as scientists or designers upon whose work the Company is dependent as of the date of this Report are as follows:

Name	Age	Director Since	Position with the Company
Peter Agertoft	43	1998	Non-employee Director (from December 2000), Director and CEO (to December 2000).
Mats Johansson	43	1996	Director and Managing Director, Futuremedia iLearning; CEO Futuremedia PLC from December 2000
Rolf Felix Herter………….	38	2001	Non-employee director
R. Gregory Melgaard(1)(2).	51	1997	Non-employee Director
Cornelis Wit(1)(2)	55	1997	Non-employee Director
Jan Vandamme(1)(2)..........	42	1998	Non-employee Director
Lance Walker......................	46	2000	Director and COO
Peter Machin ……………	52	-	Company Secretary and Chief Accounting Officer

(1) Member of the Audit Committee.
(2) Member of the Remuneration Committee

Mr. Agertoft served as CEO from April 1999 to December 2000. Mr. Johansson has served as Managing Director, Futuremedia iLearning since July 1998, and succeeded Mr. Agertoft as CEO in December 2000. Mr. Machin has served as Company Secretary and Chief Accounting Officer since April 1999. Mr. Walker has served as Chief Operating Officer since September 2000, and was appointed to the board on November 9, 2000 . On September 10, 2001 Jeremy Gibbs resigned from his position as non-executive Director and Chairman of the Board of Directors of Company. On September 25, 2001 Mr. Herter was appointed to the Board of Directors of the Company.

Peter Agertoft Mr. Agertoft has a degree from Copenhagen School of Economics, Denmark. After an early career in Proudfoot, he formed his own consultancy business specializing in organizational learning, serving blue-chip customers. He was a non-employee director from June 1998, CEO from April 1999 to December 2000; and a non-employee director from December 2000.

Mats Johansson Mr. Johansson has an MBA from Harvard Business School. He founded a retail business in New York City. Having sold his interest there, he joined Futuremedia in 1996, and was promoted to Managing Director in 1998. He is product manager for Solstra and easycando. Mr. Johansson was appointed CEO in December 2000.

R Gregory Melgaard Mr. Melgaard was chief executive of Gestetner Holdings PLC until 1995. In 1985, he co-founded AFP Investment Corporation Ltd. Prior to this he was with McKinsey & Co. He has an MBA from Stanford Business School. Mr. Melgaard is also Chairman of ICW Power Plc., a provider of mission critical power systems and switchgear, and is also Managing Director of Palmaris Capital Plc., a diversified active investment company.

Jan Vandamme Mr. Vandamme is a director of Profrigo NV, a listed Belgian investment fund, specializing in Internet related activities. Mr. Vandamme also holds directorships in UCI Web USA OmniCom Systems USA and Didital Diagnostic Imaging SA, Belgium.

Lance Walker Mr. Walker has a computer science degree from the University of London. Following an early career in software development, he was managing director of two software development businesses. Joined as COO in September 2000. Appointed a director in November 2000.

Cornelis F Wit Mr. Wit is President, Corporate Finance at Noesis Capital Corp, Florida, USA, an international investment banking firm. Until 1994, he was President and CEO of DMV Inc. He has held senior positions in pharmaceutical companies in South America and Europe. He holds directorships in Whitehall Specialitites, USA, OmniCom Systems, USA, UCI Web, USA, IVC, Madrid, and K.D.Pharma, Germany.

Rolf F Herter Mr. Herter is an Attorney at Law and a senior partner with Dietrich Baumgartner & Partners, a Swiss Legal firm. Mr. Herter is also a Board member of the Rennes Foundation and the Jobelin Foundation, Swiss investment funds.

Peter Machin Mr. Machin holds a UK accounting qualification and has extensive experience of financial management in computing services providers such as International Computers Ltd.

There are no family relationships among directors, senior management and key employees of the Company.

Mr. Gibbs and Mr. Wit were appointed to the Board on the nomination of Noesis NV. Mr. Agertoft and Mr. Melgaard were appointed to the Board on the nomination of Waverton Ltd. Mr. Vandamme was appointed to the Board on the nomination of Profrigo NV

B. COMPENSATION.

The total remuneration (excluding pension contributions) paid to the Company's directors and executive officers (a total of seven persons) for fiscal 2001 was £250,000 ($360,000).

The Company may reimburse non-employee directors for their costs and expenses incurred in attending Board meetings and may enter into contracts for services with non-employee directors. In November 1998, non-executive Directors Mr. R. G. Melgaard, Mr. N. Letschert, Mr. C. Wit, Mr. P. Agertoft and Mr. J. Vandamme were each granted options to purchase 100,000 Ordinary Shares at a price of $1.00 per Ordinary Share under the Unapproved Executive Share Option Plan. These options will expire in November 2008. Mr. J Gibbs, the non-executive Chairman was granted options to purchase 150,000 Ordinary Shares at a price of $1.00 per Ordinary Share under the Unapproved Executive Share Option Plan which will expire in November 2008. Up to the end of March 2000, Mr. Agertoft's services were provided under an agreement between the Company and Mentor Management Consulting dated May 1, 1999. From that date until the end of December 2000, Mr. Agertoft was a full-time employee of the Company. A further grant of 200,000 options to purchase Ordinary shares at a price of $0.616 per Ordinary Share under the Unapproved Executive Share Option Plan was made to Mr. Agertoft in April

1999. 100,000 of these options could only be exercised on the achievement of agreed performance criteria and lapsed in October 1999. The remainder expire in April 2009. In October 1999, a further grant to purchase 300,000 ordinary shares was made to Mr. Agertoft under the Unapproved Executive Share Option Plan at a price of $0.628 per ordinary share which options will expire in November 2009. In November 2000, a grant was made to Mr. Walker to purchase 225,000 ordinary shares under the Unapproved Executive Share Option Plan at a price of $1.00 per ordinary share and at the same time, a further grant was made to Mr. Johansson to purchase 225,000 ordinary shares in three equal lots of 75,000 ordinary shares at prices of $1.00, $2,00 and $3.00 respectively under the Unapproved Executive Share Option Plan, Each of these options will expire in November 2010.

At November 12, 2001 none of the above options had been exercised.

Employment Contracts

The Company has entered into employment agreements with all of its employees and employee-directors, subject to customary terms and conditions.

The employment agreement with Mr. Agertoft, which commenced on April 1, 2000, was a continuous full-time employment contract, which could be terminated by either party upon six months' written notice. This was terminated at the end of December 2000, without notice by mutual agreement and replaced with a consultancy agreement for the ad hoc use of Mr. Agertoft's services. The employment contract with Mr. Johansson, which commenced on November 12, 1996, is a continuous full-time employment contract, which can be terminated by either party upon six months' written notice. The employment contract with Mr. Walker, which commenced on September 25, 2000, is a continuous full-time employment contract, which can be terminated by either party upon six months' written notice.

C. BOARD PRACTICES.

Directors hold office until removed by a resolution of the shareholders of the Company, removal by all of the members of the Board, resignation or death, or until the expiration of their terms. The Company's executive officers are appointed by, and serve at the pleasure of, the Board.

At every Annual General Meeting of the shareholders of the Company, the terms of all of the directors expire.

Any director may be removed from the Board by unanimous vote of the other directors.

Under section 303 of the Companies Act 1985, shareholders may remove any director, by ordinary resolution (subject to special notice of the resolution being given to the director and the right of the director to attend the shareholder meeting where the vote will be cast) adopted by the affirmative vote of a majority of the shares voting at an Annual or Extraordinary General Meeting.

Mr. Johansson and Mr. Walker each has a service contract with the Company, which provides for six months' notice of termination of employment or payment in lieu of notice. Each such contract is subject to

English employment law, and on termination other than by mutual consent the employee may be entitled to additional compensation for loss of employment, including without limitation statutory redundancy pay and other compensation.

The Audit Committee is responsible for, among other things: recommending to the Board of Directors the nomination of the Company's independent auditor; reviewing and monitoring the Company's financial reporting process and internal control systems; reviewing the Company's annual financial statements, the scope of the audit and the role and performance of the independent auditor; reviewing the independence of the independent auditors; and providing a channel for communication between the independent auditor, management and the Board of Directors.

The Remuneration Committee is responsible for, among other things, reviewing, monitoring and approving the remuneration of the executive directors and senior management of the Company.

D. EMPLOYEES.

At November 12, 2001, the Company employed 28 persons, two of whom were directors. Of the remainder, 19 were engaged in technology delivery and support, four in sales and marketing and three in administrative and financial matters.

As of April 30, 2001, the Company employed 26 persons, two of whom were directors. Of the other employees as of April 30, 2001, 14 were engaged in technology delivery and support, six in sales and marketing and four in administrative and financial matters.

As of April 30, 2000, the Company employed 35 persons.

As of April 30, 1999, the Company employed 39 persons.

In addition, it is Company policy to employ contract staff from time to time to support specialized production requirements and to increase its production capacity and flexibility and to reduce lead times. The Company may offer permanent employment to individual contractors when management can reasonably foresee a continuing commercial requirement for the contractor's skills. The average number of temporary employees during the year ending April 30, 2001 was five.

None of the Company's employees is covered by a collective bargaining agreement. All of the Company's employees are employed in the UK. The Company believes that its relations with its employees are good.

The Company's ability to achieve its business objectives is, in part, dependent on its ability to recruit the specialist skills it requires, both on a permanent and a contract basis.

Management of the Company has developed a collaborative style of decision making, which they believe allows them to draw on the talent and skills of their executive personnel. The Company normally carries out monthly reviews of its operations, including its profits and losses, sales, marketing, and production. The

Company has introduced incentives to the staff through profit-related bonuses, merit-based promotions and issues of share options. See “Employee Profit Sharing and Option Plans.”

E. SHARE OWNERSHIP.

Share Ownership

With respect to the share ownership in the Company of the officers and directors of the Company, see the disclosure in "Major Shareholders".

Employee Profit-Sharing and Option Plans

In July 1993, the Company adopted three employee profit share or share option plans: the "Approved Executive Option Scheme," the "Unapproved Executive Share Option Scheme," and the "Employee Share Ownership Plan".

Under the Company's "Approved Executive Share Option Scheme," options to acquire the Company's Ordinary Shares may be granted to all or selected employees. Any full-time employee, other than a director, of the Company who is not within two years of his or her due date of retirement and who, within one year preceding the grant, did not hold more than 10% of the share capital of the Company, is eligible to participate. The exercise price of the options must be no less than 85% of the fair market value of the Company's ADSs on the date of grant. The aggregate value of shares underlying the options granted to any employee may not exceed the greater of £100,000 ($162,000) or four times earnings.

Under the Company's "Unapproved Executive Share Option Scheme," options to acquire Ordinary Shares may be granted to selected full-time employees, including directors, based on their performance. Such options may also be granted to non-employee directors. The exercise price of the options granted must be at or above the fair market value of the Company's ADSs. The value of options to be granted is not subject to any financial limit, although the number of shares over which options may be granted is subject to an overall restriction, as described below.

In August 1993, options to purchase an aggregate of 45,186 Ordinary Shares at $4.25 per Ordinary Share were granted to employees under the Approved Executive Share Option Scheme. In May 1995, options to purchase 44,647 Ordinary Shares at $2.55 per Ordinary Share were granted to employees under the Approved Executive Share Option Scheme. In February 1998, options to purchase 121,000 Ordinary Shares at $0.90625 per Ordinary Share were granted to employees under the Approved Share Option Scheme. In July 2000, options to purchase 90,000 Ordinary shares were granted under the Approved Share Option Scheme. No options have been exercised under the Approved Executive Share Option Scheme. Taking into consideration options that have lapsed prior to exercise and upon termination of employment, options to purchase an aggregate of 3,183 Ordinary Shares at $4.25 per Ordinary Share, options to purchase an aggregate of 4,705 Ordinary Shares at $2.55 per Ordinary Share, options to purchase 28,500 Ordinary shares at $0.90625 per Ordinary Share and options to purchase 42,000 Ordinary shares at $1.5938 per Ordinary share respectively remained outstanding and unexercised as at November 12, 2001.

The following options have been issued as of November 12, 2001, under the Company's "Unapproved Executive Share Option Scheme."

No. of Shares	Subscription Price	Date Exercisable	Expiry Date	Exercisable when the Market Price at least equals
5,000	$0.1875	Current	Jan 2007	No Restriction
5,000	$0.1875	Current	Sep 2010	No Restriction
100,000	$0.25	Current	Oct 2006	$1.00
5,000	$0.50	Current	May 2007	$1.50
20,000	$0.50	Current	Oct 2009	No restriction
200,000	$0.594	Current	Apr 2008	$1.50
100,000	$0.594	Current	Oct 2007	$1.50
20,000	$0.594	Current	Oct 2007	No Restriction
5,000	$0.594	Current	Sep 2010	No Restriction
100,000	$0.616	Current	Apr 2009	No restriction
300,000	$0.625	Current	Nov 2009	No restriction
100,000	$0.65	Current	Oct 2006	$1.50
50,000	$0.65	Current	Oct 2006	$2.00
5,000	$0.781	Current	May 2007	$1.50
550,000	$1.00	Current	Nov 2008	No restriction
100,000	$1.00	Current	Sep 2010	No Restriction
30,000	$1.00	Current	May 2006	$2.00
20,000	$1.00	Current	May 2006	$6.00
100,000	$1.00	11/09/01	Nov 2010	No Restriction
100,000	$1.00	11/09/02	Nov 2010	No Restriction
100,000	$1.00	11/09/03	Nov 2010	No Restriction
44,448	$1.004	9/07/01	Sep 2010	No Restriction
44,443	$1.004	9/07/02	Sep 2010	No Restriction
44,443	$1.004	9/07/03	Sep 2010	No Restriction
5,000	$1.375	Current	May 2007	$1.50
63,335	$1.688	7/12/01	Jul 2010	No Restriction
63,334	$1.688	7/12/02	Jul 2010	No Restriction
63,331	$1.688	7/12/03	Jul 2010	No Restriction
25,000	$2.00	11/09/01	Nov 2010	No Restriction
25,000	$2.00	11/09/02	Nov 2010	No Restriction
25,000	$2.00	11/09/03	Nov 2010	No Restriction
25,000	$3.00	11/09/01	Nov 2010	No Restriction
25,000	$3.00	11/09/02	Nov 2010	No Restriction
25,000	$3.00	11/09/03	Nov 2010	No Restriction
20,000	$1.375	Current	May 2006	$4.00
2,513,334				

The Company’s “Employee Share Ownership Plan” (also known as the Approved Net Profit Sharing Scheme) was terminated with effect from September 2000. No payments were due and no monies were set aside at the termination of the scheme.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

A. MAJOR SHAREHOLDERS.

The following table sets forth certain information, to the extent that it is known to the Company or can be ascertained from public filings, as of the date of this Report with respect to the beneficial ownership of the Company's ADSs by (i) each director, senior manager and key employee, and (ii) each person known by the Company to own 5% or more of the Company's ADSs. This information is based upon information received from or on behalf of the named individuals.

Name of Beneficial Owner*			Number of ADSs Beneficially Owned *	Percentage Beneficially Owned	Number of share options Beneficially owned (2)
Noesis NV.	C Wit Board Representative	(1)	1,423,515	4.8	
Rennes Foundation	R Herter Board Representative	(1)	7,218,929	24.3	
Jobelin Foundation	R Herter Board Representative	(1)	447,778	1.5	
Profrigo NV	J Vandamme Board Representative	(1)	2,280,844	7.7	
C Witt	Board Member		1	-	105,000
G Melgaard	Board Member		1	-	105,000
P Agertoft	Board Member		21,268	0.1	500,000
M Johansson	Board Member & C.E.O		75,041	0.3	845,000
J Vandamme	Board Member		1	-	100,000
L Walker	Board Member & C.O.O		-	-	225,000

* For purposes of US securities laws only, persons may be deemed to be the beneficial owners of securities reflected in this table. It should be noted, however, that the meaning of beneficial ownership is significantly different under English law, and no inference is intended, nor should it be construed, as to the status of beneficial ownership of these securities under the laws of England.

(1) Beneficially owned by entities of which directors or executive officers of the Company are also directors, executive officers or shareholders. The directors and executive officers of the Company disclaim beneficial ownership of these shares.

(2) Includes options to purchase Ordinary Shares granted pursuant to the Company's share option plans at exercise prices ranging from $0.1875 to $6.00. See "Share Ownership".

At November 12, 2001, the Rennes Foundation, a Swiss-based investment fund, held a total of 7,218,929 shares in the Company, representing a holding of 24.3%. During the last three years, it acquired 1,153,845 ordinary shares in July 1999, 2,227,272 ordinary shares in October 1999, 1,666,667 ordinary shares in February 2000, 1,944,444 ordinary shares in July 2000 under Regulation S and has also acquired a further 226,701 on the open market in the same period.

Except for the status as director(s) and/or officer(s) of certain of the major shareholders listed above, to the knowledge of the Company the Company's major shareholders do not have voting rights different from other shareholders.

As of At November 12, 2001, the Company had approximately nine shareholders of record, one of whom acts as Depositary for the Company's ADR facility and is a US resident. At November 12, 2001, the Depositary had approximately 60 holders of record of ADRs. Based on information received from the Depositary, the Company believes that there are approximately 3,800 beneficial owners of ADRs.

There are no arrangements, known to the Company, which may operate at a subsequent date to cause a change in control of the Company.

B. RELATED PARTY TRANSACTIONS

On March 9, 2000, the Company entered into a Finder's Agreement with Noesis Capital Corporation. The Agreement contemplated that Noesis would make introductions on behalf of the Company to facilitate possible future business transactions. The agreement was terminated on July 13, 2000. The Company has made no payments in connection with the Finder's Agreement and it does not expect to make any such payments. Mr. N. Letschert, a former non-employee director of the Company and Mr. C. Wit, a serving non-employee director of the Company, are directors of Noesis Capital Corporation.

Since its initial public offering in 1993, the Company has undertaken a number of private placements to fund its working capital and to allow investment in product developments. These private placements include the following transactions each of which was completed in reliance on Regulation S:

- In June 1998, Profrigo N.V. purchased 2,000,000 Ordinary Shares at a price of $1.00 per share, representing an aggregate purchase price of $2.0 million. One of the Company's non-employee directors, Mr. J. Vandamme, is also a director of Profrigo N.V.

- In April 1999, the Company issued an aggregate of 454,547 Ordinary Shares at a price of $0.616 per share, representing an aggregate purchase price of approximately $280,000. The following individuals and entities purchased the number of Ordinary Shares indicated in connection with this private placement: Noesis N.V. (123,377 shares); Profrigo N.V. (99,026 shares); Mr. P. Agertoft (6,088 shares); Mrs. C. Agertoft, the spouse of Mr. P. Agertoft (6,088 shares); Mr. M. Johansson (6,088 shares); and Ms. M. Blake , the spouse of Mr. M. Johansson (6,088 shares). Mr. Agertoft is a director and former executive officer of the Company. Mr. Johansson is a director and executive officer of the Company.

- In July 1999, the Rennes Foundation purchased 1,153,845 Ordinary Shares at a price of $0.65 per share, representing an aggregate purchase price of approximately $750,000.

- In October 1999, the Company issued an aggregate of 3,199,999 Ordinary Shares at a price of $0.55 per share, representing an aggregate purchase price of approximately $1.8 million. The following individuals and entities purchased the number of Ordinary Shares indicated in connection with this private placement: the Rennes Foundation (2,227,272 shares); Noesis N.V. (363,636 shares); Profrigo N.V. (181,818 shares); and Mr. P. Agertoft (9,091 shares).

- In February 2000, the Rennes Foundation purchased 1,666,667 Ordinary Shares at a price of $3.00 per share, representing an aggregate purchase price of approximately $5.0 million. See "Major Shareholders".

- In July 2000, the Company completed an additional private placement under Regulation S pursuant to which the Rennes Foundation purchased 1,944,444 Ordinary Shares at a price of $1.80 per share for an aggregate purchase price of approximately $3.5 million in cash. See "Major Shareholders".

C. INTERESTS OF EXPERTS AND COUNSEL.

Not Applicable

ITEM 8. FINANCIAL INFORMATION.

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION.

Consolidated Financial Statements

The consolidated Financial Statements and Other Financial Information of the Company are listed under Item 18 in this Report.

Legal Proceedings

The Company is not a party to any material legal proceedings.

Dividend Policy

Holders of Futuremedia ordinary shares may, by ordinary resolution, declare dividends, but may not declare dividends in excess of the amount recommended by the directors. The directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Futuremedia has not in the past declared or paid any dividends to holders of its ordinary shares, and there is no present intention to declare or pay any such dividend.

B. SIGNIFICANT CHANGES.

Not Applicable.

ITEM 9. THE OFFER AND THE LISTING.

A. OFFER AND LISTING DETAILS.

The Company's ADSs have traded since May 29, 1996, on the Nasdaq SmallCap Market under the symbol FMDAY.

The Company's warrants were traded on the Nasdaq SmallCap Market under the symbol FMDYW from May 29, 1996 until June 25, 1997. Since then they have been quoted on the OTC Bulletin Board. From August 19, 1993 until May 29, 1996 the Company's ADSs and warrants traded on the Nasdaq National Market. The Company agreed to extend the warrants issued on August 19, 1993, for a further two years to August 19, 2002.

The closing bid prices of the Company's securities have been within the following ranges during the periods shown. The quotations set forth below are inter-dealer quotations, without retail mark-ups, mark-downs or commissions, and do not necessarily represent actual transactions.

(1) The five most recent full financial years:

Year ending April 30,	ADS Price	
	High	Low
	$	$
1997	0.750	0.156
1998	1.781	0.250
1999	1.563	0.438
2000	3.844	0.469
2001	3.125	0.160

Year ending April 30,	Warrants Price	
	High	Low
	$	$
1997	0.031	0.031
1998	0.031	0.031
1999	0.031	0.031
2000	0.031	0.031
2001	0.031	0.031

(2) Each full financial quarter for the two most recent full financial years:

ADSs: FMDAY		High $	Low $
Year ended April 30			
2000	First quarter	0.875	0.625
	Second quarter	2.030	0.469
	Third quarter	1.750	0.563
	Fourth quarter	3.844	1.281
2001	First quarter ..………………………..................................	3.125	1.313
	Second quarter	1.250	0.375
	Third quarter	0.563	0.188
	Fourth quarter	0.406	0.156

Warrants FMDYW		High $	Low $
2000	First quarter	0.031	0.031
	Second quarter	0.031	0.031
	Third quarter	0.031	0.031
	Fourth quarter	0.031	0.031
2001	First quarter ………………………………………………	0.031	0.031
	Second quarter	0.031	0.031
	Third quarter	0.031	0.031
	Fourth quarter	0.031	0.031

(3) Each month for the most recent six months:

ADS Price

	High $	**Low** $
October 2001	0.11	0.06
September 2001	0.17	0.08
August 2001	0.25	0.17
July 2001	0.30	0.20
June 2001	0.32	0.24
May 2001	0.38	0.18

Warrants Price

	High $	**Low** $
October 2001	0.031	0.031
September 2001	0.031	0.031
August 2001	0.031	0.031
July 2001	0.031	0.031
June 2001	0.031	0.031
May 2001	0.031	0.031

The share price of the Ordinary Shares on October 31, 2001, the end of the Company's second fiscal quarter, was $0.09, the last reported sale price of the Ordinary Shares on November 12, 2001 on the Nasdaq SmallCap Market was $0.09.

B. PLAN OF DISTRIBUTION.

Not Applicable

C. MARKETS.

The Company's ADSs are listed on the Nasdaq SmallCap MarketNasdaq under the symbol "FMDAY". The Company's Warrants are traded on the OTC Bulletin Board under the symbol "FMDYW".

D. SELLING SHAREHOLDERS.

Not Applicable

E. DILUTION.

Not Applicable

F. EXPENSES OF THE ISSUE.

Not Applicable

ITEM 10. ADDITIONAL INFORMATION.

A. SHARE CAPITAL.

Not Applicable

B. MEMORANDUM AND ARTICLES OF ASSOCIATION.

Incorporated by reference to the Company's Registration Statement on Form F-1 (Registration No. 33-639941) and by reference to Exhibit 3.1 to the Company's Annual Report on Form 20-F for the year ended April 30, 2000.

C. MATERIAL CONTRACTS.

The Company has secured the provision of its Internet Service Provider (ISP) service requirements with Siemens UK Ltd. for a period of three years commencing September 2001. The terms of the contract allow termination on three months notice after the completion of the first year. In April 2001, the Company contracted with Consignia Plc (UK) for the provision of a learning management system comprising a hosted service together with learning content for a period of 22 months commencing June 1, 2001. The total value of the contract was approximately £1,000,000 ($1,438,600).

D. EXCHANGE CONTROLS.

There are currently no UK foreign exchange control restrictions on the import or export of capital, including the availability of cash and cash equivalents for use by the Company, or on payment of dividends on securities of the Company.

There are no restrictions under the Company's Memorandum and Articles of Association or under English law that limit the right of non-resident or foreign owners to hold or vote the Company's securities.

E. TAXATION.

United Kingdom Income Tax

The following discussion of taxation is intended only as a descriptive summary and it does not purport to be a complete technical analysis or listing of all potential tax effects relevant to the Ordinary Shares or ADSs. The statements of United Kingdom and United States tax law set forth below are based (i) on the laws and the UK Inland Revenue practice and published Statements of Practice in force as of the date of this report; and (ii) assumes that each obligation in the deposit agreement among the Company, the Depositary and the holders from time to time of ADSs and any related agreement will be performed in accordance with its terms. The statements herein are subject to any changes occurring after the date of this report in UK or US law, or in the double taxation conventions between the US and the UK with respect to income and capital gains taxes (the "Income Tax Convention") and with respect to estates and gifts taxes (the "Estate Tax Convention").

The Company anticipates that if any cash dividends are paid by the Company, the dividends would be paid in pounds sterling. As a result, fluctuations in the exchange rate between sterling and US dollars will affect the US dollar amounts received by holders of ADSs upon conversion by the Depositary of dividend payments into US dollars.

The Company does not expect to pay cash dividends for the foreseeable future, but rather, to retain earnings to finance the expansion of the business.

Up to April 5, 1999, an individual shareholder resident in the UK is for UK income tax purposes treated as having taxable income equal to the sum of the dividend paid to him plus a tax credit equal to 1/4 of the amount of the net dividend. The tax credit is available to be set against the individual's tax liability on the dividend, which for a shareholder within the lower and basic tax rate bands will satisfy this tax liability on UK dividends, and in appropriate cases may be refunded to him.

From April 6, 1999, the rate of tax credit has reduced to 10% and refunds of tax credits are no longer possible. However, an individual shareholder whose income is within the lower or basic tax rate bands will be liable to tax at 10% on his individual income. As such, the tax credit will continue to satisfy the tax liability on UK dividends. For higher rate taxpayers, the dividend income will be liable to UK tax at 32.5% (which after relief for the reduced tax credit leaves the tax effect unchanged for higher rate taxpayers).

Under the current Income Tax Convention, a US resident individual or corporate holder of an Ordinary Share or ADS who or which satisfied the following conditions (an "Eligible US Holder"):

(i) is resident in the US for the purposes of the Income Tax Convention (and, in the case of a corporation, not also resident in the UK for UK tax purposes);

(ii) is not a corporation which, alone or together with one or more associated corporations, controls, directly or indirectly, 10% or more of the voting stock of the Company;

(iii) whose holding of the Ordinary Shares or ADSs is not effectively connected with a permanent establishment in the UK through which such holder carries on a business or with a fixed base in the UK from which such holder performs independent personal services; and

(iv) under certain circumstances, is not an investment or holding company 25% or more of the capital of which is owned, directly or indirectly, by persons that are neither individual residents nor citizens of the US, will generally be entitled under the current Income Tax Convention to receive, in addition to any dividend paid by the Company, an amount equal to the tax credit available to UK resident shareholders in respect of such dividend, but subject to a withholding tax equal to 15% of the sum of the dividend paid and the tax credit.

For example, with the tax credit at the rate of 1/4 of the net dividend, a dividend of £80.00 will entitle such a holder to receive, upon compliance with the refund procedures described below an additional payment of £5.00 (i.e., the tax credit of £20.00 less withholding tax of £15.00). The refund may not be available in certain circumstances if the holder is exempt from US tax on the dividend received.

Arrangements have been made by the Depositary so that, subject to certain exemptions, the tax credit will be refunded, net of the withholding tax, to a US ADS holder if the ADS holder completes the declaration on the reverse of the dividend check and presents the check for payment within three months from the date of issue of the check. The exceptions include certain investment or holding companies.

ADS holders who do not satisfy the foregoing requirements, and holders of Ordinary Shares, must, in order to obtain a refund of tax credit (net of the withholding tax), file in the manner and at the time described in US Revenue Procedure 80-18, 1980-1 C.B. 623, and US Revenue Procedure 81-58, 1981-2 C.B. 678, a claim for refund of tax credit identifying the dividends with respect to which the tax credit was paid. Claims for refund of tax credit must be made within six years of the UK year of assessment (the 12-month period ending April 5 in each year) in which the related dividend was paid. The first claim for a refund of tax credit is made by sending the appropriate UK form in duplicate to the Director of the Internal Revenue Service Center with which the holder's last federal income tax return was filed. Forms may be obtained from the IRS Assistant Commissioner (International), 950 L'Enfant Plaza South, S.W., Washington, DC 20024, Attention: Taxpayers Service Division. Because a refund claim is not considered made until the UK tax authorities receive the appropriate form from the Internal Revenue Service, forms should be sent to the Internal Revenue Service well before the end of the applicable limitation period. Any claim for refund of tax credit by a US holder after the first claim should be filed directly with the UK Inspector of Foreign Dividends, Lynwood Road, Thames Ditton, Surrey, KT7 0DP, England.

Dividends (including amounts in respect of the tax credit and any amounts withheld) must be included in gross income by a US holder, and will generally constitute foreign source "passive" or "financial services" income for purposes of applying the foreign tax credit limitations. Such dividends will generally not be eligible for the dividends received deduction allowed to US corporations. Subject to certain limitations, the applicable UK withholding tax will be treated as a foreign tax eligible for credit against such holder's US federal income tax.

United Kingdom Taxation on Capital Gains

Under the current Income Tax Convention, the US and the UK each may, in general, tax capital gains in accordance with the provisions of its domestic law. Under current UK law, residents of the US who are not resident or ordinarily resident in the UK will not be liable to UK capital gains tax on capital gains made on the disposal of their ADSs or Ordinary Shares unless those ADSs or Ordinary Shares are held in connection with a trade carried on through a permanent UK establishment. A US holder of an ADS or Ordinary Share will be liable for US federal income tax on such gains to the same extent as on any other gains from sales of stock.

United Kingdom Inheritance Tax

Under the current Estate Tax Convention, ADSs or Ordinary Shares held by an individual who for the purpose of the convention is domiciled in the US and is not a national of the UK will not, provided any tax chargeable in the US is paid, be subject to UK inheritance tax on the disposal of ADSs or Ordinary Shares by way of gift or upon the individual's death unless the ADSs or Ordinary Shares are part of the business property of a permanent UK establishment of the individual or, in the case of a holder who performs independent personal services, pertain to a fixed base situated in the UK. In the exceptional case where the ADSs or Ordinary Shares are subject both to UK inheritance tax and to US federal gift or estate tax, the Estate Tax Convention generally provides for double taxation to be relieved by means of credit relief.

United Kingdom Stamp Duty and Stamp Duty Reserve Tax

Transfer of ADSs are not subject to UK stamp duty provided that the transfer instrument is not executed in, and at all times remains outside of, the UK In addition, with effect from July 1, 1996, stamp duty is not chargeable on an instrument where the transferee is a member of an electronic transfer system.
Under the Finance Act 1986, a stamp duty reserve tax ("SDRT") of 1.5% is payable on all transfers to the Depositary, or its nominee, of Ordinary Shares for inclusion in ADSs. Such SDRT is calculated on the purchase price or market value of the Ordinary Shares so transferred.

F. DIVIDENDS AND PAYING AGENTS.

Not Applicable

G. STATEMENT BY EXPERTS.

Not Applicable

H. DOCUMENTS ON DISPLAY.

Copies of this Annual Report on Form 20-F, including the exhibits hereto, may be inspected without charge at the Commission's principal office at 450 Fifth Street, NW, Washington, D.C. 20549, and copies of all or any part thereof may be obtained from the Commission upon payment of certain fees prescribed by the Commission.

I. SUBSIDIARY INFORMATION.

Not Applicable

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company's principal financial instruments comprise a mortgage loan relating to the Company's main office facilities in Arundel, England (the "Mortgage Loan"), the Loan Stock Agreement, cash and short-term deposits. See "Liquidity and Capital Resources". The main purpose of the financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk and foreign currency risk.

Interest rate risk

The two principal financial instruments in place (the Mortgage Loan and the Loan Stock Instrument) are both subject to floating interest rates. The Mortgage Loan is linked to the Base rate of interest of National Westminster Bank PLC, with a premium charged of 2.5% per year. The Loan Stock Instrument is linked to the Base rate of interest of Lloyds TSB Bank PLC, with a premium charged of 2% per year In the case of the Loan Stock, the lender has the option of receiving the interest due in cash or warrants. As at April 30, 2001, the lender had requested that interest be paid in cash until further notice. Consequently the interest accrued for the three months ended April 30, 2001 was paid in cash.

Liquidity risk

To ensure its continuity of funding, the Company seeks to maintain both long and short-term arrangements. Long-term arrangements currently in place comprise the Loan Stock Agreement and the Mortgage Loan. The Loan Stock Agreement is current until 2002 and provides for up to US $1 million to be made available, of which $600,000 has been drawn down as at the date of this Report. On January 28, 2000, $200,000 of loan stock was converted into ordinary shares at the agreed price $0.28125 per ordinary share.

During fiscal 2000, the Company repaid £400,000 of the outstanding Mortgage Loan, with the agreement that a future draw down could be made up to the amount outstanding. At April 30, 2001, £324,000 was available for draw down.

Short-term flexibility is achieved by overdraft facilities, secured against current invoiced debt.

Foreign currency risk

The Loan Stock is denominated in US dollars and matures in 2002. Movements in sterling/US dollar exchange rates can materially affect the value of this liability. Where the Company has raised additional finance by way of additional subscriptions for shares and payment has been made in US dollars, it has been the practice of the Company to retain some funds in US dollars for a period in order to offset this risk.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

Not Applicable

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

None.

Item 15. [Reserved].

Item 16. [Reserved].

PART III

ITEM 17. FINANCIAL STATEMENTS.

Not Applicable

ITEM 18. FINANCIAL STATEMENTS.

The following audited consolidated financial statements, together with the independent auditors' report, are filed as part of this Annual Report on Form 20-F.

Financial Statements

All other Schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

ITEM 19. EXHIBITS.

The following exhibits are filed as part of this Annual Report on Form 20-F.

Exhibit Number	Exhibit Description
1.1	Memorandum and Articles of Association of the Registrant, as amended (previously filed as Exhibit 3.1 to the Company's Annual Report on Form 20-F for the year ended April 30, 2000 (the "2000 20-F"), and incorporated herein by reference).
2.1	Description of the Registrant's Ordinary shares (included in the Registrant's Memorandum and Articles of Association, as amended, previously filed as Exhibit 3.1 to 2000 20-F and incorporated herein by reference)
2.2	Form of Warrant Agreement (including form of Warrant Certificate), as amended (previously filed as Exhibit 4.3 to the Company's Registration Statement on Form F-1 (File No. 33-63994) (the "F-1 Registration Statement") and incorporated herein by reference).
2.3	Form of Deposit Agreement, as amended (including specimen American Depositary Receipt), as amended (previously filed as Exhibit 4.5 to the F-1 Registration Statement and incorporated herein by reference).
2.4	Form of Registration Rights Agreement (previously filed as Exhibit 10.17 to the F-1 Registration Statement and incorporated herein by reference).
2.5	Loan Stock Agreement between the Registrant and Futuremedia (BVI) Limited (the "Loan Stock Agreement") (previously filed as Exhibit 4.5 to 2000 20-F and incorporated herein by reference).
2.6	Form of Warrant issued in connection with the Loan Stock Agreement (previously filed filed as Exhibit 4.6 to 2000 20-F and incorporated herein by reference).
4.1	Blanket Purchase Order between Ford Motor Company Limited and Futuremedia Limited, dated May 19, 1986, and amendment dated July 1, 1991 (previously filed as Exhibit 10.7 to the F-1 Registration Statement and incorporated herein by reference).
4.2	License Agreement between Ford Motor Company Limited and Futuremedia Limited, dated May 19, 1986, and amendment dated July 1, 1991 (previously filed as Exhibit 10.8 to the F-1 Registration Statement and herein incorporated by reference).
4.3	Approved Executive Share Option Scheme, as Amended (previously filed as Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 filed April 12, 2000 (File No. 33 – 11828)(the "S-8 Registration Statement") and incorporated herein by reference).
4.4	Unapproved Executive Share Option Scheme (previously filed as Exhibit 99.2 to the S-8 Registration Statement) and incorporated herein by reference).
4.5	Approved Net Profit Sharing Scheme, as Amended (previously filed as Exhibit 10.20 to

<u>Exhibit Number</u>	<u>Exhibit Description</u>
	the F-1 Registration Statement and incorporated herein by reference).
4.6	Incentive Profit Sharing Scheme (previously filed as Exhibit 10.6 to 2000 20-F).
4.7	Amendment dated May 2, 1996 to Exhibit 10.1 (previously filed as exhibit 10.22 to the Company's Annual Report on Form 20F for the year ended April 30, 1997 and incorporated herein by reference).
4.8	Agreement dated January 9, 1998 between the Registrant and British Telecommunications PLC (previously filed as Exhibit 10.28 to the Company's Annual Report on Form 20-F for the year ended April 30, 1998 and incorporated herein by reference).
4.11	Agreement dated September 17, 1999 between the Registrant and National Westminster Bank PLC (filed as Exhibit 10.30 to the Company's Annual Report on Form 20-F for the year ended April 30, 1999 (the "1999 20-F")).
4.12	Agreement dated May 1, 1999 between the Registrant and Mentor Management Consulting (previously filed as Exhibit 10.31 to 1999 20-F and incorporated herein by reference).
8.1	List of Subsidiaries of the Registrant (filed herewith).
10.1	Consent of Ernst & Young LLP, Independent Auditors (filed herewith - see page F2 of this Report).

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

FUTUREMEDIA PLC.
(Registrant)

By: ____________________
Name: Mats A I Johansson
Title: Chief Executive Officer and Authorized Signatory

Date: , 2001.

FUTUREMEDIA PLC AND SUBSIDIARIES
REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Futuremedia PLC

We have audited the accompanying consolidated balance sheets of Futuremedia PLC as at April 30, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended April 30, 2001. Our audits also included the financial statement schedule listed in the Index at Item 18. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with United Kingdom auditing standards and United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Futuremedia PLC at April 30, 2001 and 2000 and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended April 30, 2001 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying financial statements have been prepared assuming that Futuremedia PLC will continue as a going concern. As more fully described in Note 1, the Company has incurred recurring operating losses, negative cash flows from operating activities, has a working capital deficiency, and is dependent upon raising additional funds to continue operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

ERNST & YOUNG LLP

Southampton, England
November 13, 2001
CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-11828) of Futuremedia PLC of our report dated November 13, 2001 on the consolidated financial statements and schedule included in this Annual Report (Form 20-F) for the year ended April 30, 2001.

ERNST & YOUNG LLP

Southampton, England
November 13, 2001

FUTUREMEDIA PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	April 30,		
	2001 ($'000)	2001 (£'000)	2000 (£'000)
ASSETS			
Current assets			
Cash and cash equivalents	3,664	2,547	2,612
Accounts receivable, less allowance of £201,000 ($289,000) in 2001 and £26,000 in 2000 for doubtful accounts	683	475	239
Amounts recoverable on contracts	191	133	124
Other current assets	52	36	132
Inventories -finished goods	4	3	4
Prepaid expenses	639	444	79
Total current assets	5,233	3,638	3,190
Property held for sale	1,306	908	-
Property and equipment			
Land and buildings	85	59	1,149
Audio visual and computer equipment	403	280	1,574
Office equipment	102	71	141
	590	410	2,864
Accumulated depreciation	350	243	1,791
	240	167	1,073
Other assets			
Deferred production costs	-	-	109
Deferred tax	-	-	65
Total assets	6,779	4,713	4,437

See accompanying notes.

FUTUREMEDIA PLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	April 30,		
	2001 ($'000)	2001 (£'000)	2000 (£'000)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Fees received in advance	1,306	908	5
Accounts payable	952	662	273
Other taxes and social security costs	188	131	124
Other accounts payable	181	126	27
Other accrued expenses	548	381	416
Total current liabilities	3,175	2,208	845
Long-term debt less current portion	636	442	384
Total liabilities	3,811	2,650	1,229
Shareholders' equity			
Ordinary shares of 1 1/9p each			
Authorized – 50,000,000			
Issued and outstanding- 29,648,374 at April 30, 2001, 27,416,152 at April 30, 2000	473	329	305
Preference shares of 2p each			
Authorized – 2,000,000			
None issued	-	-	-
Additional paid-in capital	21,322	14,822	12,253
Retained deficit	(18,717)	(13,011)	(9,314)
Other comprehensive loss - cumulative translation adjustment	(110)	(77)	(36)
Total shareholders' equity	2,968	2,063	3,208
Total liabilities and shareholders' equity	6,779	4,713	4,437

See accompanying notes.

FUTUREMEDIA PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year ended April 30,			
	2001 ($'000)	2001 (£'000)	2000 (£'000)	1999 (£'000)
Net sales	1,069	743	867	1,534
Cost of sales	2,574	1,789	1,776	1,868
Gross loss	(1,505)	(1,046)	(909)	(334)
Operating expenses				
Sales and marketing	803	558	329	148
General and administrative	2,950	2,051	1,355	528
Facilities expenses	226	157	79	50
Total operating expenses	3,979	2,766	1,763	726
Operating loss	(5,484)	(3,812)	(2,672)	(1,060)
Interest income	173	120	18	22
Interest expense	(52)	(36)	(62)	(74)
Foreign currency gains/(losses)	44	31	71	(10)
Net loss	(5,319)	(3,697)	(2,645)	(1,122)
Loss per share basic and diluted	(18.28)c	(12.71)p	(11.17)p	(5.77)p
Weighted average shares Outstanding	29,098,429	29,098,429	23,675,761	19,455,879

See accompanying notes.

FUTUREMEDIA PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital				
	Preference shares of 2p each (number)	Ordinary shares (number)	Preference shares of 2p each (£'000)	Ordinary shares (£'000)	Total (£'000)
Authorized					
At May 1, 1998, and April 30, 1999	2,000,000	29,000,000	40	322	362
Increase................................	-	21,000,000	-	233	233
At April 30, 2000 and 2001	2,000,000	50,000,000	40	555	595
Issued					
At May 1, 1998....................................	-	17,229,976	-	191	191
Issued..	-	3,454,546	-	39	39
At April 30, 1999	-	20,684,522	-	230	230
Issued	-	6,731,630	-	75	75
At April 30, 2000	-	27,416,152	-	305	305
Issued..	-	2,232,222	-	24	24
At April 30, 2001	-	29,648,374	-	329	329

In June 1998, 3,000,000 Ordinary Shares of 1 1/9p each were issued for a cash consideration of $1.00 per ordinary share, and in April 1999 454,546 Ordinary Shares were issued for a cash consideration of $0.616 per ordinary share.

In July 1999, the Company issued 1,153,846 Ordinary Shares for a cash consideration of $0.65 per ordinary share, and in October 1999 a further 3,199,999 Ordinary Shares were issued at a cash consideration of $0.55 per ordinary share. In January 2000 711,111 ordinary shares were issued in exchange for the equivalent numbers of warrants which were exercised under the Loan Stock Agreement entered into by the Company in February 1997, at the agreed price of $0.28125 per ordinary share. In February 2000 a further 1,666,667 ordinary shares were issued at a cash consideration of $3.00 per ordinary share for an aggregate of approximately $5.0 million in cash and also in February 2000 a single share was issued to each executive and non-executive board member at par, for a total of 7 ordinary shares.

In July 2000, the Company completed an additional private placement under Regulation S pursuant to which the Rennes Foundation purchased 1,944,444 Ordinary Shares and another non-US investor purchased 277,778 Ordinary shares at a price of $1.80 per Share for an aggregate purchase price of approximately $4.0 million in cash

Also in July 2000, an option to purchase 10,000 ordinary shares at a price of $0.50 per ordinary share under the Company's Unapproved Executive Share Option Plan was exercised by an employee of the Company.

No preference shares have been issued.

FUTUREMEDIA PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY-(Continued)

	Share Capital Amount	Additional Paid-in Capital	Merger Reserve	Capital Redemption Reserve	Retained Deficit	Cumulative Translation Adjustment	Total Shareholders Equity
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
At May 1, 1998	191	5,784	1	7	(5,547)	(6)	430
Exchange translation adjustments	-	-	-	-	-	(17)	(17)
Net loss	-	-	-	-	(1,122)	-	(1,122)
Comprehensive loss							(1,139)
Issuance of shares (net of issuance costs of £48,000)	39	1,915	-	-	-	-	1,954
At April 30, 1999	230	7,699	1	7	(6,669)	(23)	1,245
Exchange translation adjustments	-	-	-	-	-	(13)	(13)
Net loss	-	-	-	-	(2,645)	-	(2,645)
Comprehensive loss							(2,658)
Issuance of shares (net of issuance costs of £178,000).	75	4,546	-	-	-	-	4,621
At April 30, 2000	305	12,245	1	7	(9,314)	(36)	3,208
Exchange translation adjustments	-	-	-	-	-	(41)	(41)
Net loss	-	-	-	-	(3,697)	-	(3,697)
Comprehensive loss							(3,738)
Issuance of shares (net of issuance costs of £69,000).	24	2,569	-	-	-	-	2,593
At April 30, 2001	329	14,814	1	7	(13,011)	(77)	2,063

The amount of consolidated retained profit available for the payment of dividends by the Company is the amount available in the parent company for this purpose as defined under accounting principles generally accepted in the United Kingdom and under the Companies Act 1985 as available for that purpose. At April 30, 2001, the parent company had no such amount available.

FUTUREMEDIA PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended April 30,			
	2001 ($'000)	2001 (£'000)	2000 (£'000)	1999 (£'000)
Operating activities				
Net loss	(5,319)	(3,697)	(2,645)	(1,122)
Adjustments to reconcile net loss to net cash used by operating activities				
Depreciation	160	111	111	156
Loss/(profit) on disposal of fixed assets	22	16	(8)	-
Amortization of deferred production costs	157	109	83	85
Accounts receivable	(339)	(236)	17	125
Amounts recoverable on contracts	(13)	(9)	158	(229)
Other current assets	138	96	10	(74)
Inventories	1	1	-	7
Prepaid expenses	(525)	(365)	(38)	(4)
Deferred production costs	-	-	(15)	(99)
Fees received in advance	1,299	903	(5)	(66)
Accounts payable	560	389	94	(100)
Other accounts payable	142	99	-	(43)
Other taxes and social security costs	10	7	19	-
Other accrued liabilities	(50)	(35)	345	3
Deferred tax valuation allowance	94	65	-	-
Income taxes payable	-	-	-	(24)
Effects of exchange rate changes	(56)	(39)	(2)	(18)
Net cash used by operating activities	(3,719)	(2,585)	(1,876)	(1,403)
Investing activities				
Capital expenditures	(187)	(130)	(71)	(68)
Proceeds on disposal of fixed assets	-	-	16	3
Net cash used by investing activities	(187)	(130)	(55)	(65)
Financing activities				
Proceeds of share issues	3,828	2,661	4,721	2,002
Share issue costs	(99)	(69)	(178)	(48)
Long-term debt (including current portion)	83	58	(435)	4
Bank overdraft	-	-	-	(55)
Net cash provided by financing activities	3,812	2,650	4,108	1,903
Net (decrease)/increase in cash and cash equivalents	(94)	(65)	2,177	435
Cash and cash equivalents at beginning of period	3,758	2,612	435	-
Cash and cash equivalents at end of period	3,664	2,547	2,612	435
Interest paid during the period	52	36	62	74

See accompanying notes

1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Futuremedia PLC (the "Company") was incorporated in England in 1982 as Futuremedia Limited and re-registered as a public company in 1993. The Company's principal activity is the provision of Internet and Intranet learning and communications products and services. Futuremedia also produces learning and communications material on other media, such as CD-ROM.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries (together the "Group"). All inter-company accounts and transactions have been eliminated.

Financial Resources

In the course of its operations the Company has sustained continuing operating losses which have resulted in the Company requiring short-term bank and other loans and equity and loan stock finance to sustain its operations.

Since its initial public offering ("IPO"), the Company has incurred net losses and experienced negative cash flows from operating activities. Net losses since its IPO have resulted in an accumulated deficit of £13,011,000 as of April 30, 2001. Management expects to continue to operate at a net loss and experience negative cash flow from operating activities through the foreseeable future. At November 12, 2001, the Company's cash resources and available borrowings are insufficient to fund the current level of operations for the next twelve months without raising additional debt and/or equity capital.

Management has prepared these financial statements on a going concern basis. There is a recognized need to secure additional funding during the third quarter of the current fiscal year. On October 30, 2001 the Company announced that it is in preliminary discussions with a UK public company regarding the potential acquisition of Futuremedia. Management believes that the potential acquirer is able to provide the necessary funding to make the acquisition and to provide the funds required to support the Company's activities.

The Company owns a freehold property which is in excess of current requirements and which is being actively marketed with a view to disposal prior to March 31, 2002. The anticipated sale proceeds of this building, net of the current mortgage debt, repayment of the long-term loan and relocation expenses, will provide additional funds. In addition, management has plans, which it is currently implementing, for further reductions in its cost base. By so reducing its cost base, management believes it will still retain its ability to service its current customer base and to exploit new opportunities using its existing technology, although it will have curtailed its capacity for developing future products.

Should the acquisition of the Company not be successful, management believes that the combined effect of the timely sale of the freehold property and the cost reduction plans, together with cash flows generated from ongoing business, would allow the business to continue for at least the next 12 months.

There are no assurances that the Company will be successful in any of the above, or that any new funds will be made available on terms acceptable to the Company. There is therefore substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any

1. SIGNIFICANT ACCOUNTING POLICIES –(continued)

adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities, which might result from the outcome of this uncertainty.

Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Convenience Translations

Translation of the financial statements at April 30, 2001 and for the year then ended from sterling into US dollars is for informational purposes only and has been made at the April 30, 2001 Noon Buying Rate of £1.00 to $1.4386.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term deposits with maturities of less than three months at inception.

Inventories

Inventories are stated at the lower of cost, determined on the basis of the first in, first out method, and market value.

Property and Equipment

Property and equipment is carried at cost. Depreciation is charged on a straight-line basis to costs and expensed over the expected useful lives of the assets. Depreciation is provided at the following annual rates:

Freehold buildings	2%
Freehold land	Nil
Property improvements	20%
Audio visual and computer equipment	
Long-term	15%
Mid-term	20%
Short-term	33%
Office equipment	20%

Leasehold improvements are amortized over the shorter of their estimated lives and the non-cancelable term of the lease.

Freehold land and buildings are held for sale at the lower of cost less depreciation and realizable value less cost to sell.

The freehold buildings have not been depreciated since they were put on the market.

1. SIGNIFICANT ACCOUNTING POLICIES –(continued)

Net Sales

Net sales represent the value of goods and services delivered, excluding value added tax. Generic or bespoke product revenues are recognized on the basis of goods delivered or the value of work completed, and are invoiced either on delivery or on the achievement of agreed milestones. Consultancy revenues are recognized and invoiced as they are delivered. Service contract revenues, which usually comprise initial setup fees, product customisation to the customer's specification, the provision of learning materials together with license fees and hosting fees, are aggregated and recognized evenly over the period of the license agreement, in accordance with SAB 101. Invoicing for such contracts may be periodic during the license period or, more usually, will be invoiced as a single payment in advance.

Pensions

The Group operates a number of defined contribution pension plans. Contributions are charged to income as they become payable in accordance with the rules of the plans.

Long-term Contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a percentage-of-completion basis to reflect the proportion of work carried out at the year-end, by recording sales and related costs as contract activity progresses. Sales are calculated as that proportion of total contract value that costs incurred to date relate to total expected costs for that contract. Revenues derived from variations on contracts are recognized only when they have been accepted by the customer. Amounts not billable at the balance sheet date, which are billable either at agreed dates or on the achievement of agreed benchmarks, are shown separately on the balance sheet. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Research and Development

Expenditure on research and development is written off as incurred, unless, where it is deemed appropriate and meets the relevant criteria, development expenditure is carried forward in the balance sheet as deferred production costs. For the years ended April 30, 1999, 2000 and 2001 the amounts written off were £25,000, £259,000 and £608,000 ($875,000), respectively.

Deferred Production Costs

Costs incurred in the production of new titles, the future recoverability of which can reasonably be regarded as assured, are deferred until marketing of the title commences. These costs include product design and development and comprise direct labor and other overheads and the cost of materials. Deferred production costs are amortized in line with the expected future sales of the title to a maximum of three years. Deferred costs are regularly reviewed for impairment and, as appropriate, their amortization is accelerated or they are expensed.

Foreign Currency Translation

Transactions in non-functional currencies are recorded at the rates ruling at the date of the transactions. Gains and losses resulting from non-functional currency translations, and the remeasurement of non-functional currency balances are included in the determination of net income in the period in which they occur, in accordance with the requirements of Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation."

1. SIGNIFICANT ACCOUNTING POLICIES –(continued)

The financial statements of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date, and the resulting cumulative translation adjustment is shown as a separate component of shareholders' equity.

Earnings Per Share

Earnings per share figures have been calculated using the method required by Statement of Financial Standards No. 128 "Earnings per Share".

Income Taxes

The Company accounts for income taxes using the liability method required by statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

2. LOANS

The aggregate amount of bank loans (secured) was as follows:

	April 30,	
	2001	2000
	(£'000)	
Bank loan accounts: Long term	22	19
	22	19

The Group has one outstanding bank loan as follows:

The amount outstanding of £22,000 ($32,000) is collateralized by a charge over the freehold property and by a fixed and floating charge over the Group's assets. Having substantially repaid the loan in February 2000, the balance is payable by February 2008, unless the Company draws down part or all of the outstanding balance. Interest is charged at 2.0% over base rate, which at April 30, 2001 was 5.5%. At November 12, 2001, including additional accrued interest, the amount outstanding was £24,000 ($35,000).

The aggregate amount of unsecured loans were as follows:-

	April 30, 2001	April 30, 2000
	(£'000)	
Convertible Variable Rate Unsecured Loan Stock 2002	420	365
	420	365

During July 1997, additional funding was secured by way of issue of Variable Rate Unsecured Loan Stock 2002 by Futuremedia (B.V.I.) Limited, a wholly owned subsidiary of Futuremedia PLC, amounting

2. LOANS –(continued)

to £381,000 ($600,000) for the purpose of funding group capital investment in support of the agreed business plan. At the same time, warrants granting the right to obtain one Ordinary Share for each $0.28125 of Loan Stock outstanding at a price per share of $0.28125 per Ordinary Share were issued. The Loan Stock is repayable on July 28, 2002 unless the Loan Stockholder exercises, in part or in full, the warrants noted above, an offer is made for the Company or the Company sells more than 20% of its net assets. The Loan Stockholder has given an undertaking that, should an offer be made for the Company, it will waive the right to immediate repayment in exchange for the creation of a legal charge on the freehold property and defer until the sale of the property is concluded. In February 2000, 711,111 ordinary shares were issued in exchange for the same number of warrants at the agreed value of $0.28125 per ordinary share. The proceeds from the exercise of the warrants can only be used to repay the equivalent amount of Loan Stock. Under the arrangement, there remains a further £254,000 ($400,000) available to be drawn down at the Company's sole option. Interest is payable on amounts drawn down at commercial rates. At April 30, 2001, the interest rate was 7.50%.

Fair values of Financial Instruments

	April 30			
	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(£'000)	(£'000)	(£'000)	(£'000)
Cash and cash equivalents ……………………….	2,547	2,547	2,612	2,612
Floating rate long-term …………………………..	442	442	384	384

The carrying value of long-term debt is equal to the fair value since it is subject to floating interest rates.

3. INCOME TAXES

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Group's deferred tax liabilities and assets are as follows:

	April 30,	
	2001	2000
	(£'000)	
Deferred tax assets		
Book over tax depreciation	64	62
Operating losses carried forward	3,424	2,384
Other differences and tax benefits of exceptional pension charge	104	45
	3,592	2,491
Less: valuation allowance	(3,592)	(2,426)
Net deferred tax assets	-	65

3. INCOME TAXES – (continued)

A deferred tax asset of £65,000 was recognized at April 30, 2000 in the expectation of the Company returning to profitable trading in the year to April 30, 2001. No such tax asset has been recognized at April 30, 2001. There is no time limit for the utilization of the operating losses carried forward (tax value £3,424,000) which are specific to certain companies and cannot be relieved against profits in other Group companies.

For financial reporting purposes, loss before income taxes includes the following components:

	Year ended April 30,		
	2001	2000	1999
		(£'000)	
United Kingdom	(3,664)	(2,613)	(1,086)
Overseas	(33)	(32)	(36)
	(3,697)	(2,645)	(1,122)

The reconciliation of income tax computed at the UK statutory tax rate to the effective rate is:

	Year ended April 30,					
	2001		2000		1999	
	(£'000)	%	(£'000)	%	(£'000)	%
Statutory rate	(1,110)	(30.0)	(793)	(30.0)	(336)	(31.0)
Unrelievable UK tax losses	1,094	29.6	781	29.5	336	31.0
Other sundry items	16	0.4	12	0.5	-	-
	-	-	-	-	-	-

It is anticipated that no charge to taxation will arise on the repatriation of overseas retained earnings to the United Kingdom due to the relevant double tax treaties between the United Kingdom and the United States where the Group has a presence.

4. LEASE COMMITMENTS

Operating and Capital Agreements

The future minimum rental payments under non-cancelable operating leases at April 30, 2001 are:

	Motor Vehicles and Equipment
	(£'000)
2002	71
2003	9
2004	5
2005	2
2006	1
	88

5. RELATED PARTY TRANSACTIONS

On March 9, 2000, the Company entered into a Finder's Agreement with Noesis Capital Corporation. The Agreement contemplated that Noesis would make introductions on behalf of the Company to facilitate possible future business transactions. The agreement was terminated on July 13, 2000. The Company has made no payments in connection with the Finder's Agreement and it does not expect to make any such payments. Mr. N. Letschert, a former non-employee director of the Company and Mr. C. Wit, a serving non-employee director of the Company, are directors of Noesis Capital Corporation

6. SEGMENT INFORMATION, EXPORT SALES AND MAJOR CUSTOMERS

The Group currently operates in one principal industry segment, the training market. The Group's sales were divided by geographical location of customer as follows:

	Year ended April 30,		
	2001	2000	1999
		(£'000)	
United Kingdom	491	592	1,108
Rest of Europe	149	57	86
Rest of the World	103	218	340
	743	867	1,534

During the year ended April 30, 2001, two customers each accounted for 20% of sales; during the year ended April 30, 2000, one customer accounted for 30% and another for 21% of sales; and during the year nded April 30, 1999, one customer accounted for 44% and another for 25% of sales.

6. SEGMENT INFORMATION, EXPORT SALES AND MAJOR CUSTOMERS – (Continued)

Information about the Group's operations by geographic area is as follows:

	United Kingdom	Rest of the World	Eliminations	Consolidated
Year ended April 30, 2001		(£'000)		
Net sales				
Customers	743	-	-	743
Total	743	-	-	743
Operating loss	(3,812)	-	-	(3,812)
Net interest income and foreign currency gains and losses	148	(33)	-	115
Loss before income taxe s	(3,664)	(33)	-	(3,697)
Identifiable assets	4,947	287	(287)	4,947
Year ended April 30, 2000				
Net sales				
Customers	867	-	-	867
Total	867	-	-	867
Operating loss	(2,672)	-	-	(2,672)
Net interest expense and foreign currency gains and losses	59	(32)	-	27
Loss before income taxes	(2,613)	(32)	-	(2,645)
Identifiable assets	4,437	269	(269)	4,437
Year ended April 30, 1999				
Net sales				
Customers	1,534	-	-	1,534
Inter-company	713	-	(713)	-
Total	2,247	-	(713)	1,534
Operating loss.............................	(1,060)	-	-	(1,060)
Net interest expense and foreign currency gains and losses	(26)	(36)	-	(62)
Loss before income taxes	(1,086)	(36)	-	(1,122)
Identifiable assets	2,461	370	(370)	2,461

Inter-company sales between geographic areas are accounted for at cost plus handling and other similar expenses. Identifiable assets are those used in the Group's operation in each area.

7. PENSION PLANS

The Group operates various defined contribution pension plans on behalf of the directors and other staff. Contributions payable are charged to income as incurred. Contributions by the Group are determined in accordance with the rules of the pension plans. Contributions aggregated £51,000 ($73,000) in 2001, £46,000 in 2000 and £47,000 in 1999. The Group has no obligations in respect of post retirement benefits other than the pension obligations described above.

8. DEFERRED PRODUCTION COSTS

	Year ended April 30,		
	2001	2000	1999
	(£'000)		
Cost			
At May 1	1,523	1,508	1,409
Additions	-	15	99
Amounts written off	(1,259)	-	-
At April 30	264	1,523	1,508
Amortization			
At May 1	1,414	1,331	1,246
Charge for year	109	83	85
Amounts written off	(1,259)	-	-
At April 30	264	1,414	1,331
Net book amount at April 30	0	109	177

9. PROPERTY PLANT AND EQUIPMENT

	April 30,					
	2001			2000		
	Cost	Depreciation	Net	Cost	Depreciation	Net
	(£'000)					
Freehold property	-	-	-	1,090	160	930
Property improvements	59	59	-	59	59	-
Audio visual and computer equipment						
Long-term	-	-	-	164	164	-
Mid-term	78	53	25	1,093	1,038	55
Short-term	202	116	86	317	229	88
Office equipment	71	15	56	141	141	-
	410	243	167	2,864	1,791	1,073

The net book value includes no amounts in respect of assets held under capital leases.

Freehold land and buildings are held for sale at the lower of cost less depreciation and realizable value less costs to sell at April 30, 2001.

INTEREST EXPENSE

	Year ended April 30,		
	2001	2000	1999
		(£'000)	
Loan interest	36	62	74
	36	62	74

11. COMPANIES ACT 1985

These financial statements are not the Company's statutory accounts within the meaning of section 240 of the Companies Act 1985 of Great Britain. The Company's statutory accounts are prepared in accordance with accounting principles generally accepted in the UK and are prepared in sterling. Statutory accounts for each of the two years ended April 30, 2000 and 1999 for which the auditors gave unqualified reports have been delivered to the Registrar of Companies for England and Wales. Statutory accounts for the year ended April 30, 2001, which contain an additional paragraph in the audit report regarding fundamental uncertainty as to the going concern basis, will be delivered to the Registrar of Companies for England and Wales.

12. EMPLOYEE PROFIT-SHARING AND OPTION PLANS

In July 1993, the Company adopted three employee profits share or share option schemes, as follows.

Under the Company's "Approved Executive Share Option Scheme", options to acquire the Company's Ordinary Shares may be granted to all or selected employees. Any full time employee, other than a director, of the Company who is not within two years of his or her due date for retirement and who, within one year preceding the grant, did not hold more than 10% of the share capital of the Company, is eligible to participate. The exercise price of the options must be no less than 85% of the fair market value of the Company's ADSs on the date of grant. The value of shares underlying the options granted to any employee may not exceed the greater of £100,000 ($162,000) or four times earnings. An option generally becomes exercisable three years after the date on which it was granted, and may not be exercised more than ten years after the date of grant. In certain circumstances, an option will be exercisable after the death or termination of the employment of the option holder. No UK income tax will be payable, even if the options are granted at a discount to market value, either at the time of the grant or the exercise of the options, although there are certain conditions that must be satisfied concerning the timing of any exercise. UK capital gains tax may be payable at the time of the ultimate disposition of the underlying shares.

The Company's "Employee Share Ownership Plan"(also known as the Approved Net Profit Sharing Scheme) provided for the establishment of a trust, to be funded by payments from the Company. The funds in the trust were required to be used to subscribe for shares from the Company, which would then have been allocated to individual employees. The maximum amount that was permitted be allocated to an individual employee per annum was the greater of £3,000 or 10% of salary, up to a maximum of £8,000. As of September 2000, this scheme was terminated and the Trust dissolved. No monies had been allocated nor shares purchased.

12. EMPLOYEE PROFIT-SHARING AND OPTION PLANS - (continued)

Under the Company's "Unapproved Executive Share Option Scheme", options may be granted to selected full-time employees, including directors, based on their performance. The exercise price of the options granted must be at least the fair market value of the Company's ADSs. The value of options to be granted is not subject to any financial limit, although the number of shares over which the options may be granted is subject to an overall restriction.

In addition to the foregoing, the Company maintains a net profit sharing plan (the "Employee Profit Share Scheme" or the "Incentive Profit Sharing Scheme") pursuant to which cash may be paid to employees out of the Company's annual profits. No such distributions were made in the years ended April 30, 2001 or 2000. Pursuant to an agreement with the underwriter of the Company's initial public offering, the aggregate value of the cash that may be issued annually under the Employee Profit Share Scheme will not exceed 10% of the Company's pre-tax profits, and, based on the Company's performance, may be limited to 10% of the Company's post-tax profits.

Determinations as to the granting of options to employee-directors are made by the Remuneration Committee.
Under the Approved Executive Share Option Scheme, 3,183 options are outstanding at an exercise price of $4.25 and may be exercised until August 19, 2003, 4,705 options are outstanding at an exercise price of $2.55 and may be exercised until August 19, 2003, 28,500 options are outstanding at an exercise price of $0.90625 and may be exercised until January 16, 2008 and 42,000 options are outstanding at an exercise price of $1.5938 and may be exercised until July 25, 2010.
A summary of the options outstanding under the Company's "Approved Share Option Scheme" as at April 30, 2001 is as follows:

	Number of Shares Under Option	Weighted Average Option Price Per Share
Outstanding April 30,1998 …………………	147,427	$1.2607
Options forfeited ……………………………	(64,006)	$1.3778
Outstanding April 30,1999 …………………	83,421	$1.3154
Options forfeited ……………………………	(36,459)	$1.1708
Outstanding April 30,2000 …………………	46,962	$1.4277
Options granted……………………………....	90,000	$1.5938
Options forfeited…………………………….	(58,574)	$1.5741
Outstanding April 30, 2001…………………..	78,388	$1.5090

12. EMPLOYEE PROFIT-SHARING AND OPTION PLANS – (Continued)

The following options have been issued under the Company's "Unapproved Executive Share Option Scheme", and were outstanding as at April 30, 2001.

Date Granted	No. of Share	Subscription Price	Date Exercisable	Exercisable when the Market Price at least equals
11/09/00	100,000	$1.00	11/09/01	
11/09/00	100,000	$1.00	11/09/02	
11/09/00	100,000	$1.00	11/09/03	
11/09/00	25,000	$2.00	11/09/01	
11/09/00	25,000	$2.00	11/09/02	
11/09/00	25,000	$2.00	11/09/03	
11/09/00	25,000	$3.00	11/09/01	
11/09/00	25,000	$3.00	11/09/02	
11/09/00	25,000	$3.00	11/09/03	
09/07/00	5,000	$0.1875	Current	
09/07/00	5,000	$0.594	Current	
09/07/00	100,000	$1.00	Current	
09/07/00	44,448	$1.004	09/07/01	
09/07/00	44,443	$1.004	09/07/02	
09/07/00	44,443	$1.004	09/07/03	
07/12/00	63,335	$1.688	07/12/01	
07/12/00	63,334	$1.688	07/12/02	
07/12/00	63,331	$1.688	07/12/03	
11/11/99	300,000	$0.625	Current	
10/15/99	20,000	$0.50	Current	
04/29/99	100,000	$0.616	Current	
11/26/98	325,000	$1.00	Current	
11/26/98	225,000	$1.00	Current	
04/17/98	200,000	$0.594	Current	$1.50
10/30/97	20,000	$0.594	Current	
10/24/97	100,000	$0.594	Current	$1.50
05/29/97	5,000	$1.375	Current	$1.50
05/29/97	5,000	$0.50	Current	$1.50
05/29/97	5,000	$0.781	Current	$1.50
01/16/97	5,000	$0.1875	Current	
10/25/96	100,000	$0.25	Current	$1.00
10/25/96	100,000	$0.65	Current	$1.50
10/25/96	50,000	$0.65	Current	$2.00
05/24/96	30,000	$1.00	Current	$2.00
05/24/96	20,000	$1.375	Current	$4.00
05/24/96	20,000	$1.00	Current	$6.00
	2,513,334			

The Company accounts for options granted under these plans in accordance with the provisions of APB No. 25.

12. EMPLOYEE PROFIT-SHARING AND OPTION PLANS – (Continued)

A summary of the options outstanding under the Company's "Unapproved Share Option Scheme as at April 30, 2001 is as follows:

	Number of Shares Under Option	Weighted Average Option Price Per Share
Outstanding at April 30, 1998	1,398,040	$0.82
Options granted	1,150,000	$0.98
Options lapsed	(1,013,040)	$1.03
Outstanding at April 30, 1999	1,535,000	$0.81
Option granted	484,000	$0.87
Options lapsed	(225,000)	$0.79
Outstanding at April 30, 2000	1,794,000	$0.83
Options granted	1,010,001	$1.41
Options lapsed	(280,667)	$1.47
Options exercised	(10,000)	$0.50
Outstanding at April 30, 2001	2,513,334	$0.99

313,338 share options were granted at market price in the year to April 30, 2001. 40,000 share options were granted at market price in the year ended April 30, 2000.

The weighted average fair value of options granted at below market price in the year ended April 30, 2001 was £0.60 ($0.86), 2000 £0.32. The weighted average fair value of options granted above market price in the year ended April 30, 2001 was £0.28 ($0.41), 2000 £0.26. The determination of the fair value of all stock options granted in 1999, 2000 and 2001 was calculated using the Black Scholes method based on (i) risk-free interest rates of 5.25% (ii) expected option lives of 3 to 5 years (weighted average 3.3 years) (iii) dividend yield of 0% and iv) a volatility of 1.276 (2000 and 1999: 0.919).

The following table summarizes the pro-forma consolidated results of operations of the company had the fair value based method of SFAS No. 123 been used in accounting for stock options.

	Year ended April 30			
	2001 ($'000)	2001 (£'000)	2000 (£'000)	1999 (£'000)
Net loss as reported	(5,319)	(3,697)	(2,645)	(1,122)
Pro-forma	(5,599)	(3,892)	(2,808)	(1,420)
	$	**£**	**£**	**£**
Net loss per share as reported	(0.18)	(0.13)	(0.11)	(0.06)
Pro-forma	(0.18)	(0.13)	(0.12)	(0.07)

13. NEW ACCOUNTING PRONOUNCEMENTS

There are no new accounting pronouncements that will impact Futuremedia.

SCHEDULE II

FUTUREMEDIA PLC AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

		Additions			
	Balance at beginning of period	Charged costs and expenses	Charged to other accounts	Deductions	Balance at end of period
			(£'000)		
Allowance for doubtful accounts					
Year ended April 30, 2001	26	175	-	-	201
Year ended April 30, 2000	40	-	-	(14)	26
Year ended April 30, 1999	43	-	-	(3)	40