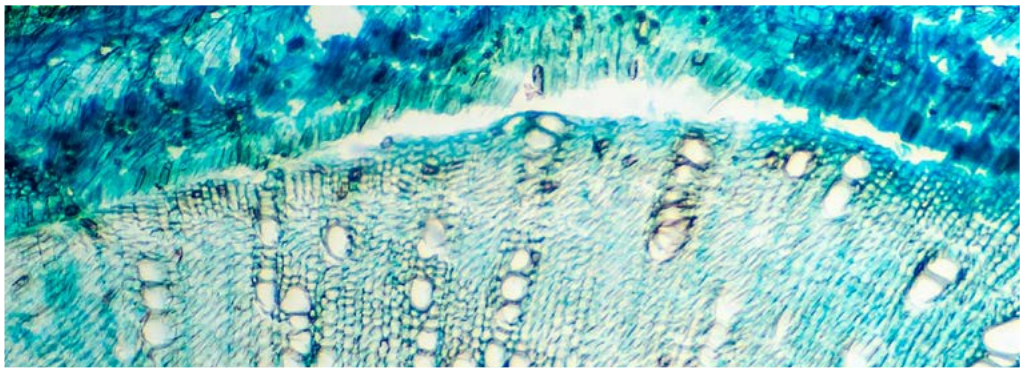
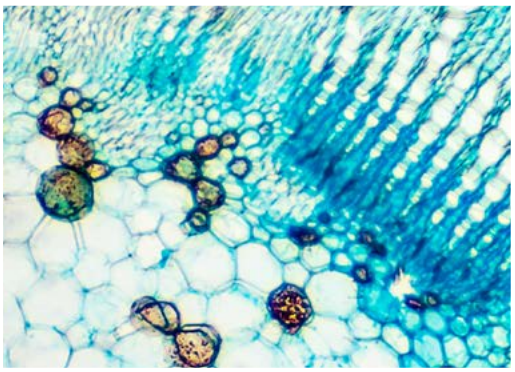
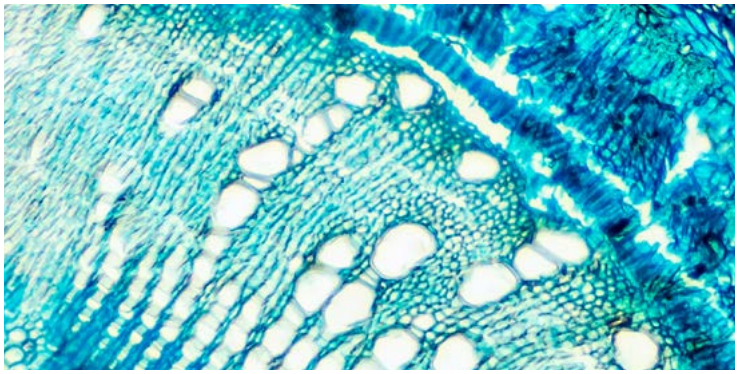






Futura Medical plc

Annual Report and Accounts 2019

FUTURAMEDICAL

Welcome to the Futura Medical Annual Report 2019

WHAT WE DO

Futura Medical is a pharmaceutical company developing a portfolio of innovative products based on our proprietary, transdermal technology DermaSys®.

These products are optimised for clinical efficacy, safety, mode of administration and patient convenience and are developed for the prescription and consumer healthcare markets as appropriate.

Current therapeutic areas are sexual health and pain relief. Development and commercialisation strategies are designed to maximise product differentiation and value creation whilst seeking to minimise clinical and regulatory risk.

"Our purpose is to enhance our patients and consumers' quality of life to enable them to live their lives to the full."

JAMES BARDER
Chief Executive

www.futuramedical.com

INVESTMENT CASE

Futura has a proven track record in delivery and completion of Research & Development ('R&D') projects up to value inflection points at which they are suitable for commercialisation partners.

1

Advanced proprietary technology DermaSys®

We are exploiting the potential of our transdermal technology DermaSys® to innovate and develop topical treatments offering a fast onset of action and low systemic side effects. Our long-term strategy is to expand the product pipeline based on DermaSys®. We are currently exploring opportunities with cannabidiol in CBD100. Our products are underpinned by strong IP, usually specific to each product.

2

Clinical development of treatments for unmet needs

Our focus is on differentiated products, addressing areas of two large markets, sexual health and pain, seeking to solve unmet needs that will help improve patients' and consumers' lives.

3

De-risked strategy which focuses on rapid routes to market

We have a late stage pipeline of products, developed from well characterised molecules and excipients with an established safety profile. This means that there is a lower development risk and potentially shorter regulatory pathway.

4

Short-term value creation from our lead product MED3000

We are prioritising the development and regulatory approval for MED3000, our treatment for erectile dysfunction, owing to its significant short to medium term value creation potential in a large market where there is an unmet need for new treatment options. In a Phase 3 clinical trial MED3000 achieved all co-primary clinical endpoints against baseline (before treatment). We are now pursuing regulatory filings as a medical device in the EU and US.

5

Experienced management team

The management team has significant experience in researching and developing innovative products for the global consumer healthcare and prescription markets, with extensive development and regulatory expertise in the US and Europe.

Read more information on **Strategy** on page 16

CONTENTS

Follow this icon to see further information in this Annual Report

HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

Solid pipeline progress with MED3000 nearing regulatory filings in EU and US

KEY HIGHLIGHTS

- MED3000 discussions progressing well with regulators with EU filing expected by end of July; and with good dialogue with US FDA providing optimism for submission for medical De Novo device approval filing by end of Q3 2020.
- Company expects cash runway to be sufficient to Q2 2021, based on significantly reduced Research and Development (R&D) spend and current activities.
- Currently expect limited impact from COVID-19 during 2020.

Cash balance at year-end

£2.51m

Fundraising (gross)* post year-end

£3.25m

* Completed January 2020

Net loss

£8.92m

MED3000 – TOPICAL GEL FOR THE TREATMENT OF ERECTILE DYSFUNCTION (ED)

- Top line results for European Phase 3 study (FM57) were reported in December 2019 with all treatment arms consistently meeting all primary endpoints against a pre-treatment baseline and across all ED severities as well as in a pooled ED patient population.
- FM57 demonstrated that MED3000 has the potential to be a highly effective, clinically proven, topical treatment for erectile dysfunction with a rapid onset of action and excellent safety profile in a US$5 billion market[1].
- New patent application filed in December 2019 around the novel and surprising effects of the MED3000 formulation shown in FM57 to potentially provide patent protection until 2040.
- Ongoing support from Key Opinion Leaders (KOLs) for an effective, fast-acting, topically applied ED treatment with low side effects.

MED3000 – POST PERIOD HIGHLIGHTS

- Following positive interactions with an EU Notified Body[2] as announced in February 2020 Futura subsequently commenced formal proceedings for MED3000 to be approved as a medical device for the treatment of ED with expected submission to EU regulators by the end of July 2020.
- Recent positive initial pre-submission meeting with US FDA. Futura are awaiting the meeting minutes and expect to pursue regulatory approval for MED3000 as a medical device with a De Novo Classification in the US.

TPR100 – TOPICAL NON-STEROIDAL ANTI-INFLAMMATORY FOR THE PAIN AND INFLAMMATION ASSOCIATED WITH SPRAINS, STRAINS AND BRUISES AND SOFT TISSUE RHEUMATISM

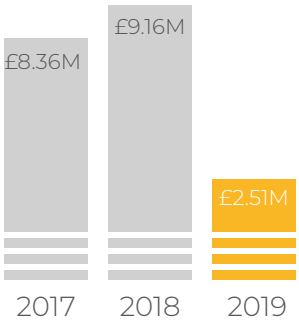
- UK partner Thornton & Ross (a subsidiary of STADA AG) received feedback from UK Medicines and Healthcare products Regulatory Agency (MHRA) in February 2019 requiring additional laboratory work to be conducted to support the UK submission.
- Ongoing laboratory work continues with formulation dosing adjustment and in vitro studies to enable TPR100 to meet the strict criteria established by the MHRA (to avoid the need to conduct a Phase 3 pain relief efficacy study) delaying the response to the MHRA by at least six months.
- Ongoing commercial discussions with several potential distribution partners for other countries. Any further licensing deals are expected to be after UK regulatory approval.

CBD100 – FUTURA'S ADVANCED PROPRIETARY TRANSDERMAL TECHNOLOGY, DERMASYS® FOR TRANSDERMAL DELIVERY OF CANNABIDIOL

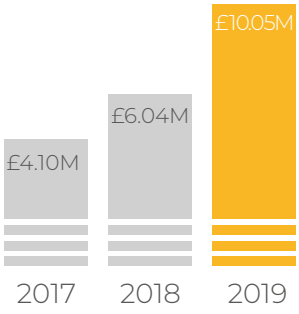
- Joint venture collaboration with CBDerma Technology Limited announced in September 2019.
- Optimisation work is continuing and on track to deliver first stage development by end July 2020.

FINANCIAL HIGHLIGHTS

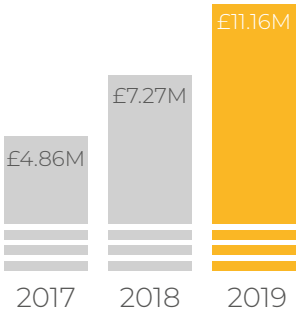
CASH BALANCE



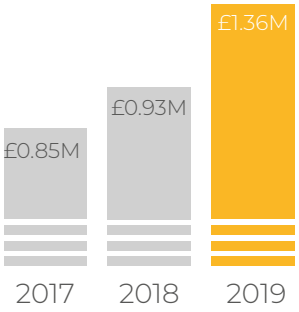
R&D SPEND



OPERATING LOSS



R&D TAX CREDIT RECEIVED



Read the **Financial Review** on page 28

FINANCIAL HIGHLIGHTS

- £8.92 million net loss in the period (31 December 2018: net loss £5.88 million).
- Cash resources of £2.51 million at 31 December 2019 (31 December 2018: £9.16 million).
- R&D tax credits of £1.36 million for year ended 2018 received in August 2019 (Year ended 2017: £0.93 million R&D tax credits received in August 2018).
- £3.25 million (gross) fundraising completed post period end in January 2020.

1 Manufacturers' Selling Prices 2018: Data available for 75 countries IQVIA IMS Health.

2 Notified Bodies are the regulatory authorities that oversee the approval of medical devices within the EU for all EU countries including the UK.

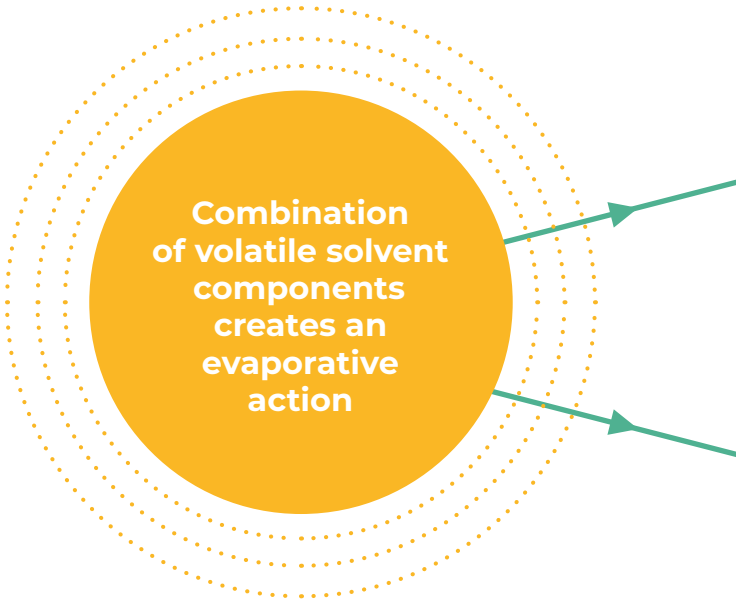
DERMASYS® AT A GLANCE

Futura Medical is an innovative R&D company. We are experts in transdermal delivery and the science of the skin. We have developed an advanced proprietary and patented transdermal technology, DermaSys®.

APPLYING SKIN SCIENCE TO DELIVER NOVEL TOPICAL TREATMENTS

Our core strength lies in our research and development capabilities in the field of topical formulations and transdermal delivery. Futura's unique technology, expertise and know-how, enables targeted and rapid delivery of active pharmaceutical ingredients (API) and Generally Recognized As Safe (GRAS) pharmaceutical excipients onto and through the skin to the required site of action with a high level of safety. We take off-patent, generic molecules and excipients and offer improvements over existing products or create novel indications with compelling commercial potential. This means that our products are highly differentiated in their markets whilst avoiding the risks normally associated with the development of new molecules and with potentially shorter regulatory pathway. We protect this valuable IP and ensure that we maximise both the strength of our patents' protection and their duration.

At the core of DermaSys®



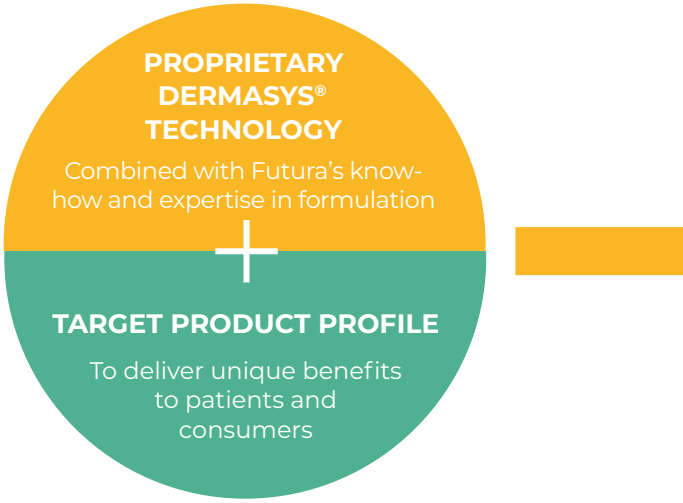
DERMASYS® AND THE PROCESS BEHIND OUR UNIQUE FORMULATIONS

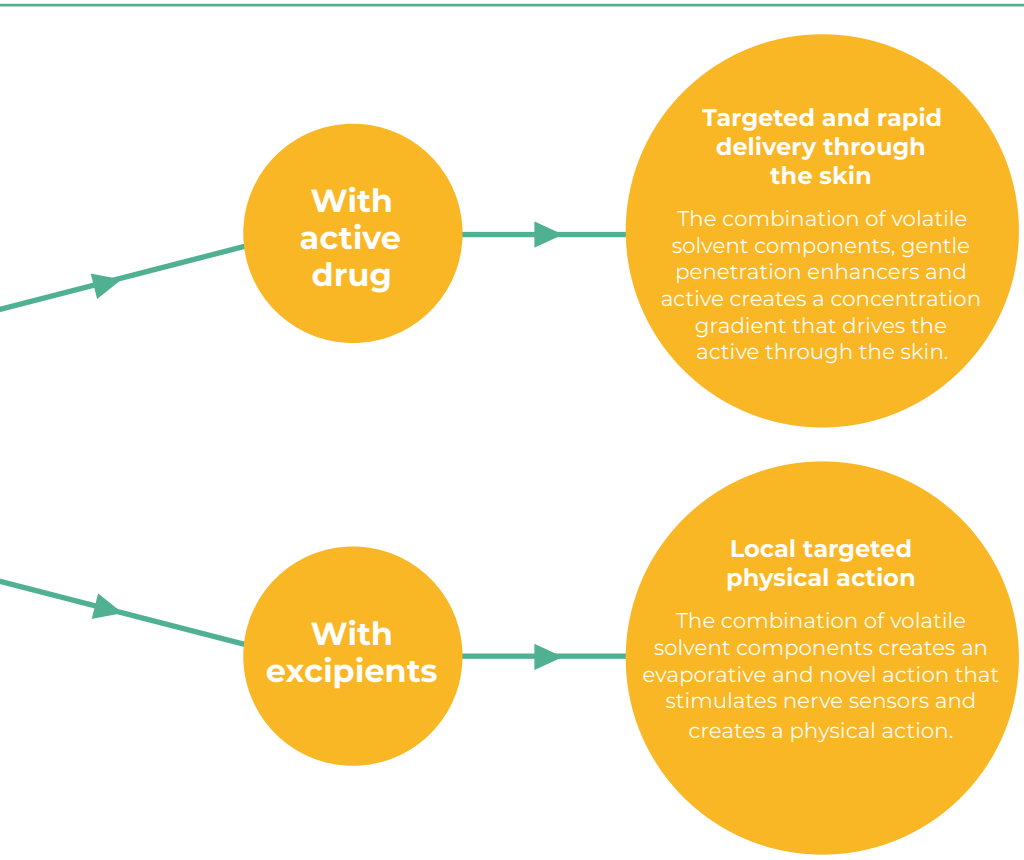
Our unique patented technology DermaSys® is designed to deliver clinically proven effective medical treatments via the skin.

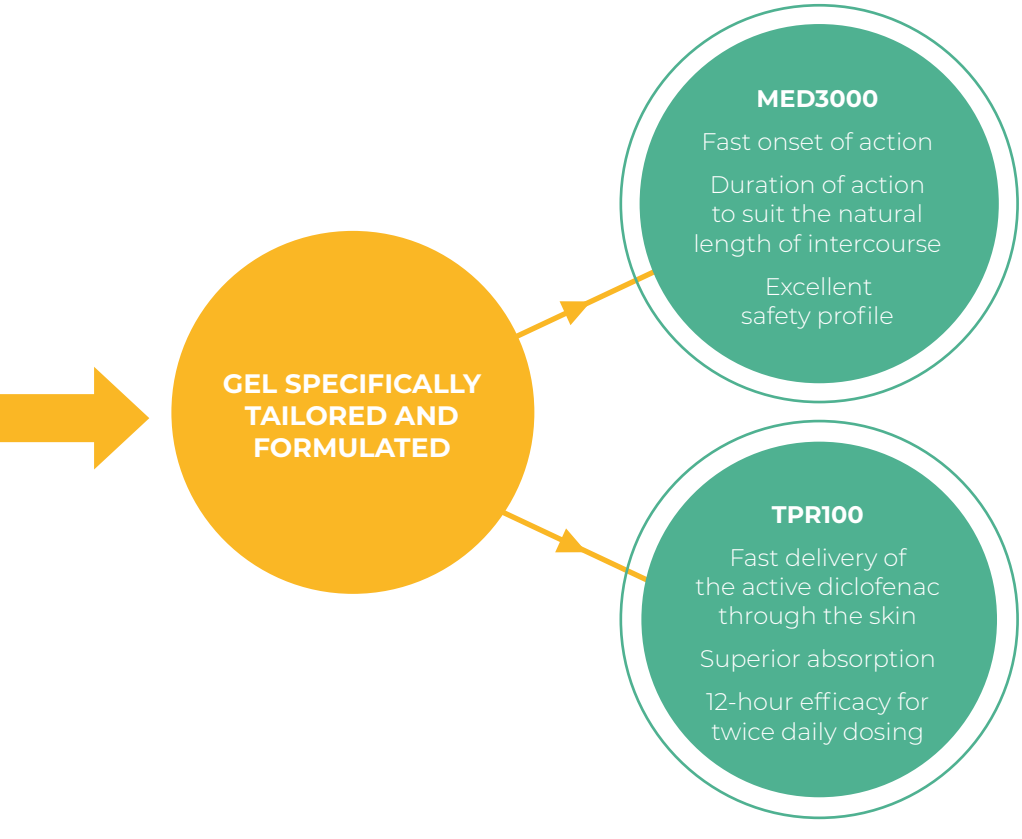
DermaSys® is a versatile and bespoke technology. Each gel is uniquely formulated using the DermaSys® platform with volatile solvent and/or penetration enhancer components tailored for each product to suit the specific therapeutic indication and desired speed of onset and duration of action. Such targeted delivery offers an optimised profile in terms of dose, onset time and duration of effect as well as an improved safety profile reducing the risk of side effects. Each product is formulated to maximise its benefits for patients and consumers. Each new unique formulation offers the opportunity for additional patent applications and potential patent protection.

The gels we develop are versatile, clear and odourless and provide effective and local topical application to the required site of action. For our erectile dysfunction treatment, MED3000, this translates into a fast-acting treatment for erectile dysfunction with an excellent safety profile. For our pain relief treatments, TPR100 and TIB200, this translates into effective penetration for enhanced therapeutic benefits with fast, effective and long-lasting relief.

DermaSys® process







CBD100 – DERMASYS® FOR TRANSDERMAL DELIVERY OF CANNABIDIOL

Futura announced a joint venture collaboration with CBDerma Technology Limited in September 2019 to explore the application of Futura's advanced proprietary transdermal technology, DermaSys® for the delivery of cannabidiol. As part of the agreement, Futura will develop and optimise a DermaSys® cannabidiol formulation as well as establish early ex vivo proof of concept studies likely to include certain disease states most suited for local or regional (non-systemic) topical treatment such as pain relief.

OUR BUSINESS MODEL

KEY RESOURCES

PEOPLE

- Highly experienced and motivated team focused on innovative solutions
- Team of 30 consultants used for their specialist knowledge and leadership in the field
- Strong results driven culture and teamwork

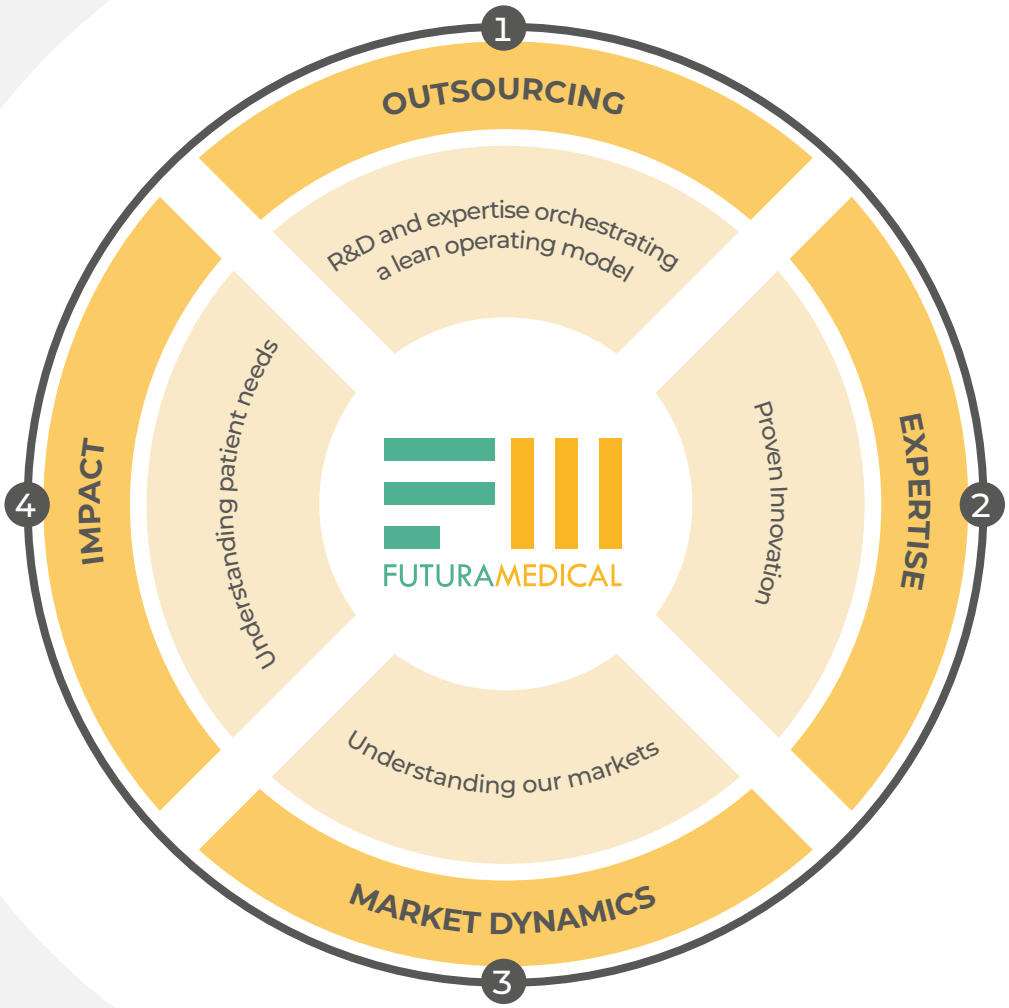
EXPERTISE AND INNOVATION

- Highly efficient patented proprietary transdermal technology
- Semi-virtual structure with outsourcing optimised to maximise expertise and minimise overhead cost

STRONG LEADERSHIP

- Experienced management team with background in researching and developing innovative products for global consumer healthcare and prescription markets

HOW WE CREATE VALUE



1 **Outsourcing – R&D and expertise orchestrating a lean operating model**

Semi-virtual model using in-house specialist expertise in Clinical Development, Regulatory and Chemistry, Manufacturing and Controls (CMC) to lead strategy and co-ordinate the outsourcing of key activities with a range of experienced consultants and highly regarded subcontractors.

2 **Expertise – Proven Innovation**

Expertise in optimising formulations of molecules and excipients to ensure a rapid and targeted action and to minimise side effects.

3 **Market dynamics – Understanding our markets**

Our lead asset MED3000, as well as the rest of our pipeline assets, are well positioned to meet the demands behind the current market dynamics driving chronic disease such as ageing populations, obesity, stress and anxiety which, combined with increasing prosperity and expectations from patients and consumers for a high quality of life, lead to increased demand. Not only are people living longer but they want to live an active, pain-free and fulfilled lifestyle for longer. Products such as MED3000 are well placed to accommodate such demands.

4 **Impact – Understanding patient needs**

In sexual health, current treatments do not meet the needs of many ED sufferers who are looking for a fast-acting and well tolerated treatment that can help restore spontaneity and intimacy back into their relationship. ED can also contribute to low confidence and self-esteem and have a significant impact on male mental health.

MAXIMISING VALUE

We continue to execute our R&D strategy whilst evaluating our options to maximise value from future commercialisation of our lead assets with potential commercial partners.

Read more about our **Strategy** on page 16

VALUE CREATED FOR OUR STAKEHOLDERS

PATIENTS

Erectile dysfunction and chronic pain can be debilitating and have a detrimental impact on day-to-day life, leading to low self-esteem, relationship issues and limiting day-to-day activities. Our products focus on improving quality of life to enable patients and consumers to live their lives to the full.

SHAREHOLDERS

Our aim is to create maximum value for our shareholders. By prioritising resources we aim to deliver additional value to our shareholders, maximising the value that Futura retains from our US$1 billion[1] sales potential erectile dysfunction product. This is to be achieved by gaining regulatory approval as an effective clinically proven treatment for erectile dysfunction.

EMPLOYEES

Our aim is to attract and retain the best people. We aim to empower our employees through our culture of openness, freedom to operate and teamwork. We reward them through our performance based and results driven share option and long-term incentive schemes. This enables us to align employees and shareholders' interests.

Read more information on **Our Stakeholders** on pages 34 and 35

1 Previous market research conducted by Cello Health Consulting as a prescription product and Ipsos Group as an over the counter product on MED2005 showed potential peak sales in excess of US$1 billion. Whilst MED3000 is a slightly different proposition as it has a different mode of action, it offers the same benefits and therefore the Group believes that the market potential is similar.

PRODUCTS AND PIPELINE

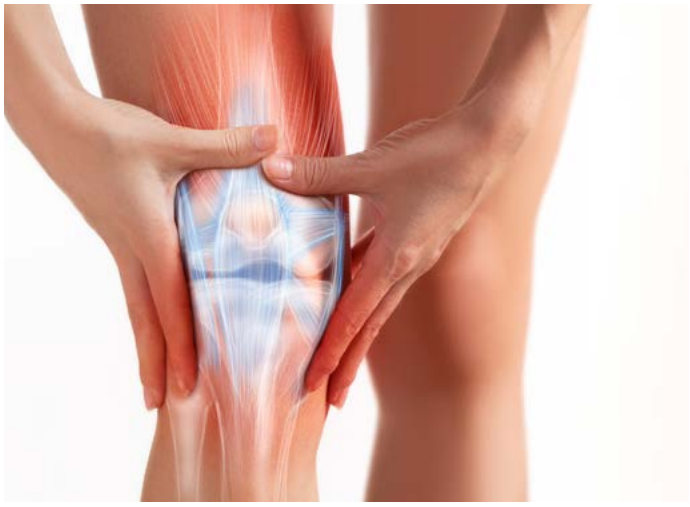
Futura Medical is developing a portfolio of innovative products for two large markets, sexual health and pain. We have four products in late-stage development, with MED3000 and TPR100 being the lead products.

SEXUAL HEALTH

Lead product MED3000 is a unique and highly differentiated easy to use topical gel for erectile dysfunction which has Phase 3 clinical data demonstrating highly statistically significant improvement across all ED patient severities with potential peak sales of US$1 billion[1].

PAIN RELIEF

Pain relief gels TPR100 and TIB200 offer targeted and long-lasting pain relief and have the potential for improved patient benefit by offering a fast, highly effective and long lasting (12-hour) relief. CBD100, which will be an optimised cannabidiol formulation for potential use in a variety of conditions including pain, is in early stage development.



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OUR PRODUCT PIPELINE

LEAD PRODUCTS

Concept | Development | Commercialisation

MED3000

Description: Topical gel for erectile dysfunction

Status: Phase 3 study completed. Regulatory submissions targeted for mid-2020. Out-licensing discussions ongoing.

TPR100

Description: Topical diclofenac pain relief gel

Status: Futura and UK licensing partner addressing MHRA requirements leading to revised regulatory strategy.

OTHER PRODUCTS

Concept | Development | Commercialisation

CBD100

Description: Topical cannabidiol formulation

Status: Joint venture collaboration. Early development stage to explore a number of disease states including pain relief.

CSD500

Description: Condom containing an erectogenic gel

Status: Approved in the EU, 24 months shelf life.

TIB200

Description: Topical ibuprofen pain relief gel

Status: Out-licensing discussions ongoing.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

JOHN CLARKE
Chairman

COVID-19 UPDATE

Futura Medical is monitoring closely the rapid development of events in relation to the coronavirus outbreak and all necessary steps have been taken to maintain the integrity of the Company's assets and the health and well-being of our employees.

To date we have not seen a material impact as the Company is used to operating as a semi-virtual business and we have been able to transition quickly to a fully remote and flexible working model with ease.

We are currently not conducting any trials requiring the use of patients or healthy volunteers. All operational activities can be managed using existing internal resource and our extensive resource of external consultants and sub-contractors should any of our employees become ill. We therefore currently expect limited impact from COVID-19 during 2020.

Clinical execution in 2019 will lead to MED3000 regulatory filings in 2020

As an innovative R&D company, Futura's strategy is to leverage its proprietary patented transdermal technology platform DermaSys® to develop a pipeline of late stage, novel products that solve clinically meaningful problems for patients, particularly where they are dissatisfied with existing treatments. Our current focus is on sexual health and pain.

Meeting this objective goes hand in hand with value creation, which we seek to maximise by partnering at key inflection points. As a small, innovative company we are also adaptable and nimble which allows us to take advantage of new opportunities and strategies as the need arises.

This year has been an eventful one for Futura. Throughout, Futura has been continuing research and presenting clinical data for its erectile dysfunction (ED) treatment at international medical conferences and in other expert forums as part of an ongoing educational and outreach programme for physicians and their patients in the ED field. The reception has been encouraging both in the US and Europe with consistent feedback from leading urologists and practitioners in sexual medicine indicating demand for an effective topical product that works rapidly and has a very low side effects profile.

It was also a huge logistical and organisational undertaking for our team and third party providers to execute on the substantial Phase 3 study (FM57) which started in Q4 2018, dosed the last patient in October 2019 and from which headline data was reported in mid-December 2019.

The results from the Phase 3 clinical study were unexpected and surprising. While FM57 did not meet the primary endpoints versus placebo, we are excited that MED3000 achieved positive results, with a striking consistency in being significantly statistically superior to baseline ED for all three co-primary endpoints (using validated and globally accepted measurement tools), as well as in each separate cohort of severity (mild, moderate and severe) and at one, two and three month treatment time points statistically superior improvement over baseline was achieved. Key secondary endpoints were also all

JAMES BARDER
Chief Executive

statistically met compared to the pre-treatment baseline.

Data analysed was also positive on measures of clinically meaningful benefit which physicians and patients, as well as regulators view as increasingly important.

Futura intends to submit MED3000 for regulatory approval as a medical device and continues to target the next six months for submissions in both Europe and US. This will present prescription (Rx) opportunities and in future potentially broader patient product availability opportunities for MED3000 may be explored that leverage an excellent safety and tolerability profile, such as combination use, including with existing oral medications and the availability Over the Counter (OTC).

DERMASYS® – OUR PROPRIETARY PATENTED TRANSDERMAL TECHNOLOGY PLATFORM

Futura's unique patented technology DermaSys® is designed to deliver clinically proven effective medical treatments via the skin.

DermaSys® is a versatile and bespoke technology. Each product gel is uniquely formulated using the DermaSys® platform with volatile solvent component formulations tailored for each product to suit the specific therapeutic indication and desired speed of onset and duration of action. Such targeted delivery offers an optimised profile in terms of dose, onset time and duration of effect as well as an improved safety profile reducing the risk of side effects. Each product is formulated to maximise its benefits for patients and consumers. Each new unique formulation offers the opportunity for additional patent applications and potential patent protection.

MED3000 – TOPICAL GEL FOR ERECTILE DYSFUNCTION ("ED")

MED3000 is now the codename for a formulation of our proprietary technology DermaSys®, developed specifically for the treatment of ED. MED3000 has the potential to be a highly differentiated product by addressing significant unmet needs, across all patient severities in the US$5 billion ED market[1], which include rapid speed of onset enabling spontaneity for both partners, significant clinical benefits alongside excellent safety and low side effects and no interactions with alcohol, food or other products as well as providing a potential treatment option for patients contra-indicated from using existing ED therapies.

ED disrupts the lives of 1 in 5 men globally[2], affecting the sexual and emotional health of around 27 million men and their partners in the US alone. There has been little innovation in ED treatments for over ten years and many patients continue to suffer dissatisfaction with existing treatments, a statement frequently made by KOLs.

Top line results from the Phase 3 FM57 study announced in December 2019 demonstrated that MED3000 has the potential to be a highly effective, clinically proven, topical treatment for ED, with a fast onset of action. As part of FM57, the Company observed that MED3000 began to work immediately in some patients, with 60% of patients seeing onset of their erection within 5-10 minutes of application. Futura believes MED3000 has a unique evaporative mode of action which stimulates nerve endings to cause an erection. Initial Company assessments indicate MED3000's combination of volatile solvent components creates an evaporative and novel action that stimulates nerve sensors in the highly innervated glans penis rapidly leading to smooth muscle relaxation, tumescence and erection.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

FM57 STUDY

FM57, the Phase 3 study was designed to investigate the efficacy and safety of topically applied Glyceryl Trinitrate (GTN) (MED2005) – (DermaSys® with 0.2% GTN, DermaSys® with 0.4% GTN and DermaSys® with 0.6% GTN) – against that of the placebo using IIEF-EF and SEP 2 and 3 as co-primary clinical endpoints in mild, moderate and severe ED patients. An ED-specific DermaSys® formulation (now known as MED3000) was used as a control arm (placebo) following regulatory requirements to have a placebo as near as possible to the active product.

The 1,000 patient study included approximately 60 centres across nine Central and Eastern European countries. FM57 was a dose ranging, randomised, double blind, placebo controlled, home use, parallel group clinical trial. Patients being enrolled into FM57 for the initial four weeks had to attempt intercourse on at least four occasions in order to establish the severity of their ED, known as the pre-treatment 'baseline'.

FM57's protocol had incorporated feedback from potential commercial partners, opinion-leading physicians, US and EU regulatory agencies as well as the Company's learnings from the Phase 2a study (FM53), to support the best chance of clinical success and to optimise the likelihood of subsequent regulatory approval as well as the commercial value.

Futura announced study enrolment completion in June 2019 with last patient dosed in October 2019.

FM57 Results

FM57 top line results were announced in December 2019. All three co-primary endpoints (IIEF-EF, SEP2 and SEP3) were statistically significantly achieved against baseline (pre-treatment) data for the three MED2005 treatment groups and MED3000 in addition to important, supporting secondary endpoints in terms of efficacy, speed of onset, duration of action and clinically meaningful differences in patient benefit.

However, the control arm used in the study which was Futura's proprietary transdermal DermaSys® formulation (now known as MED3000) also demonstrated statistically significant and clinically meaningful top line results meaning that FM57 did not meet primary endpoints versus placebo. Whilst this placebo does not contain the active pharmaceutical ingredient, GTN, used in MED2005, it uses the key ingredients that constitute DermaSys®' proven transdermal technology, specifically formulated for ED, and was shown to be as effective in the treatment of ED as the active doses. Futura believes MED3000 was so effective, for example 83% of patients with mild ED were able to insert their penis into their partner's vagina (SEP2 Primary Endpoint for FM57), that the likelihood of the study design showing a consistent and statistically significant improvement over MED3000 for SEP2 with the inclusion of GTN was significantly reduced.

FM57 demonstrated that MED3000 has the potential to be a highly effective, clinically proven, topical treatment for erectile dysfunction. MED3000 has a unique evaporative mode of action which the Company believes stimulates nerve endings in the glans penis to cause an erection. As such, it does not require the inclusion of GTN.

MED3000 – shown to be an extremely effective treatment for ED with an excellent safety profile in FM57

MED3000 results demonstrated a highly statistically significant improvement (with highly statistically significant p values of less than 0.001 in all instances) in erectile function across 'pooled' patient severities (mild, moderate, and severe) as well as being statistically significantly superior within the separate mild, moderate and severe patient groups, than before treatment, along with an excellent safety profile.

Importantly, all formulations had a significant clinically meaningful effect in 60% of patients as calculated using the Rosen and Araujo statistical method, a standard assessment technique for measuring Patient Reported Outcomes recognised and accepted by leading ED experts. Such Patient Reported Outcomes in ED are key evaluation criteria for regulators as well as physicians and their patients.

MED3000 begins to work immediately in some patients, with 60% of patients seeing onset of their erection within 5-10 minutes of application, substantially faster than sildenafil[3] with significant benefits for spontaneous rather than pre-planned sexual intercourse.

Overall the level of efficacy was broadly equivalent to lower doses of current oral ED treatments. Safety and tolerability data were also highly positive, with no serious adverse events recorded in any patient, or their female partner, with a highly favourable overall side effect profile across all doses against baseline affirming data from the prior Phase 2a study.

This excellent safety profile, together with a rapid speed of onset and high efficacy creates a substantial and we believe highly competitive product opportunity for MED3000.

The results from FM53 and FM57 are expected to support regulatory applications for MED3000 as a medical device with clinically proven claims for the treatment of ED. The clinical study report (CSR) is already available for FM53 and the CSR for FM57 is expected to be available by the end of April 2020.

Futura has received strong interest for the marketing rights for MED3000

and is continuing to progress these discussions now that it has good insight into the clinical benefits and regulatory pathway for MED3000.

MED3000 – MEDICAL DEVICE REGULATORY PATHWAY

Europe

The Company announced in February 2020, following positive interactions with an EU Notified Body[4], that it had commenced formal proceedings for MED3000 in Europe. These proceedings will allow the Company to submit its technical file for review by the said Notified Body, including the CSR for FM57 and the Company's Quality Management System by the end of July 2020.

US

The Company also recently held an initial positive pre-submission meeting with the US FDA. As a result, we believe that an application may be made for MED3000 as a medical device with a De Novo Classification although we await confirmation of the drafted minutes from the FDA. The Company presented the case for filing for FDA clearance with the existing clinical evidence from FM57. FDA agreed to consider this approach pending detailed review of the CSR for FM57 and offered Futura another pre-submission meeting to reach final agreement on clinical sufficiency once the CSR for FM57 is available at the end of April. If successful this could lead to a submission filing by the end of September 2020 for FDA review for pre-marketing clearance. The Company has been advised by its regulatory consultants that the FDA's preference is to adopt an interactive approach to data requirements with its clients wherever possible ahead of regulatory submissions.

MED3000 INTELLECTUAL PROPERTY

MED3000 was subject to a recent filing application made in December 2019. If successful this could provide patent protection until 2040. After the Phase 3 FM57 study indicated the value and efficacy of MED3000 (a formulation developed specifically for the treatment of ED) a new patent application was filed in December 2019. Aside from Futura's current patent lawyers, the Company recently retained a specialist biotech IP and strategic advice company to assist in maximising the robustness of the MED3000 intellectual property.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

EDUCATION AND OUTREACH ON ERECTILE DYSFUNCTION AND MED3000

The Company continues to see a positive reception from European and US Key Opinion Leaders (KOLs) in the field of ED. Following data announced in December 2019, KOLs have continued to express interest in a locally acting, fast and new treatment for ED with an excellent safety profile, and are encouraged by the recent MED3000 Phase 3 data. We believe this data approaches the efficacy of current first line therapy but with significantly lower adverse events, and will be of high interest to the medical community for those patients who are seeking a treatment with a very rapid onset of action and a very low side effects profile. This echoes feedback received following the Company's EU and US advisory meetings held respectively at the European Society for Sexual Medicine (ESSM) congress in Slovenia in February 2019 and at the Sexual Medicine Society of North America (SMSNA) congress in Nashville, US in October 2019.

TPR100 – TOPICAL NON-STEROIDAL ANTI-INFLAMMATORY FOR THE TREATMENT OF PAIN AND INFLAMMATION ASSOCIATED WITH SPRAINS, STRAINS, BRUISES AND SOFT TISSUE RHEUMATISM

TPR100 is partnered for manufacturing and distribution in the UK with Thornton & Ross, one of the UK's largest consumer healthcare companies and a subsidiary of STADA AG. In February 2019, the UK Medicines and Healthcare products Regulatory Agency (MHRA) responded to Thornton & Ross' marketing authorisation application filed in July 2018, with a number of questions requiring additional laboratory work specifically around the permeation characteristics of TPR100 to be conducted. This work is progressing but requires further laboratory formulation adjustment and in vitro studies to enable TPR100 to meet the strict criteria established by the MHRA and thereby avoid the need of a Phase 3 pain relief efficacy study. It has delayed the response to MHRA by at least six months to accommodate this regulatory approach.

CBD100 – FUTURA'S ADVANCED PROPRIETARY TRANSDERMAL TECHNOLOGY, DERMASYS® FOR THE DELIVERY OF CANNABIDIOL

Futura announced a joint venture collaboration with CBDerma Technology Limited in September 2019 to explore the application of Futura's advanced proprietary transdermal technology, DermaSys® for the delivery of cannabidiol.

CBDerma Technology is a company that has been established and funded to specifically exploit the therapeutic potential of cannabis. The company's management, backers and advisers have extensive knowledge, expertise and investments in plant derived product manufacturing.

As part of the agreement, Futura will develop and optimise a DermaSys® cannabidiol formulation as well as establish early ex vivo proof of concept studies likely to include certain disease states most suited for local or regional (non-systemic) topical treatment such as pain relief. Optimisation work is progressing, and the first stage of this will complete by the end of July 2020 before the next stage of potential ex vivo proof of concept studies are being considered.

Cannabidiol is a major component of the cannabis plant and is generally regarded as non-addictive and non-psychoactive, making it ideal for consideration as a topically delivered molecule for local or regional (non-systemic) use. The market for cannabidiol products is growing rapidly. A report by Reports and Data forecasts that the market for cannabidiol products is forecast to grow from US$1 billion in 2018 to US$16 billion by 2026, at a CAGR of 27.7%, during the forecast period. The market is primarily driven by the increase in the usage of cannabidiol in medical application, supplements, beverages and skin care.

CORPORATE AND FINANCIAL

The £3.25 million fundraising in December 2019, with funds received by the Company post year-end in late January, provided additional working capital to allow the Company to pursue a medical device regulatory pathway for MED3000 in ED.

The Company believes that further significant clinical cost will not be required in relation to EU approval based on its past experience of obtaining EU medical device approval. In the US, Futura continues to be in consultation with the Center for Devices and Radiological Health (CDRH) the medical device arm of the FDA over data requirements, however the Company does not believe that a further significant study, similar to FM57, will be required to support a MED3000 filing, but any additional clinical data and therefore expenses will depend on the finalised requirements expected to be agreed by the end of July 2020.

OUTLOOK

Following the analysis of the data from the FM57 clinical study which completed in December 2019, the Company is well positioned to deliver further positive news through 2020. The team is focused on completion of the regulatory submissions in the US and EU for MED3000 to be approved as a clinically proven, fast-acting topical gel for the treatment of ED. We are also increasingly excited at the financial prospects that an approved MED3000 could bring to Futura as we progress commercialisation discussions in earnest.

The Company is closely monitoring the rapid development of events in relation to the coronavirus outbreak. To date we have not seen a material impact as the Company is used to operating as a semi-virtual business and we have been able to transition quickly to a fully remote and flexible working model with ease. We therefore currently expect limited impact from COVID-19 during 2020.

JOHN CLARKE
Chairman

JAMES BARDER
Chief Executive

1 Manufacturers' Selling Prices 2018: Data available for 75 countries IQVIA IMS Health.

2 EMEA, Withdrawal assessment report for Viagra, 2008.

3 Sildenafil is an active pharmaceutical ingredient, sold under the brand name Viagra among others, as a medication used to treat ED. "Viagra Connect normally starts to work in 30 to 60 minutes" – Viagra Connect UK website.

4 Notified Bodies are the regulatory authorities that oversee the approval of medical devices within the EU for all EU countries including the UK.

OUR STRATEGY

Our strategy is to develop our portfolio of innovative products for two large market categories, sexual health and pain, and then partner at the optimum time to generate most value.

This strategy is aligned with the well-publicised demographic changes of ageing populations, increasing prosperity, the increased demand from patients and consumers who expect to lead a full and active life well into their later years, their natural desire for an improved quality of life and our expectations that overall patient demand and spending will increase as a result. The objective is to develop products such that each on its own has the potential to generate significant annual revenues.

WE INVEST . . .

INVEST

We are investing in our lead product MED3000 to generate most value for shareholders.

2019 PRIORITIES AND PERFORMANCE

The FM57 Phase 3 study was completed and results demonstrated that MED3000 was a clinically proven effective treatment for erectile dysfunction.

2020 FOCUS

Regulatory submissions in EU and US for MED3000 as a medical device.

IN INNOVATIVE PRODUCTS . . .

INNOVATE

We are focused on innovative products that are highly differentiated in their markets.

2019 PRIORITIES AND PERFORMANCE

Whilst the primary endpoints of FM57 study were not met compared to placebo, they were met when compared to baseline and showed a positive treatment response for MED3000.

2020 FOCUS

Resources are focused on the submission of required dossiers to regulators in the EU and US.

THAT IMPROVE TREATMENTS . . .

IMPROVE

We aim to improve treatments to give more choice to patients and doctors and improve the quality of life of those suffering from ED and local pain.

2019 PRIORITIES AND PERFORMANCE

We improved the profile of DermaSys® as a platform technology and looked to expand our portfolio.

2020 FOCUS

Improve overall commercial proposition of MED3000 and continue to develop CBD100 with our partner CBDerma Technology.

TO INCREASE VALUE FOR SHAREHOLDERS

INCREASE

We are focused on increasing value for shareholders and the quality of life for patients.

2019 PRIORITIES AND PERFORMANCE

The profile of our topical treatment for erectile dysfunction was raised with both the medical community and potential commercial partners.

2020 FOCUS

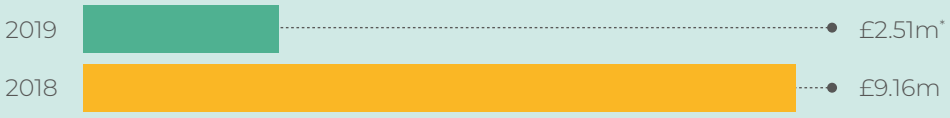
Increase the profile of MED3000 and value of its unique commercial proposition to potential commercial partners on the back of the data readout from FM57.

KEY PERFORMANCE INDICATORS

The Directors consider the successful achievement of development, licensing and commercialisation milestones and the number of products under development (beyond the evaluation stage) to be the major drivers of value creation for the Group.

There are other financial and non-financial Key Performance Indicators (KPIs) which the Directors use as a measure of the Group's performance.

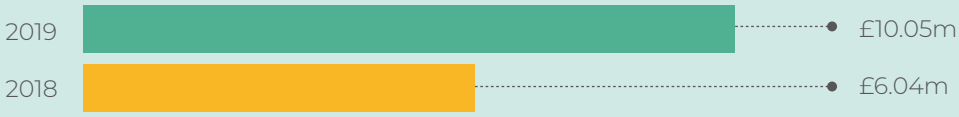
GROUP CASH



Given the funding requirements of the business to ensure completion of the development programmes, cash is considered to be a key metric.

* A further £3.25 million was raised post year-end.

R&D COSTS



We invest in R&D to generate future revenue and value from our assets. The increase in 2019 is related to the activities linked to the FM57 Phase 3 study and associated manufacturing activities.

ADMINISTRATIVE AND CENTRAL OVERHEAD SPEND

We operate as a "semi-virtual" company and keep tight control of central costs. The spend was broadly in line with the previous year and further demonstrates that spend is focused on value adding R&D activities.

NON-FINANCIAL MEASURE – HEADCOUNT

R&D	Central	Executive Directors
8	2	3
2018: 10	2018: 2	2018: 3

The Group is focused on the development of its lead asset MED3000 and the tight control of central costs.

MED3000 – A topical gel for the treatment of erectile dysfunction

MARKET OVERVIEW

There are a number of studies that support the belief that sexual activity has health benefits citing frequency of sexual activity as a predictor of longevity in men as well as potentially reducing cardiac death[1]. Moreover erectile dysfunction (ED) can lead to low self-esteem, lack of confidence and depression. This detrimental impact on partners and relationships is well documented and acknowledged by the medical community. The discovery and approval of the PDE5i's to treat ED over 20 years ago (such as Viagra® and Cialis®) not only revolutionised available treatments for men with ED but dramatically increased awareness in the general public of this significant problem.

Despite their success PDE5i's have certain limitations. Although proven highly efficacious, oral PDE5i's have several adverse effects as well as significant drug-drug interactions in the target population. The most commonly reported adverse events include headache, flushing, dyspepsia, nasal congestion and impaired vision. They are contraindicated for use with a number of medications such as nitrates, anti-hypertensives and alpha blockers. They generally take significant time to work requiring pre-planning for sexual intercourse. Viagra Connect for example only starts to work in 30-60 minutes. As a result many men and their partners are dissatisfied with PDE5i's and it has been estimated that almost 50% discontinue use after one year[3].

ED SUFFERERS' UNMET NEEDS

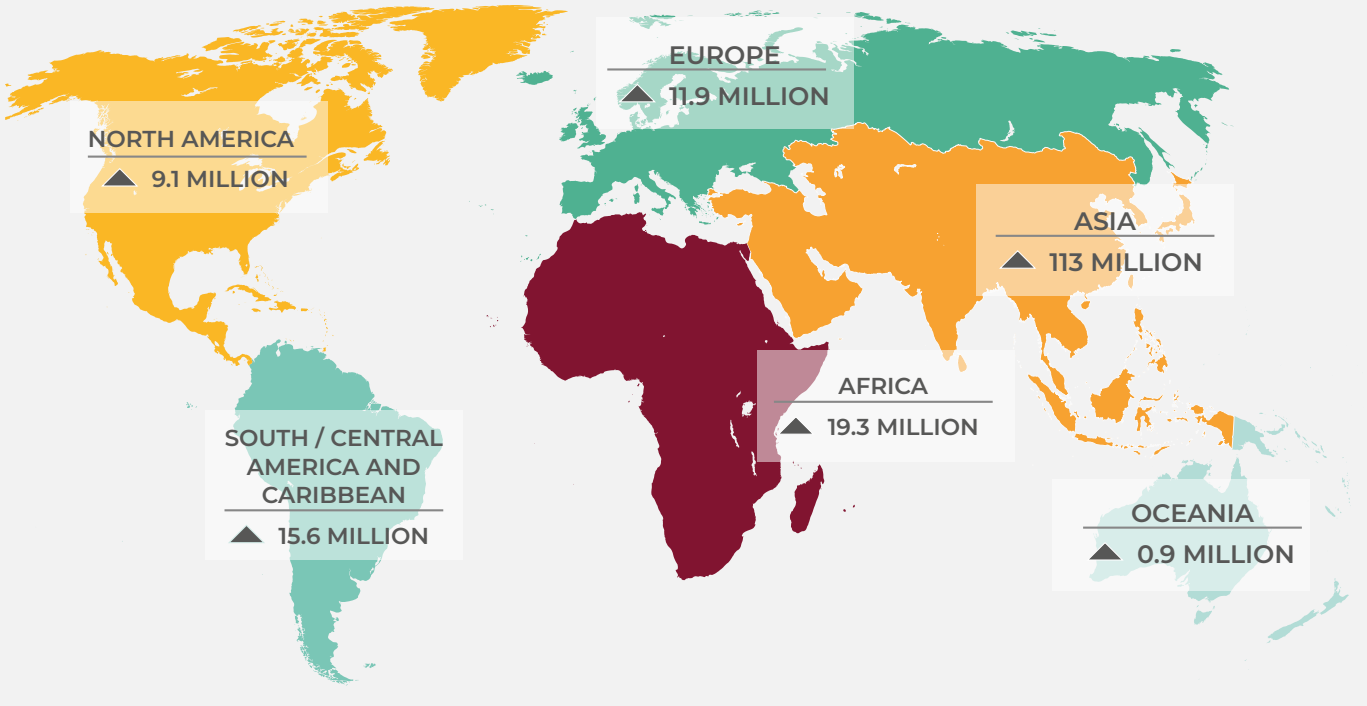
There has been little effective innovation in the last ten years for the treatment of ED and there remains today a significant unmet clinical need for those men wanting a fast-acting treatment that can give greater spontaneity and can form part of sexual foreplay thereby giving greater intimacy. ED sufferers are also looking for a product with a more favourable side effects profile which can be used safely with some of their other medications and which they are comfortable using over a period of years.

1 The Duke Longitudinal Study of Ageing (1982) – Frequency of intercourse a significant predictor of longevity in men; Swedish Study (1981) – Early cessation of sex associated with premature death; Caerphilly Cohort Study (BMJ 1997) – 50% reduction in cardiac death with more than two orgasms per week.

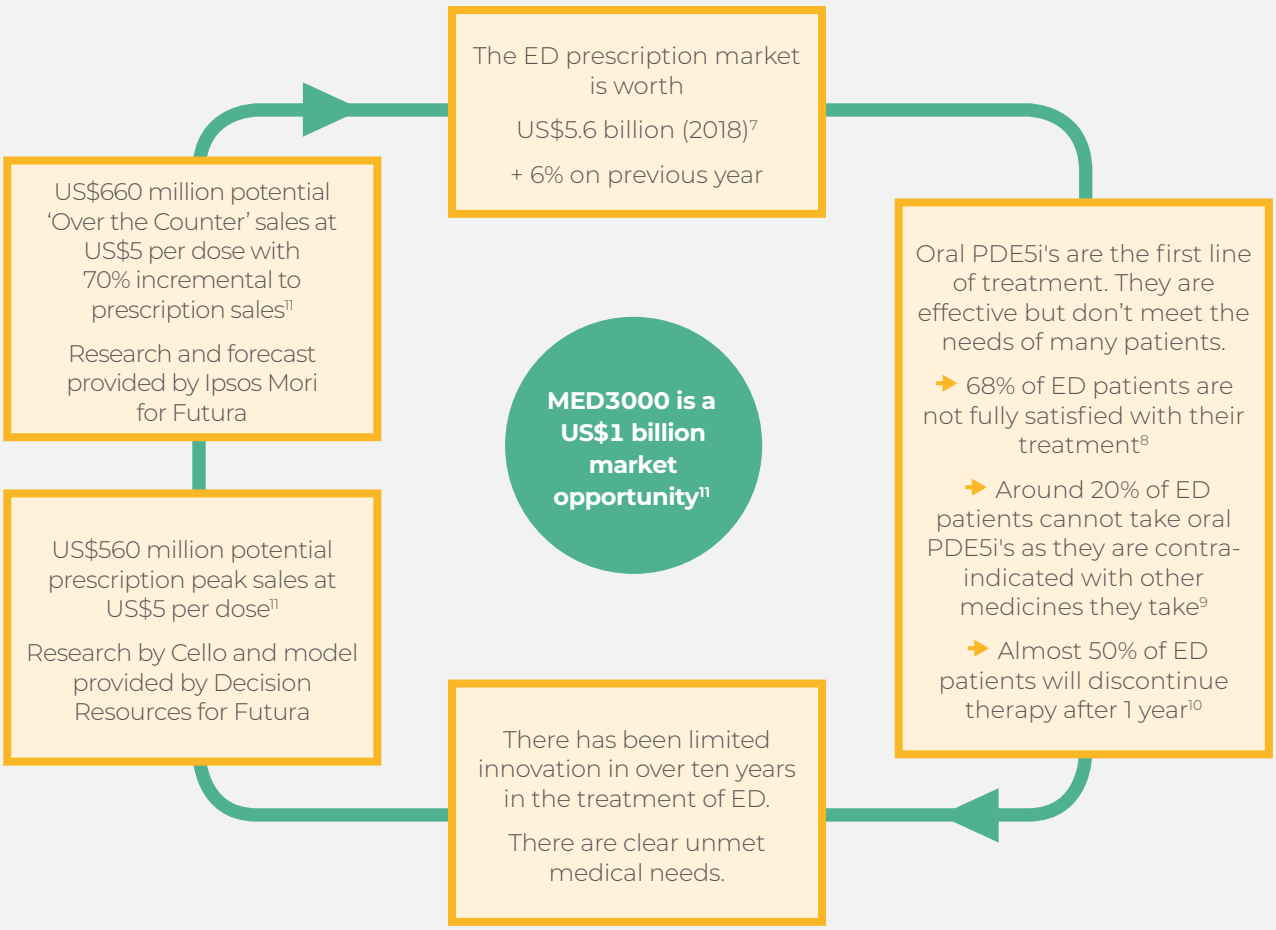
2 Adapted from McKinlay JB. Int J Impot Res. 2000; 12(suppl 4): S6-S11.

3 Corona G., "First-generation phosphodiesterase type 5 inhibitors dropout: a comprehensive review and meta- analysis", Andrology, 2016, 4, 1002–1009.

ED SUFFERERS PREDICTED TO INCREASE FROM 152 MILLION TO 322 MILLION BY 2025[2]



THE MARKET OPPORTUNITY FOR MED3000



ERECTILE DYSFUNCTION – AN UNMET MEDICAL NEED

- Erectile dysfunction affects around 50% of men between 40 and 70 years old[4]. ED is an indicator of other serious conditions such as diabetes and heart disease.
- Both severity and prevalence of ED increase with age – a factor of great consequence given our ageing population.
- The relationship between ED and other disorders such as obesity and diabetes, which are themselves reaching epidemic proportions, may also contribute to the increase in ED worldwide.
- ED is increasingly affecting younger men with the prevalence of ED in young men being as high as 30%[5].
- Many ED sufferers do not seek treatment. In addition over two thirds of men who discuss their condition with their physician are not on treatment[6].
- For those who go on treatment, discontinuation rates for long-term therapy are high with almost 50% of men stopping treatment after one year [10].

4 Feldman HA et al. J Urol 1994; 151: 54 – 61

5 Nguyen Sex Med Rev. 2017 Oct, vol 5, 508-520

6 Jannini J Sex Med 2014 Jan :11(1).40.50

7 Manufacturers' Selling Prices 2018: Data available for 75 countries, IQVIA IMS Health

8 Decision Resources Group research conducted in the US

9 Cello Healthcare research conducted in the US, France and Germany, commissioned by Futura Medical

10 Corona G., "First-generation phosphodiesterase type 5 inhibitors dropout: a comprehensive review and meta- analysis", Andrology, 2016, 4, 1002–1009

11 Previous market research conducted by Cello Health Consulting as a prescription product and Ipsos Group as an over the counter product on MED2005 showed potential peak sales in excess of US$1 billion. Whilst MED3000 is a slightly different proposition as it has a different mode of action, it offers the same benefits and therefore the Group believes that the market potential is similar.

PORTFOLIO REVIEW – MED3000

MED3000 – AN INNOVATION IN THE TREATMENT OF ED

MED3000 is a treatment applied directly to the glans or head of the penis for 15 seconds. Because it's a gel it means that patients or their partners can apply it as part of foreplay. It is fast-acting (5-10 minutes) and easy to use helping to restore spontaneity and intimacy in the relationship. MED3000 works rapidly to help achieve and maintain an erection whilst offering an excellent safety profile.

KOL ENGAGEMENT PROGRAMME

Over the last two years, Futura has engaged an outreach programme to increase awareness in the ED medical community of the development and potential benefits that our topical treatment could bring to ED sufferers. Key scientific data has been published and presented at scientific conferences and two advisory boards (US and Europe) comprising world renowned urologists and researchers in erectile dysfunction have been convened to review data, share information and obtain feedback regarding the programme.

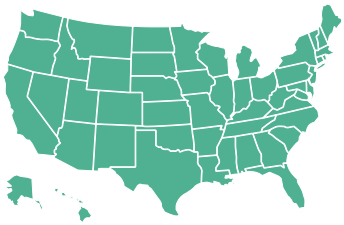
There has been strong interest shown in our topical treatment because it offers a novel and unique treatment that could address patients' unmet needs.

KOL ENGAGEMENT PROGRAMME

PRESENTATIONS AT THE FOLLOWING CONFERENCES

- The European Society for Sexual Medicine (ESSM) congress in Slovenia in February 2019
- The Sexual Medicine Society of North America (SMSNA) congress in Nashville in October 2019

US ADVISORY BOARD



EU ADVISORY BOARD

PUBLICATIONS

- The FM53 Phase 2a data was published in February 2018 in the peer-reviewed Journal of Sexual Medicine.
- A manuscript on the development of our topical formulation for the treatment of erectile dysfunction was published in the International Journal of Impotence Research in January 2020.
- A number of abstracts and posters have been published and presented including a poster on the Phase 3 clinical trial results for MED3000 accepted in January 2020.

WHAT KEY OPINION LEADERS ARE SAYING ABOUT OUR INNOVATIVE TREATMENT FOR ERECTILE DYSFUNCTION MED3000

"The efficacy of MED3000 is remarkable and **approaches the efficacy of current first line therapy but with significantly lower adverse events**. With topical application, it will be of particular appeal to patients who want a fast onset of action. **Lack of drug interactions with prescription products** will enable the product to be used with other medications such as nitrates and other cardiovascular drugs. It can also be used in conjunction with other ED products to improve overall efficacy to patients. As such **the product will be of great interest to the medical community**."

PROFESSOR DAVID RALPH
Consultant Urologist, St. Peter's Andrology Centre & Institute of Urology, UCLH, London

Past President of the European Society of Sexual Medicine

"All formulations tested in FM57, including the control product MED3000, have **demonstrated positive and statistically significant efficacy results against baseline data together with an excellent safety profile**.

MED3000 will be of high interest to the Medical Community for those patients who are seeking a very rapid onset of action and a very low side-effect profile. **It will likely find use in a substantial number of patients**, especially those with ED of a mild to moderate nature and those patients who are contraindicated for use with existing products."

PROFESSOR YACOV REISMAN
Consultant Urologist, Amstelland Hospital, Netherlands

Past President of the European Society of Sexual Medicine

MED3000 – DEVELOPMENT AND KEY CLINICAL STUDIES

MED3000 has been a surprising and intriguing finding, which resulted from the development work on MED2005. Whilst MED3000 does not contain the active pharmaceutical ingredient Glyceryl Trinitrate(GTN), used in MED2005, it uses the key ingredients that constitute DermaSys®' proven transdermal technology, specifically formulated for ED, and in our recent clinical study was shown to be as effective in the treatment of ED as the doses with GTN. MED3000 is now the codename for this formulation of our proprietary technology DermaSys®. MED3000 is supported by efficacy and safety data from two key studies a Phase 2a and a Phase 3 study. Details of key clinical studies are summarised below.

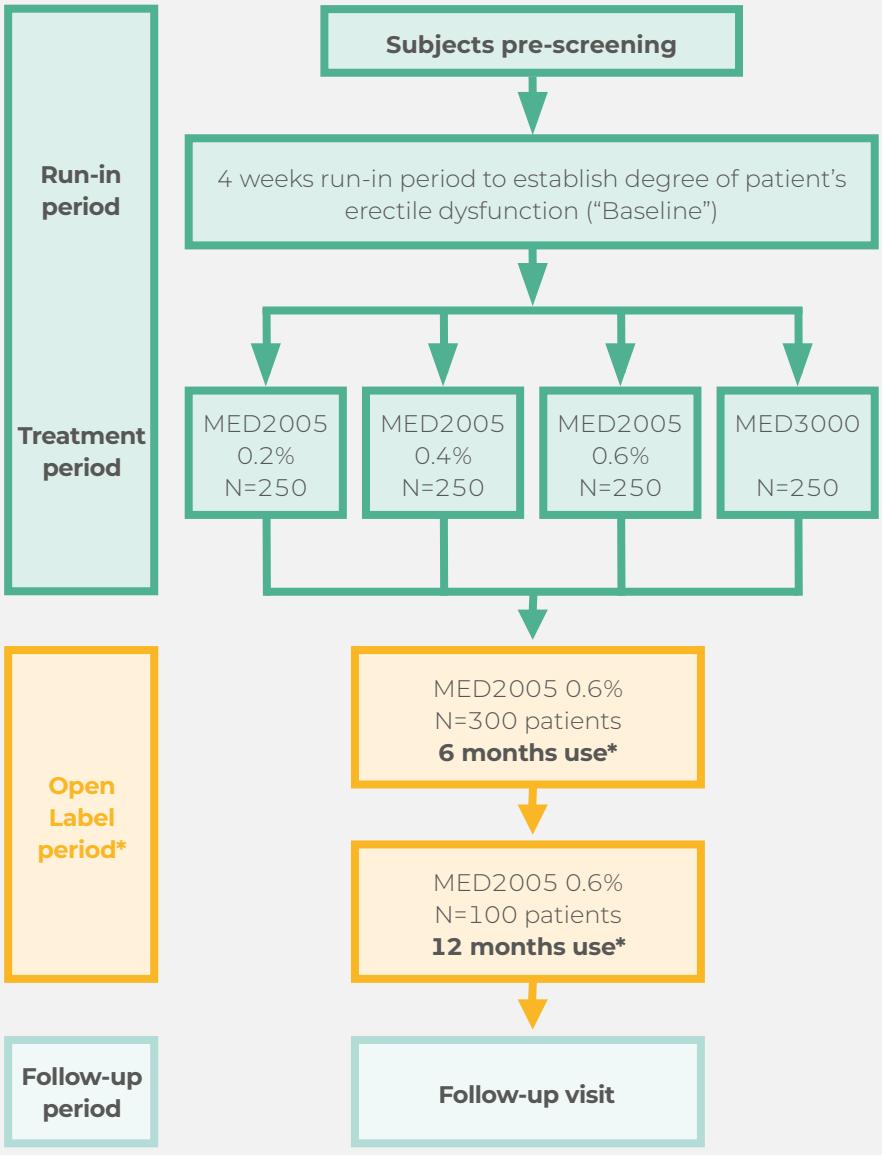
KEY CLINICAL STUDIES FOR MED3000

STUDY CODE	STUDY TYPE	STUDY DESIGN	DOSES	COMPLETED	CONCLUSIONS
FM53	**Phase 2a**	Placebo controlled, double blind, home use, crossover design	MED3000, MED2005 0.2%	September 2016	■ Met its primary endpoint ■ Showed a rapid speed of onset of 5 to 10 minutes
FM57	**Phase 3**	Multicentre, randomised, double blind, placebo controlled, home use, parallel group	MED3000, MED2005 (0.2%, 0.4%, 0.6%)	December 2019	■ All treatment arms consistently met all primary endpoints against a pre-treatment baseline and across all ED severities as well as in a pooled ED patient population. ■ MED3000 showed efficacy, safety, speed of onset and duration of action.

PORTFOLIO REVIEW – MED3000

MED3000 – FM57 PHASE 3 CLINICAL TRIAL DESIGN

The 1,000 patient study included approximately 60 centres across nine Central and Eastern European countries. FM57 was a dose ranging, randomised, double-blind, placebo-controlled, home use, parallel group clinical trial. Patients being enrolled into FM57 for the initial four weeks had to attempt intercourse on at least four occasions in order to establish the severity of their ED, known as the pre-treatment 'baseline'. FM57 was designed to investigate the efficacy and safety of topically applied Glyceryl Trinitrate (GTN) (MED2005 0.2%, 0.4%, 0.6% GTN) against that of the placebo using IIEF-EF and SEP 2 and 3 as co-primary clinical endpoints in mild, moderate and severe ED patients. An ED-specific DermaSys® formulation (now known as MED3000) was used as a control arm (placebo) following regulatory requirements to have a placebo as near as possible to the active product.



* Following the FM57 results the open label phase was discontinued prematurely and is no longer active.

MED3000 – FM57 PHASE 3 RESULTS

The results from the Phase 3 clinical study were unexpected. While FM57 did not meet the primary endpoints versus placebo, MED3000 achieved positive results, with a striking consistency in being highly significantly statistically superior to baseline for all three co-primary endpoints (using validated and globally accepted measurement tools), as well as being statistically significant in each separate cohort of severity (mild, moderate and severe). At one, two and three months treatment time points highly statistically superior improvement over baseline was achieved.

Key secondary endpoints were also all statistically met compared to the pre-treatment baseline. Data analysed was positive on measures of clinically meaningful benefit which physicians and patients, as well as regulators view as increasingly important. All formulations had a significant clinically meaningful effect in 60% of patients as calculated using the Rosen and Araujo statistical methods, standard assessment techniques for measuring Patient Reported Outcomes recognised and accepted by leading ED experts.

MED3000 begins to work immediately in some patients, with 60% of patients seeing onset of their erection within 5-10 minutes of application, substantially faster than oral tablets with significant benefits for spontaneous rather than pre-planned sexual intercourse.

FM57 demonstrated that MED3000 is a highly effective, clinically proven, topical treatment for erectile dysfunction. MED3000 has a unique evaporative mode of action which the Company believes stimulates nerve endings in the glans penis to cause an erection. As such, it does not require the inclusion of GTN which did not show an incremental benefit.

PRIMARY ENDPOINTS VS BASELINE – DERMASYS® COMPARED TO LOW DOSE CIALIS®

Overall the level of efficacy of MED3000 was broadly equivalent to lower doses of current oral ED treatments such as Cialis®. The table below compares the improvement in efficacy for MED3000 and low dose Cialis® compared to baseline. The parameters compared are validated and globally accepted measurement tools for the efficacy of ED treatments: the erectile function domain of the International Index for Erectile Function (IIEF), the Sexual Encounter Profile (SEP) Question 2 and 3. MED3000 shows clinical trial efficacy results that are similar to those of Cialis® 5mg.

PRIMARY EFFICACY PARAMETERS	MED3000	CIALIS® 5MG* CHANGE FROM BASELINE (NON US PHASE 3 STUDIES)
IIEF	5.1	4.6
SEP2 (Were you able to insert your penis into your partner's vagina?)	24%	17%
SEP3 (Did your erection last long enough for you to have successful intercourse?)	37%	22%

* For illustrative purposes only as data is derived from different clinical studies, Cialis® data from 2 non US phase 3 studies. Cialis® US Prescribing information, 2018

EXCELLENT SAFETY PROFILE

Safety and tolerability data were also highly positive, with no serious adverse events recorded in any patient, or their female partner, with a highly favourable overall side effect profile across all doses against baseline affirming data from the prior Phase 2a study. The table below compares the side effects profile for men for MED3000 and Cialis® 5mg with an occurence over 2%. This excellent safety profile, together with a rapid speed of onset and high efficacy creates a substantial and highly competitive product opportunity for MED3000.

ADVERSE EVENTS	MED3000** (N=250)	ADVERSE EVENTS	CIALIS® 5MG (N= 151)*
Headache	3%	**Headache**	11%
Flushing	–	**Flushing**	2%
Nasal congestion	–	**Nasal Congestion**	2%
Back pain	–	**Back pain**	3%
Dizziness	–	**Myalgia**	2%

* For illustrative purposes only as data is derived from different clinical studies, Cialis® data from 2 non US phase 3 studies. Cialis® US Prescribing information, 2018.

** Users of MED3000 noticed 1.2% penile burning in men and 0.4% vulvovaginal burning in women.

PORTFOLIO REVIEW – MED3000

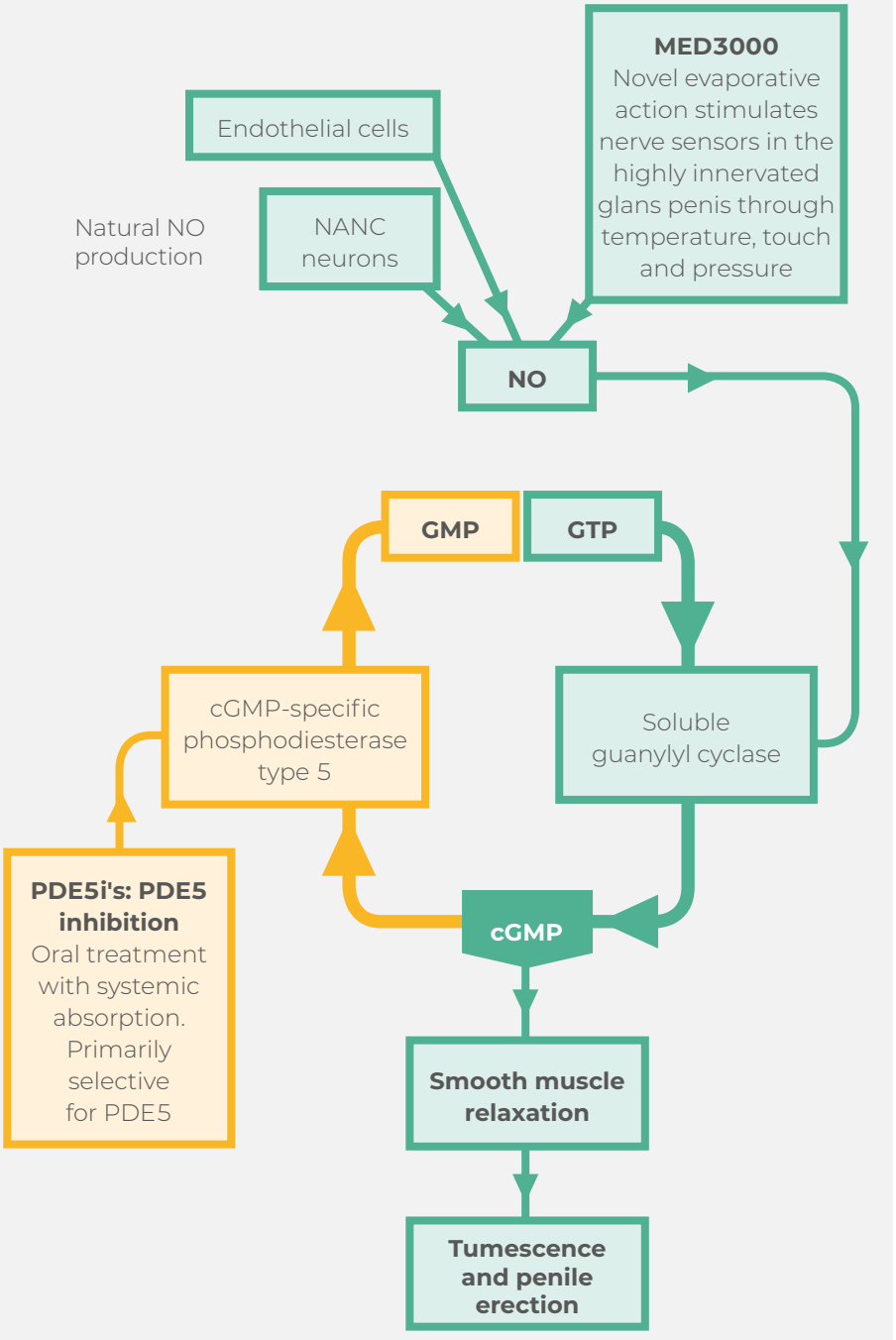
The results from FM53 and FM57 are expected to support regulatory applications for MED3000 as a medical device with clinically proven claims for the treatment of ED. We believe MED3000, has the potential to be a significant innovation in the US$5.6 billion global market[7] for erectile dysfunction, especially for patients looking for a rapid speed of onset and spontaneity, with an excellent safety profile. It also offers a potential new treatment option to ED patients contraindicated from using existing medications such as nitrates, anti-hypertensives and alpha blockers and in combination with oral ED medications.

MED3000 MECHANISM OF ACTION– HOW DERMASYS® WORKS TO TREAT ERECTILE DYSFUNCTION

MED3000 has been an intriguing finding which resulted from the development work on MED2005. MED3000 works through an evaporative and unique mode of action. MED3000's combination of volatile solvent components creates an evaporative and novel action that stimulates nerve sensors in the highly innervated glans penis rapidly leading to smooth muscle relaxation, tumescence and erection as shown on the diagram opposite.

The glans penis is very highly innervated and there are sensors which are reactive to a range of physical sensations, including touch, pressure and temperature. Research has indicated that the cooling from the evaporation of these specific combinations of solvents, with subsequent warming, following topical application of the MED3000 gel stimulates the required physical response in order to achieve an erection.

MED3000 MECHANISM OF ACTION



NO = nitric oxide
GMP = guanosine monophosphate
cGMP = cyclic guanosine monophosphate
GTP = guanosine triphosphate
NANC = nonadrenergic, noncholinergic

PORTFOLIO REVIEW – OTHER PRODUCTS

TPR100 – A Diclofenac 1.86% Pain Relief Gel targeting pain and inflammation

The gel brings relief from joint and rheumatic pain for long-lasting pain relief. It is applied to the local site of pain or inflammation.

MARKET AND OVERVIEW

The rapid skin permeation rate offered by our transdermal delivery system, DermaSys®, is ideally suited for targeted topical pain relief. Rapid, targeted and effective skin permeation offers potential benefits in pain management including: improved onset of action, duration and degree of pain relief. Futura has a portfolio of two pain relief products with well characterised active ingredients including diclofenac and ibuprofen but has prioritised its gel containing 1.86% diclofenac known as TPR100. Diclofenac is a nonsteroidal anti-inflammatory drug (NSAID) used to treat pain and inflammatory diseases and can be taken by mouth or applied to the skin.

Our objective is for TPR100 to be considered a major competitor to the market leading topical diclofenac treatments such as Voltarol® gel. Topical diclofenac for the treatment of pain relief is widely available throughout the world without the requirement of a doctor's prescription, other than in the US where the requirement of a prescription remains.

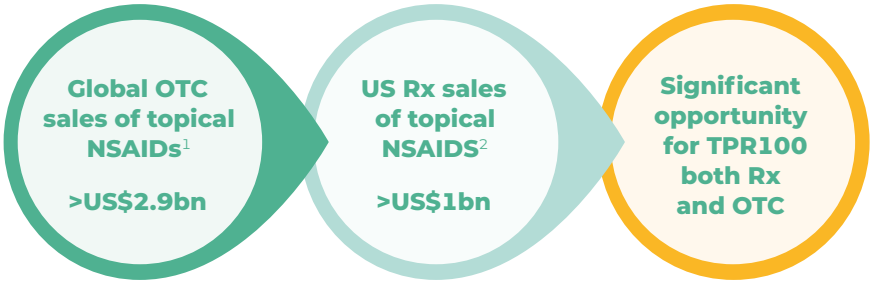
UNMET NEED	INSIGHTS	FUTURA'S PROPOSITION
■ Efficacy can be poor due to inadequate penetration ■ Treatment required to be applied 2 to 4 times daily	Need for a treatment that: ■ is easy to apply and doesn't stick to clothes after it has been applied ■ need for a twice daily application regimen to improve adherence	**TPR100** is a topical 1.86% diclofenac gel for pain relief using its DermaSys® transdermal technology.

PAIN – AN UNDERSERVED MARKET

- Osteoarthritis is a condition that affects the joints, causing pain and stiffness and affecting mobility. It is a degenerative condition with no cure affecting the daily lives of millions and causing joint pain.
- Prevalence is high affecting 23% of all adults – 54 million people have arthritis in the US[1].
- Arthritis is the US's most common cause of disability[1].
- Musculoskeletal conditions range from those that arise suddenly and are short-lived, such as sprains and strains to lifelong conditions associated with ongoing pain and disability.
- Musculoskeletal conditions are the leading contributor to disability worldwide, with low back pain being the single leading cause of disability globally[2].

1 CDC website
2 WHO website accessed March 2020

PORTFOLIO REVIEW – OTHER PRODUCTS



1 2015 IMS Health Estimate
2 2015 IMS Data source

DEVELOPMENT

In 2015, a randomised, double blind, crossover clinical proof of concept study in 20 healthy volunteers was conducted using a model of induced pain. The skin of healthy volunteers was carefully exposed to a controlled amount of ultra-violet light to increase the sensitivity of the skin to pain stimuli. The effect of TPR100, Voltarol® gel and a placebo gel were assessed over a six-hour time period post dosing using two criteria: the primary pain measurement was the volunteers' sensation of pain (heat pain tolerance test) and the secondary pain measurement was the level of inflammation (as indicated by erythema, reddening of the skin). The study data was encouraging, with TPR100 achieving efficacy against its clinical endpoints. The data provides a pathway for the product's further development and formed the basis of the submission for TPR100 for UK marketing approval by Thornton & Ross.

FUTURA DEVELOPMENT AND COMMERCIALISATION

In January 2017, Futura announced a licensing agreement with Thornton & Ross Ltd, the UK subsidiary of international healthcare company STADA Arzneimittel AG, for the commercialisation in the UK of TPR100. Under the terms of the agreement, Thornton & Ross Ltd will conduct the manufacturing scale-up of TPR100 and hold rights to manufacture, market and distribute the product in the UK for the lifetime of the product's patents, which run to at least 2028 in the UK. Futura received an upfront payment and will receive a further milestone payment upon the product receiving UK regulatory marketing authorisation along with royalties on product sales.

In July 2018, Thornton & Ross Ltd submitted a product licence application to the Medicines and Healthcare products Regulatory Agency (MHRA) for the marketing authorisation of TPR100 in the UK. In February 2019, the MHRA responded to Thornton & Ross with a number of questions requiring additional laboratory work specifically around the permeation characteristics of TPR100 to be conducted. This work is progressing but requires further laboratory formulation adjustment and in vitro studies to enable TPR100 to meet the strict criteria established by the MHRA without the need of a Phase 3 pain relief efficacy study. This has delayed the response to MHRA by at least six months. Commercial discussions are ongoing with several potential distribution partners for other countries. Any further licensing deals are expected to be after UK regulatory approval.

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Futura announced a joint venture collaboration with CBDerma Technology Limited in September 2019 to explore the application of Futura's advanced proprietary transdermal technology, DermaSys® for the delivery of cannabidiol.

Derived from both the Hemp and Marijuana plants, cannabidiol is one of the 113 cannabinoid compounds found within the cannabis family. Cannabidiol has no effect on one's consciousness or lucidity. It is generally regarded as non-addictive and non-psychoactive, making it ideal for consideration as a topically delivered molecule for local or regional (non-systemic) use.

In recent years there has been significant interest in cannabidiol as more data is emerging on its potential benefits in a wide range of conditions particularly pain and epilepsy but also in a range of other conditions including skin conditions, multiple sclerosis, migraines, arthritis and cancer side effects.

CANNABIDIOL'S MARKET POTENTIAL

The market for cannabidiol products is growing rapidly. A report by Reports and Data forecasts that the market for cannabidiol products is forecast to grow from US$1 billion in 2018 to US$16 billion by 2026, at a Compound Annual Growth Rate (CAGR) of 27.7% during the forecast period. The market is primarily driven by the increase in the usage of cannabidiol in medical application, supplements, beverages and skin care.

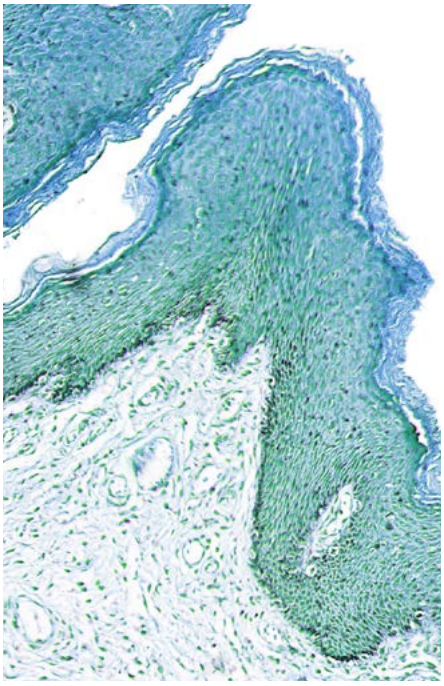
DERMASYS® CANNABIDIOL FORMULATION

DermaSys® may be able to provide a rapid and targeted local delivery of cannabidiol through the skin to the required site of action with a high level of safety and more effectively than other cannabidiol products. It is a versatile and bespoke technology that we are currently seeking to tailor and adapt for the specific requirements of cannabidiol. We are seeking to develop our formulation to pharmaceutical standards in order that any future product could potentially be sold as a cosmetic or potential pharmaceutical product although, in the case of the latter, it is likely to require significant clinical development.

DEVELOPMENT JOINT VENTURE WITH CBDERMA TECHNOLOGY

CBDerma Technology is a company that has been established and funded to specifically exploit the therapeutic potential of cannabis. The company's management, backers and advisers have extensive knowledge, expertise and investments in plant derived product manufacturing.

As part of the agreement, Futura will develop and optimise a DermaSys® cannabidiol formulation as well as establish early ex vivo proof of concept studies likely to include certain disease states most suited for local or regional (non-systemic) topical treatment such as pain relief. Optimisation work is progressing, and the first stage of this will be complete by end of July 2020 before the next stage of early proof of concept studies are being considered. All Intellectual Property will be owned jointly by the Company and CBDerma Technology Limited.



FINANCIAL REVIEW

ANGELA HILDRETH
FINANCE DIRECTOR AND CHIEF OPERATING OFFICER

Judicious use of cash to see Futura through MED3000 regulatory filing inflection point and beyond to Q2 2021

As outlined in the Chairman and Chief Executive's Review, during the year we continued to focus our financial resources on the development programme for our fast-acting topical treatment for erectile dysfunction (ED). As we carried out the FM57 study, spend on research and development activities increased with other central and administration costs remaining broadly the same as the prior year. Gross funds of £3.25 million were raised in December 2019 (completion January 2020) through the combination of subscription for shares through PrimaryBid and institutional placing to allow the Company to proceed with MED3000 regulatory approval as a medical device in the EU and US.

REVENUE

The Company continued to focus its financial and human resources on late stage clinical development of its fast-acting topical treatment for ED and accelerate progress towards achieving a significant, continuous revenue stream within a few years. Revenue recognised was in relation to the CBDerma Technology Agreement.

RESEARCH AND DEVELOPMENT COSTS

Research and Development costs for the period ended 31 December 2019 were £10.05 million, compared to £6.03 million for the period ended 31 December 2018. The increase of £4.02 million is attributable to the FM57 Phase 3 study which completed on time and within budget.

There was no capitalisation of R&D costs in 2019.

ADMINISTRATIVE COSTS

Administrative costs were £1.14 million for the period ended 31 December 2019 compared to £1.23 million for the period ended 31 December 2018 and were reflective of the Company's strategy to keep central costs lean and focus cash resources on delivering the R&D programme.

TAX

An R&D tax credit of £2.22 million will be claimed in respect of 2019 and the cash refund is expected to be received mid-2020 from HMRC.

LOSS PER SHARE

The basic loss per share for 2019 was 4.36p (2018: 4.46p). Details of the loss per share calculations are provided in Note 10 to the consolidated financial statements.

CASH BALANCE

The cash balance at the end of 2019 was £2.51 million (2018: £9.16 million). Gross proceeds of £3.25 million were received in January 2020 and the usual refund of R&D tax credits of £2.22 million is expected to be received during 2020. Cash burn during the year was £8.01 million (2018: £5.63 million) primarily in relation to the FM57 clinical activities. Cash burn in relation to R&D activities for 2020 is expected to be significantly lower than 2019 as clinical activities are replaced with lower cost regulatory activities. Futura is funded until Q2 2021.

POST PERIOD EVENTS

The Company completed a fundraising of £3.25 million in January 2020. The COVID-19 pandemic arose in February 2020 and we expect the pandemic to have limited impact on operations in 2020. Further information in relation to COVID-19 is available in the Key risks and mitigation section on page 31.

ANGELA HILDRETH
Finance Director and
Chief Operating Officer

KEY RISKS AND MITIGATION

The development of pharmaceutical drugs and medical devices requires the necessary safety, quality and efficacy to be demonstrated in clinical and technical programmes in order to meet the requirements of the appropriate regulatory bodies. Clinical programmes may not achieve their endpoints. The Board considers that the key risks of the Group are:

RISK	MITIGATION
CLINICAL DEVELOPMENT AND REGULATORY RISK There can be no guarantee that any of the Group's products will be able to obtain or maintain the necessary regulatory approvals in any or all of the countries in respect of which applications for such approvals are made. There can also be no guarantee that the approval timelines estimated are accurate. The estimates are based on information from the Regulators but the time taken to review the dossiers is not within our control. Where regulatory approvals are obtained, there can be no guarantee that the conditions attached to such approvals will not be considered too onerous by the Group or its distribution partners in order to be able to market its products effectively.	The Group has reduced this risk by developing products using safe, well-characterised active compounds and excipients, has sought and will continue to seek, where appropriate, advice from regulatory advisers, consultations with regulatory approval bodies and by working with experienced distribution partners. The regulatory pathway for our treatment for erectile dysfunction MED3000 has been significantly de-risked with data generated from the Phase 3 study FM57 providing a greater level of confidence of success: **Efficacy** ■ Clinical efficacy demonstrated against a pre-treatment baseline in FM57 Phase 3 trial in mild, moderate and severe ED sufferers. **Safety** ■ No treatment related Serious Adverse Events or Reactions were observed in FM57 Phase 3 trial in over 10,000 sexual intercourse attempts. Very favourable adverse event profile. ■ No concerns relating to reactions with other cardiovascular medication such as nitrates, alpha-blockers and anti-hypertensives. **Regulatory position** ■ Feedback has been received from EU and US Regulators suggesting faster route to market as a medical device (subject to data review).
COMMERCIAL RISK There can be no guarantee that the Group will succeed in establishing and maintaining the necessary contractual relationships with licensing partners for the Group's products under development. Even if the Group's products are successfully developed and approved by the appropriate regulatory bodies, they may not be launched by the Group's licensing partners, be successfully promoted or enjoy commercial acceptance. The Group is reliant on commercial partners to carry out their contractual obligations and the degree to which these can be enforced by the Group is limited.	The Group seeks to reduce this risk by carefully selecting experienced licensing partners, maintaining and developing these relationships and seeking to develop new products of commercial interest to these and other partners. Strong interest has been shown for both Rx and OTC rights for a clinically proven topical treatment for ED with discussions continuing following the results of the FM57 Phase 3 study where MED3000 was shown to have meaningful clinical benefits in approximately two thirds of patients in treating their ED. Market access work with Key Opinion Leader endorsement and engagement programme is continuing with positive feedback received in relation to the product and the data generated in the FM57 Phase 3 trial.

KEY RISKS AND MITIGATION

RISK	MITIGATION
FINANCIAL RISK The successful development of the Group's assets requires financial investment. There can be no guarantee that Futura will have sufficient funds to execute its business plans.	Futura is focusing its financial resources on its lead asset MED3000. The Group successfully completed a fundraising exercise in January 2020 raising £3.25 million to fund the product through to regulatory approval as a medical device in the EU and potentially the US. Additional financing needs are expected to arise in the second quarter of 2021 and the Group is continually pursuing other sources of dilutive and non-dilutive fundraising, including seeking business opportunities from potential out-licensing partners, which would enable the Group to support the future costs of development of its products and the ability to commercialise them successfully. Additionally, the Group places considerable emphasis on communication with existing shareholders and potential investors, to maximise the chances of successful future fundraising.
INTELLECTUAL PROPERTY RISK The commercial success of the Group and its ability to compete effectively with other companies depend, amongst other things, on its ability to obtain and maintain patents sufficiently broad in scope to provide protection for the Group's intellectual property rights against third parties and to exploit its medical products. The absence of any such patents may have a material adverse effect on the Group's ability to develop its business.	The Group seeks to reduce this risk by only developing products where legal advice indicates patent protection would be available, seeking patent protection for the Group's products, maintaining confidentiality agreements regarding Group know-how and technology and monitoring technological developments and the registration of patents by other parties. During the year, the Group filed additional patents for MED3000 relating to erectile dysfunction and will be looking to strengthen this further in 2020. Whilst the Group is confident that the patents will be granted, they cannot guarantee this will be the case.
KEY PEOPLE The expertise and experience of its key people can have an enormous impact on business results. Poor recognition and incentivisation could undermine the Group's success.	The Group appreciates the high level of expertise and contributions made by its key people. It offers a merit-based, stimulating work environment with a culture focused on teamwork and freedom to operate. In addition there is a competitive performance based reward structure, including share options that vest over a number of years.

The following risks have also been identified by the Group and will be kept under review as the situations develop and any potential impact becomes clearer.

RISK	MITIGATION
IMPACT OF BREXIT The impact of the UK leaving the EU is still uncertain.	The impact of Brexit has been considered and the following has been assessed and concluded that there will be minimal to no impact. **Regulatory strategy** ■ Separate UK and EU submissions may be considered whilst the impact of Brexit remains unclear. **Clinical trial data** ■ We currently have no reason to believe that the UK regulator will insist on clinical trial data generated in the UK. Data generated in six EU and three non-EU countries is expected to continue to be deemed suitable for inclusion in the approval submission. **Patent protection** ■ Our current assessment is that UK Companies will continue to be included within the European Patent Office. Clearly uncertainty around Brexit remains and we will continue to monitor relationships with regulatory bodies such as the European Medicines Agency and the European Patent Office as new information is provided.
IMPACT OF COVID-19 The impact of the COVID-19 pandemic is uncertain.	The impact of COVID-19 has been considered and the Directors do not believe that Futura will be significantly impacted during 2020. This is based on the following assessments: **OPERATIONAL ACTIVITIES** ■ The 2020 operational activities are focused on the completion and submission of regulatory dossiers which will be completed, in the main, by Futura employees. As a semi-virtual organisation, our employees are already used to effectively working remotely, flexibly and alongside our valued and skilled network of Consultants and Sub-Contractors. Contingency plans are in place to draw upon this capacity should we experience any issues with employees being unable to perform their duties as a result of illness. ■ We have no ongoing clinical trials and no plans to conduct any clinical trials requiring patient enrolment in 2020. FM57 completed in December 2019 and the data has been analysed and collated with the clinical study report expected to be received without any delays. We also have no requirement to be manufacturing any clinical trial material. ■ There is a possibility that COVID-19 may impact on the timelines with Regulators to review and approve the dossiers. However, the Regulators have confirmed that they are still working and they have not yet advised of any delays to their timelines. We will keep this under review. ■ COVID-19 may impact on the Group's ability to raise further finance but given we do not have an immediate requirement for funding as we are funded until Q2 2021 and funding could come from a number of sources, this is something we will keep under review. The current cash runway does not assume any income from revenue or licensing payments which could be delayed as a result of COVID-19.

SUSTAINABILITY REVIEW

Our purpose is to enhance our patients and consumers' quality of life to enable them to live their lives to the full.

Our approach to sustainability is an important part of living our purpose. We are committed to maintaining a culture whereby we behave in a responsible and ethical manner and make a positive impact on all our stakeholders. We believe that operating responsibly and ethically is vital to our long-term success.

Good governance enables investment, innovation and sustainable growth. Our approach to sustainability is underpinned by our Corporate Governance principles of responsibility, transparency and integrity for the benefit of our shareholders, employees and other stakeholders. We strive to be fair, accountable and responsible in all our dealings. We monitor and report on our activities in a way that is accurate, balanced, reliable and clear and enables our shareholders and stakeholders to compare our progress year on year.

The focus of our sustainability reporting is the UN Sustainable Development Goals (SDGs). The UN SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Each SDG has global sustainable development priorities and aspirations for 2030, which give a common set of goals and targets to mobilise global efforts around.

Our focus is on the four SDGs where we believe we can have the greatest impact and therefore the greatest opportunity to make a real and lasting difference.

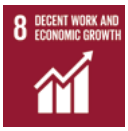
KEY SDG GOALS WHERE WE CAN HAVE THE GREATEST IMPACT

GOOD HEALTH AND WELL-BEING

- We are developing medical products that are optimised for clinical efficacy, safety, mode of administration and patient convenience, and will lead to improved health and well-being.
- We continue to place the health and safety of our staff and consultants at the heart of our business and are committed to providing a thriving working environment for all, offering benefits such as heavily subsidised gym membership and health screenings for employees.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

- We invest heavily in R&D to develop a portfolio of innovative products based on our proprietary technology, DermaSys® to generate future revenue and value for our shareholders. We invest in clinical research to test our products and optimise their safety and efficacy and we share and publish this research with the medical community to enhance scientific research.
- Our semi-virtual structure supports economic and infrastructure development through the outsourcing of numerous activities including clinical research, statistical analysis, manufacturing, analytical testing and laboratory work. If we are successful with our products this creates more opportunities for our partners.



DECENT WORK AND ECONOMIC GROWTH

- Our employees are our most important asset. We are reliant on a skilled workforce for the success of the Group. We treat our employees fairly and support their ongoing development. We seek to empower them and ensure that they are fully engaged in all aspects of Futura's objectives and high quality standards. Each of our employees contributes and shares in Futura's success. In 2019 we retained all our employees.
- We are focused on commercialising our technology and growing the value of the Group, which will lead to developmental benefits for the shareholders and employees of the Group.

GENDER EQUALITY

- We believe in a diverse and gender balanced workforce. We are committed to supporting employment policies and practices that make provision for equal opportunities and non-discrimination in our workforce. We have a balanced workforce with near equal number of men and women in our R&D team, as well as across the Group.

TOTAL WORKFORCE GENDER SPLIT

OUR STAKEHOLDERS

The Board sought to understand the views of the stakeholders through its interactions with them during the year and had regards for their interests in Board discussion and decision-making.

s172 COMPANIES ACT 2006

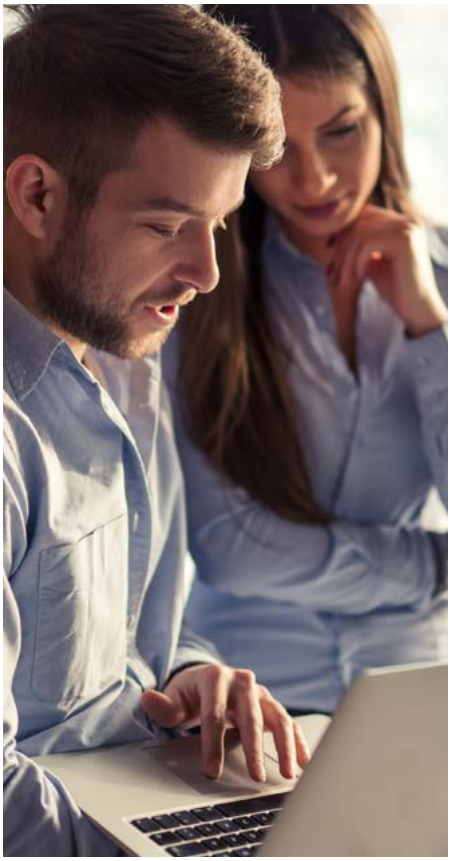
The Board is aware of its duties under s172 of the Companies Act and has worked throughout the year to promote the success of the Company for the benefit of its members as a whole. In doing so, it has regard to those stakeholders identified under s172, as well as the additional stakeholders set out here.

HOW WE ENGAGE WITH OUR STAKEHOLDERS

SHAREHOLDERS

The Board naturally considers its shareholders to be key stakeholders of the Company and is focused upon delivering long-term value for their benefit. The Company engages with its shareholders and potential shareholders on a regular basis with investor meetings throughout the year as well as focused roadshows at the time of our published results. The results of this investor engagement are reported to the Board to help inform our strategy and communications. During 2019 we were proud to host a very well attended R&D Seminar in London which gave our shareholders an opportunity to look at the market opportunity for a fast-acting topical treatment for erectile dysfunction which is our lead product.

The Company launched a brand new website with the Investor Section and FAQs updated. All Investor events are recorded and webcast so information is freely available to all shareholders. In addition to the standalone events, our Annual General Meeting provides an opportunity for all shareholders to meet and engage with the Board and attendance is always very much encouraged.



EMPLOYEES

The Board considers its employees to be a primary stakeholder of the Company and is conscious of the regard it has to them under s172. The Board, and especially the Remuneration Committee, have also had particular regards to employees as they reviewed and revised the long-term incentive arrangements as part of its strategy to attract, retain and motivate employees in order to deliver value for shareholders. These actions were consistent with the Board's commitment to investing in and responsibly rewarding employees as they deliver the Company's strategy.

PATIENTS

Our purpose is clear, "to enhance our patients and consumers' quality of life to enable them to live their lives to the full". The patients our therapies are designed to treat are at the heart of why we do it. We hold regular Advisory Boards and conduct market research to help us with patient insights. We are focused on bringing innovative products to market where there are unmet patient needs with existing treatments.

DEVELOPMENT PARTNERS AND SUPPLIERS

As a semi-virtual company, Futura relies upon its relationships with external service providers, consultants and sub-contractors to provide resources on an "as needed" basis. These resources provide the Company with specialist skills and insights as well as additional capacity. In 2019, the Company conducted a large clinical study, FM57 which relied upon the resources from Clinical Research Organisations (CROs) to conduct and complete the trial on our behalf and Contract Manufacturing Organisations (CMOs) to ensure that trial materials were available at the trial sites, as well as providing key insights into our patients' needs.

BOARD OF DIRECTORS

JOHN CLARKE

Non-Executive Chairman

Current roles: John Clarke is the Chairman of Futura Medical plc. He chairs the Nominations Committee, and is a member of the Audit Committee and the Remuneration Committee. He is also the Non–Executive Chairman of Science in Sport plc, Kind Consumer Holdings Limited and is a senior adviser to Helios Investment Partners LLP.

Past roles: Retired from GSK as President of GSK Consumer Healthcare. Non–Executive Chairman of Quantum Pharma plc, which was subsequently acquired by Clinigen plc.

Brings to the Board: Extensive experience of the healthcare sector, having worked at a senior level at GSK for more than 35 years.

JAMES BARDER

Chief Executive

Current roles: James Barder is the Group's Chief Executive. He assists the Remuneration Committee and the Nominations Committee (but is not a member of and does not vote on either). He has overall responsibility for all activities of the Group, is a principal contact for shareholder and investor relations and leads commercial negotiations.

Past roles: Managing Director of Aon Capital Markets Limited and Non-Executive Director of Lorega Limited. James predominantly worked in the field of insurance and finance including firms he founded.

Brings to the Board: Over 25 years of experience in setting up, managing and running companies.

ANGELA HILDRETH

Finance Director, Chief Operating Officer and Company Secretary

Current roles: Angela joined the Group in February 2018. She leads the Group's finance, HR and IT functions, inputs into commercial and financial strategy, ensures its compliance procedures and is a principal contact for shareholder and investor relations matters.

Past roles: Senior financial roles in a diverse range of industries, including seven years as UK Finance Director at Shield Therapeutics plc (quoted on AIM).

Brings to the Board: Strategic and operational financial experience of developing and commercialising pharmaceutical products.

KEN JAMES

Executive Director
and Head of R&D

Current roles: Ken James is the Head of R&D. He oversees the development, regulatory and manufacturing strategies for the Group's existing pipeline and the evaluation of early stage pipeline opportunities. He is also an Executive Director.

Past roles: Senior Vice President of Research and Development for GlaxoSmithKline Worldwide Consumer Healthcare, having worked in the UK and the United States.

Brings to the Board: Over 40 years' experience in the research, development and commercialisation of consumer healthcare products.

JONATHAN FREEMAN

Senior Independent
Non-Executive Director

Current roles: Jonathan Freeman is a Senior Independent Non-Executive Director. He chairs the Audit Committee and the Remuneration Committee and is also a member of the Nominations Committee. He is also a Non-Executive Director of Braveheart Investment Group plc and of Kingswood Holdings Limited

Past roles: Director of Beeson Gregory, Chief Executive Officer of Syndicate Asset Management plc, a Director of Hume Capital Securities plc and a Director of Bould Opportunities plc.

Brings to the Board: Over 25 years of experience in the financial services sector, guidance on City regulatory matters, corporate finance and investor relations.

REMUNERATION COMMITTEE REPORT

REMUNERATION COMMITTEE: COMPOSITION AND TERMS OF REFERENCE

During the period under review the Remuneration Committee comprised the independent Non-Executive Directors and was chaired by Jonathan Freeman. In 2018, the Company adopted the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code") and the report has been prepared in accordance with the principles of the QCA Code. The contents of this report are unaudited unless otherwise stated.

The purpose of the Remuneration Committee is to ensure that the Executive Directors and other employees are fairly rewarded for their individual contribution to the overall performance of the Group. The Committee considers and recommends to the Board the remuneration of the Executive Directors and is kept informed of the remuneration packages of senior staff and invited to comment on these. There were four Remuneration Committee meetings during 2019.

The Board retains responsibility for overall remuneration policy. The terms of reference of the Remuneration Committee are set out in the Investor Centre/Corporate Governance section on the Group's website at *www.futuramedical.com*.

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Group. Direct benchmarking of remuneration is difficult given the specialised nature and size of the Group. The Remuneration Committee recommends to the Board remuneration packages by reference to individual performance and uses the knowledge and experience of the Committee members, published surveys relating to AIM companies, the pharmaceutical industry and market changes generally. The Remuneration Committee has responsibility for recommending any long-term incentive plans.

The Board determines whether or not Executive Directors are permitted to serve in roles with other companies. Such permission is only granted where a role is on a strictly limited basis, where there are no conflicts of interest or competing activities and providing there is not an adverse impact on the commitments required to the Group. Earnings from such roles are not disclosed to the Group.

There are four main elements of the remuneration package for Executive Directors and staff:

Basic salaries and benefits in kind

Basic salaries are recommended to the Board by the Remuneration Committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind comprising death in service cover and private medical insurance are available to all staff and Executive Directors. Benefits in kind are non-pensionable.

Share options and other share-based incentives

The Group operates approved and unapproved share option schemes for the Executive Directors and other employees to motivate those individuals through equity participation. Unapproved share options are also sometimes granted to key consultants. Exercise of share options under the schemes is subject to specified exercise periods and compliance with the AIM Rules. The schemes are overseen by the Remuneration Committee which recommends to the Board all grants of share options based on the Remuneration Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate.

The Remuneration Committee considers that the best alignment of employee interests with those of its shareholders is through the continued use of incentives for performance through the award of share options or other share-based arrangements.

The Group operates a Long-Term Incentive Plan ("LTIP"). The quantum of any awards receivable by the staff and all Directors will depend on achieving set Group performance milestones and the share price at the time relative to targets set in advance. As a guide, if all of the approved milestones are achieved at the share price targets over the next 48 months and if the Group exercised its discretion to settle the awards in equity then the additional shares issued would be equivalent to approximately 1.37% of the issued share capital.

Bonus scheme

Bonuses are granted on a discretionary basis and linked to performance objectives set by the Remuneration Committee at the end of each calendar year in order to quantify the bonus that has been achieved by each individual within the scheme.

Pension contributions

The Group pays a defined contribution to the pension scheme of Executive Directors and other employees. The individual pension schemes are private and their assets are held separately from those of the Group.

Salaries and benefits are reviewed in December to cover the following calendar year. The timing of the review enables the Group's performance over the preceding financial year and the strategy for the forthcoming year to be considered.

SERVICE CONTRACTS

The Executive Directors are employed under service contracts requiring six months' notice by either party. Non-Executive Directors and the Chairman receive payments under appointment letters which are terminable by three months' notice by either party. The service contracts of the Non-Executive Directors are made available for inspection on request.

POLICY ON NON-EXECUTIVE DIRECTORS' REMUNERATION

The Non-Executive Directors and the Chairman each receive a fee for their services as a director, which is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. Non-Executive Directors and the Chairman are reimbursed for travelling and other incidental expenses incurred on Group business in line with the Group Expenses Policy. The Non-Executive Directors and the Chairman are also included under the long-term incentive plan.

The Board encourages the ownership of Futura shares by Executive and Non-Executive Directors alike and in normal circumstances does not expect Directors to undertake dealings of a short-term nature.

The Non-Executive Directors receive a proportion of their remuneration in the form of shares. The quantum of shares is determined at the start of each calendar year based on the average closing mid-price of the last ten trading days prior to the year-end. The award for 2019 was settled on 28 January 2020 by the issue of 341,659 shares at 6.01 pence per share. The 2020 award has been determined at 12.20 pence per share and the Non-Executive Directors will accrue these shares over 2020 and receive them, or such lower number as have accrued if they leave the Group earlier, in January 2021.

The Board considers ownership of Futura shares by Non-Executive Directors as a positive alignment of their interest with shareholders. The Board periodically reviews the shareholdings of the Non-Executive Directors and will seek guidance from its advisers if, at any time, it is concerned that a shareholding may, or could appear to, conflict with their duties as an independent Non-Executive Director of the Group.

DIRECTORS' EMOLUMENTS

The emoluments of the Directors, who represent the key management personnel, were as follows in 2019:

	Year ended 31 December 2019						
	Salary & Directors' Fees £	Bonus £	Share Awards £	Benefits In Kind £	Pension £	Total £	Year ended 31 December 2018 £
Executive Directors							
James Barder	**235,593**	–	–	**2,652**	–	**238,245**	276,388
Ken James	**170,663**	–	–	**2,130**	–	**172,793**	203,453
Angela Hildreth	**153,750**	–	–	**2,350**	**15,375**	**171,475**	194,971
Derek Martin*	–	–	–	–	–	–	144,465
Non-Executive Directors							
John Clarke	**63,140**	–	**25,699**	–	–	**88,839**	86,795
Jonathan Freeman	**35,947**	–	**8,562**	–	–	**44,509**	43,464
Totals	**659,093**	–	**34,261**	**7,132**	**15,375**	**715,861**	949,356

* Derek Martin resigned in February 2018 and his total fees included £55,000 compromise payment.

The above fees and emoluments exclude reimbursed expenditure incurred in the conduct of Group business.

There were no settlements under the LTIP in 2019 (2018: £nil).

REMUNERATION COMMITTEE REPORT

DIRECTORS' INTERESTS IN SHARES

	31 December 2019		31 December 2018	
	Beneficial Interests	Non-beneficial Interests	Beneficial Interests	Non-beneficial Interests
John Clarke	256,226	–	198,976	–
James Barder	968,472	117,500	968,472	867,500
Jonathan Freeman	90,621	–	71,043	–
Ken James	299,581	–	299,581	–
Angela Hildreth	142,857	–	142,857	–
Totals	1,757,757	117,500	1,680,929	867,500

DIRECTORS' INTERESTS IN SHARE OPTIONS

The Board uses share options to align Executive Directors' and employees' interests with those of shareholders in order to provide incentives and reward them based on improvements in Group performance. Options granted to the Executive Directors were as follows:

	31 December 2019		31 December 2018	
	Options Held	Share-based Payment Expense	Options Held	Share-based Payment Expense
James Barder	1,750,000	18,410	1,500,000	28,711
Ken James	800,000	14,728	600,000	22,968
Angela Hildreth	400,000	14,728	200,000	450
Totals	2,950,000	47,866	2,300,000	52,129

All share options were granted with an exercise price at or above market value on the date of grant. The main vesting condition of the share options is that the Director remains employed with the Group as at the date of exercise or continues to provide consultancy services as at the date of exercise. The share options of the Directors under the Futura Medical plc Enterprise Management Incentive Scheme are set out below:

	Grant Date	Number Awarded	Exercise Price/ Share	Earliest Exercise Date	Expiry Date
James Barder	23 September 2013	34,615	71.50 pence	1 October 2015	30 September 2020
James Barder	13 January 2017	124,348	57.50 pence	1 October 2018	30 September 2023
James Barder	19 November 2018	250,000	7.50 pence	1 October 2020	30 September 2025
James Barder	17 September 2019	250,000	31.00 pence	1 October 2021	30 September 2026
Ken James	13 January 2017	200,000	57.50 pence	1 October 2018	30 September 2023
Ken James	12 September 2017	200,000	30.50 pence	1 October 2019	30 September 2024
Ken James	19 November 2018	200,000	7.50 pence	1 October 2020	30 September 2025
Ken James	17 September 2019	200,000	31.00 pence	1 October 2021	30 September 2026
Angela Hildreth	19 November 2018	200,000	7.50 pence	1 October 2020	30 September 2025
Angela Hildreth	17 September 2019	200,000	31.00 pence	1 October 2021	30 September 2026
Totals		1,858,963			

DIRECTORS' INTERESTS IN LONG-TERM INCENTIVE PLAN

The performance milestones, which are non-market related milestones, were not met in 2019 and therefore no charge was recognised in the period. Assuming that each remaining Group performance milestone is met, at the target share price and before the next target date ends, and if the awards were to be equity-settled then the number of shares that could be awarded, before tax, to the participants are:

	2020	2021	2022	2023
James Barder	101,535	101,535	101,535	101,535
Angela Hildreth	88,721	88,721	88,721	88,721
Ken James	95,621	95,621	95,621	95,621
John Clarke	88,721	88,721	88,721	88,721
Jonathan Freeman	56,362	56,362	56,362	56,362
Other employees	369,679	369,679	369,679	369,679
At discretion of Remuneration Committee	44,363	44,363	44,363	44,363
Totals	845,002	845,002	845,002	845,002

The Directors consider that until a milestone has been met it is not appropriate to recognise a share-based remuneration charge in the Consolidated Statement of Comprehensive Income in respect of the LTIP.

JONATHAN FREEMAN
Chairman of the Remuneration Committee

CORPORATE GOVERNANCE STATEMENT

The Board is committed to building long-term shareholder value in an open and ethical manner.

Dear Shareholder,

As Chairman of Futura Medical, and on behalf of the Board, I am pleased to present our Corporate Governance Statement for the year ended 31 December 2019. I am responsible for leading the Board so as to ensure that the Group has in place the strategy, people and structure to deliver value to shareholders and other stakeholders of the Group as a whole over the medium to long term, supported by a corporate culture based on sound ethical values and behaviour, as more fully explained in the Corporate Governance Report on the following pages. Angela Hildreth in her capacity of Company Secretary, has assumed responsibility for ensuring the Group has appropriate corporate governance standards in place and that these requirements are followed and applied within the Group as a whole.

Futura Medical has adopted the QCA Corporate Governance Code (the "QCA Code") as it considers that this is the most suitable framework for smaller listed companies. We continue to evaluate how we govern the Group on an ongoing basis, working for the best long-term interests of our shareholders in an open, transparent and ethical manner. The Board considers that this framework can grow with the Company, yet it is considered premature to plan for an evolution of the governance framework at this stage. If the Company undertakes significant transactions that would require growth, then the Board will consider the implication of this on the corporate governance structure at that point in time.

The principal methods of communicating our application of the QCA Code are this Annual Report and the Investor section of our website at *www.futuramedical.com*. The QCA Code sets out ten principles and in the Corporate Governance Report on pages 43 to 46 we have set out the Group's application of the QCA Code, including, where appropriate, cross references to other sections of the Annual Report and to our website.

JOHN CLARKE
Non-Executive Chairman

31 March 2020

CORPORATE GOVERNANCE REPORT

PRINCIPLE 1

Business Model and Strategy

The strategy and business operations of the Group are set out in the Strategic Report section of the Annual Report. The full Board meets at least six times per year and is responsible for formulating and monitoring Group strategy, as well as complying with legal, regulatory and corporate governance matters. The strategy and business model and amendments thereto, are developed by the Chief Executive Officer and his senior management team, and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group's overall strategic objective is to develop innovative products with compelling commercial potential in the pharmaceutical and consumer healthcare market, leveraging our core skills in transdermal technology. This strategy is aligned with the well-publicised demographic changes of ageing populations, increasing prosperity, government initiatives to increase self-medication, pressures on payers and healthcare systems, the rapid growth of prescription and over the counter ("OTC") opportunities in developing countries, the natural desire for an improved quality of life and our expectations that consumer healthcare spending will increase as a result. The objective is to develop products such that each on its own has the potential to generate significant annual revenues.

At an appropriate stage of development, the Group may choose to realise monetary value from such products via out-licensing deals with pharmaceutical companies with interests in both prescription ("Rx") and OTC products. Alternatively, if resources permit, the Group may choose to advance a product through clinical development and approval in order to retain the full value of the product within the Group.

The Group operates in a high risk and heavily regulated sector and this is reflected in the principal risks and uncertainties set out on pages 29 to 31 of our Strategic Report. The key challenge to successful development of this strategy is ensuring that there are sufficient financial resources that can be deployed in the short-term in advance of the products being able to generate financial rewards for the Group in the longer term.

PRINCIPLE 2

Understanding Shareholder Needs and Expectations

The Group seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and understand the needs and expectations of shareholders. Institutional shareholders and analysts have the opportunity to discuss general issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

PRINCIPLE 3

Stakeholder Responsibilities

The Group is aware of its corporate and social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, regulators, partners, suppliers and patients involved in the Group's clinical development activities. The Group's operations and working practices need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole.

The Group endeavours to take feedback received from stakeholders by meeting regularly and responding accordingly. This feedback ensures that the Group can respond to new issues and opportunities that arise to further the Group in the delivery of its long-term strategy. Further information can be found on pages 34 and 35.

PRINCIPLE 4

Risk Management

The Audit Committee and the Risk and Oversight Committee are responsible to the Board for risk management and internal controls and for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Group. The internal controls are designed to manage rather than eliminate risk and provide assurance against material misstatement or loss.

The Audit Committee is responsible for reviewing the effectiveness of these internal controls on an annual basis. In 2017, the Board created a Risk and Oversight Committee (ROC) to provide additional oversight of its operational compliance in respect of its assets. During 2019 the ROC provided oversight of the Company's Medical Device Quality Management System (QMS) as defined in the Medical Device Quality Manual. In addition the ROC provided oversight of the clinical trials that have been planned and undertaken. The ROC meets at least once a year or more frequently if required and agenda items are driven by a management review which assesses compliance against the QMS and issues arising out of the clinical trials that the Company is planning and undertaking.

Given the current size and transparency of the operations of the Group, the Board has concluded that an internal audit function is not required and this will be continually reviewed as the Company grows. A summary of principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 29 to 31 of our Strategic Report.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 5

A Well-functioning Board of Directors

Futura's Board currently comprises two Non-Executive Directors and three Executive Directors. All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and will continue to seek re-election by rotation at least once every three years.

Board of Directors

During the year under review, the Board comprised three Executive Directors, a Non-Executive Chairman and one additional Non-Executive Director. Details of the Directors who served in the year can be found on page 47.

Attendance at Board and Committee meetings

The Board is responsible to the shareholders for proper management of the Group and meets at least six times per year to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on other strategic matters as they arise. All key operational and investment decisions are subject to Board approval. During the year the Board met six times in person and on two occasions by telephone. In addition, authority was delegated on an ad hoc basis to subcommittees to deal with statutory matters, such as the approval of the full year results and interim statement.

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee
John Clarke	6/6	3/3	4/4	2/2
Jonathan Freeman	6/6	3/3	4/4	2/2
James Barder	6/6			
Angela Hildreth	6/6			
Ken James	6/6			

Attendance is expressed by the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of committees of which they are not a member is not reflected in the table above.

Independence of Board Directors

The Board considers itself independent. The QCA code suggests that a Board should have at least two independent Non-Executive Directors who currently sit on the Board of the Company and are regarded as independent under the QCA's guidance for determining such independence. Jonathan Freeman has served on the Board for a concurrent period longer than nine years but on the basis he had no association with, and was independent from the Group at the time of his appointment and, as such, the Directors consider he satisfies the independence criteria set out in the QCA Code. The Chairman considers Mr Freeman's conduct at Board meetings demonstrates continuing independence and represents appropriate challenge to the executives.

Non-Executive Directors receive their fees in the form of a basic cash fee and an equity-based fee which takes the form of nominal price share options under the Company's Non-Executive Share Option Scheme. To avoid any incentive that may influence the Non-Executive Directors' independence, the options grants are not deemed significant, either for any individual Non-Executive Director or in aggregate. The current remuneration structure for the Board's Non-Executive Directors is deemed to be proportionate and in line with market rates. The Directors commit the time required to fulfil their duties.

PRINCIPLE 6

Appropriate Skills and Experience of the Directors

The Board considers that all of the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities and bring significant experience in commercial, operational and financial development of the Group's products.

The Board regularly reviews the composition of the Board to ensure that it has the necessary depth and breadth of skills to support the ongoing delivery of the Group's long-term strategy and the Board is committed to ensuring diversity of skill, experience and gender balance. Board members maintain their skillsets through practice in day-to-day roles, enhanced with attending specific training where required. This is a combination of in-house Company arranged briefings and external courses.

The Board uses external advisers where necessary to enhance knowledge or to gain access to particular skills or capabilities. Accountants and lawyers are used for diligence work on specific projects; both the Nominations Committee and Remuneration Committee use recruitment and employment consultants and specialist advisers have been used by the Board to ensure compliance in specific areas.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational activities and the Directors' responsibilities as members of the Board. During the course of the year, the Directors received updates from the Company Secretary on a number of corporate governance matters.

The Company Secretary provides information and advice on corporate governance and individual Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and AIM Rules and that the Board receives the information it needs to fulfil its duties effectively.

	Biotech/ Pharma sector	Financial	General Management	Other public company (Board level)
John Clarke	✓		✓	✓
Jonathan Freeman	✓	✓	✓	✓
James Barder	✓		✓	✓
Angela Hildreth	✓	✓	✓	✓
Ken James	✓		✓	

PRINCIPLE 7

Evaluation of Board Performance

Internal evaluation of the Board, the Committees and individual Directors is undertaken on an annual basis and was recently completed in December 2019 in the form of peer appraisal, questionnaires and discussions led by the Chairman to determine the effectiveness and performance as well as the Non-Executive Directors' continued independence. The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board, to identify any training and development needs and for succession planning.

The Board as a collective is evaluated on diversity, balance, governance and strategy and individual members are evaluated on a range of criteria such as leadership, strategy, governance, interpersonal skills and integrity. The performance of the Chairman was also evaluated in the same way and this was led by Non-Executive Director Jonathan Freeman.

The Chairman is responsible for the annual performance assessment of the Chief Executive Officer and the Chief Executive Officer reviews the performance of the other Executive Directors, the Finance Director/Chief Operating Officer and Head of R&D where performance against corporate objectives set at the start of the year is measured.

The Nominations Committee continues to monitor the requirement for succession planning.

PRINCIPLE 8

Corporate Culture

The Board recognises that their decisions regarding strategy and risk will impact on the culture of the Group as a whole and that this will impact the performance of the Group. The Board seeks to maintain the highest standards of integrity in the conduct of the Group's operations. An open culture is encouraged within the Group with regular communications to staff regarding progress and staff feedback regularly sought. The Board assessment of the culture within the Group at the present time is one where there is respect for all individuals, there is open dialogue within the Group and there is a commitment to provide the best service possible to all the Group's customers which include commercial partners and patients and clinicians who are participating in our clinical development programmes.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 9

Maintenance of Governance Structures and Processes

The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for the overall operational management of the Group's activities and for bringing independent and objective judgement to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-Executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision making and ensuring the Non-Executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nominations Committee. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Audit Committee

The Audit Committee normally meets twice a year and has responsibility for, amongst other things, reviewing the annual report and accounts and interim statements involving, where appropriate, the External Auditor. The Committee also approves the External Auditor's fees and ensures the Auditor's independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for approving the annual financial statements and interim statements remains with the Board.

The Finance Director/Chief Operating Officer, and the External Auditor attend meetings by invitation only. The Audit Committee meets privately (without any other Board member present) with the External Auditor at least once per year.

The Group's Auditor is Grant Thornton LLP based at 1020 Eskdale Road, Winnersh, Wokingham, RG41 5TS and was appointed in 2019 as part of a tender process. The current Audit partner is Mark Bishop.

The Remuneration Committee

The Remuneration Committee which meets as required, but at least once per year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors. It also supervises the Group's share incentive schemes and sets performance conditions for share options granted under the schemes. The independent Non-Executive Director(s) and the Non-Executive Chairman sit on the Committee, and the Chief Executive Officer attends by invitation only.

The Directors' remuneration can be found in the Remuneration Committee Report on pages 38 to 41.

The Directors believe that the above disclosures constitute sufficient disclosure to meet the requirements of the QCA Code for a Remuneration Committee Report. Consequently, a separate Directors' Remuneration Report is not presented in the Group's Annual Report. However, the Committee will continue to review guidance in relation to the contents of remuneration reports and ensure the reporting evolves as the Committee considers appropriate.

The Nominations Committee

The Nominations Committee, which meets as required, but at least once per year, has responsibility for reviewing the size and composition of the Board, the appointment of replacement of Directors, the monitoring of compliance with applicable laws, regulations and corporate governance guidance and making appropriate recommendations to the Board.

The independent Non-Executive Director(s) and the Non-Executive Chairman sit on the Committee, and the Chief Executive Officer attends by invitation only.

The terms of reference for the above committees can be found in the Investors section of our website at *www.futuramedical.com*.

The Board also oversees the Group's share dealing code and its whistle-blowing policies and procedures.

PRINCIPLE 10

Shareholder Communication

The Group places a high priority on regular communication with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The website is regularly updated and users can register to be alerted when announcements or details of presentations and events are posted onto the website. We also held a R&D day in February 2019 which was recorded and added to the website for all investors to view.

The Group's financial reports can be found in the Investors section of our website at *www.futuramedical.com*.

Notice of General Meetings of the Company and results of voting on all resolutions in future general meetings can be found in the RNS section of our website at *www.futuramedical.com*.

The results of voting on all resolutions in future general meetings will be posted to the Group's website after the relevant meeting.

JOHN CLARKE
Non-Executive Chairman

31 March 2020

DIRECTORS' REPORT

DIRECTORS

The Directors during the year were:

John Clarke	Non-Executive Chairman
James Barder	Chief Executive Officer
Angela Hildreth	Finance Director/ Chief Operating Officer
Ken James	Head of R&D/ Executive Director
Jonathan Freeman	Non-Executive Director

GENERAL INFORMATION

Futura Medical plc is a public limited company incorporated in the United Kingdom, registered number 04206001, which is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange.

REVIEW OF BUSINESS

The Group continues to invest in the development of its transdermal technology DermaSys® with focus being on sexual health and pain relief management. The Strategic Report on pages 1 to 35 provides a review of the business, including the Group's trading for the year ended 31 December 2019, an indication of likely future developments, key performance indicators and risks.

DIVIDENDS

The Group has reported its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The results for the year and financial position of the Company and the Group are set out in the financial statements and reviewed in the Financial Review within the Strategic Report. The Directors do not recommend the payment of a dividend (2018: £nil).

DIRECTORS' INTERESTS

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Remuneration Committee Report on pages 38 to 41. No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration appear in the Remuneration Committee Report on pages 39 to 41.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the Directors, indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

POLITICAL DONATIONS

The Group made no political donations during the current or prior year.

FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group's financial risk management policy is set out in Note 4 to the financial statements.

RESEARCH AND DEVELOPMENT (R&D)

During the year ended 31 December 2019 the Group's expenditure on R&D was £10,051,148 (2018: £6,038,941).

ADEQUACY OF INFORMATION SUPPLIED TO AUDITOR

Each Director who held office at the date of approval of this Report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

CHANGE OF CONTROL PROVISIONS

There are some agreements that may take effect, alter or terminate on a change of control of the Company, such as commercial contracts, property leases and share option schemes. None of these are considered to be significant in their likely impact on the business as a whole.

STATEMENT OF ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY

The Directors are mindful of their statutory duty to act in the way they each consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole, as set out in our s.172(1) statement on page 34. A consideration of the Company's relationship with wider stakeholders, including supplier and customers, is disclosed in the Stakeholders section on pages 34 and 35.

SUBSEQUENT EVENTS

Fundraising of £3.25 million (gross) was completed in January 2020. The COVID-19 pandemic arose in February 2020, the impact of this has been considered and we do not expect this pandemic to materially impact on Futura's business in 2020. Further details can be found within the Risks and mitigation section on pages 29 to 31.

DIRECTORS' REPORT

SIGNIFICANT INTERESTS

On 31 March 2020 the Company had been notified of the following shareholders with 3% or more of the issued share capital of the Company in accordance with the Disclosure Guidance and Transparency rules:

Lombard Odier Asset Management (Europe) Limited	21.04%
T Adams	8.08%
W T Lamb Investments Ltd	5.23%
R A Lamb	3.71%

Most recently notified details of significant shareholdings may be found in the Investor section of our website, at *www.futuramedical.com*.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Remuneration Committee Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. The Directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

We consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

GOING CONCERN

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, there is a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate. Further details can be found in Note 2.2.

WEBSITE PUBLICATION

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

ANGELA HILDRETH
Company Secretary

31 March 2020

AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE

During the year the Audit Committee considered the adequacy of financial standards and how existing and new accounting standards apply to the business. In addition, the Audit Committee considered how applying these standards may flow through into internal processes and controls, the Group accounting policies and the Group's financial reporting to shareholders.

Whilst the Board has overall responsibility for the review and approval of the annual and interim accounts, certain aspects are delegated to the Audit Committee including:

- Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance.
- Reviewing accounting standards, policies and judgements.
- Reviewing internal controls and risk management procedures which arise during the external audit process, or if concerns are raised by a member of the Board or by an employee under the Company's whistle-blowing process.
- Oversight of the Group's compliance with legal requirements ensuring that an effective internal control system is maintained.

Full terms of reference for the Audit Committee can be found in the Investor section of the Company website at *www.futuramedical.com*.

There were three meetings held in the year and matters discussed were as follows:

April 2019	Presentation of 2018 Audit Report
	Review of 2018 audit performance
September 2019	Selection of External Auditor following tender process
December 2019	Review of audit planning including audit risk areas for the year ended 2019
	Review and confirmation of External Auditor Independence

EXTERNAL AUDITOR

The Audit Committee has responsibility for the relationship between the Group and its External Auditor. Representatives from the External Auditor are invited to attend Audit Committee meetings and whilst the Finance Director and other executives are invited to attend the Committee meetings, time at the end of a meeting is allowed without any other Executive Directors or other executives present, to give the External Auditor an opportunity to raise any issues of concern.

The Audit Committee is responsible for reviewing the scope of work and fee proposals presented by the Auditor to ensure that their independence is not compromised. The independence of the Auditor is kept under review and is reported once per year, as part of the Audit Committee Report presented to the Audit Committee by the Auditor.

The Group's External Auditor, Grant Thornton LLP, is engaged to provide its independent opinion on the Group's financial statements. A full scope of their work for the year ended December 2019 is included within the Independent Auditor's Report on pages 50 to 54. Grant Thornton were appointed this year following a tender process. The Partner is Mark Bishop.

INTERNAL AUDIT

The Audit Committee reviews the requirement for an internal audit function on an annual basis, taking into account the scale and complexity of the Group's activities and any issues identified in the assessment of controls. The Committee remains of the opinion that an internal audit function is currently not appropriate for the Group and the Committee will continue to review the appropriateness of these arrangements.

JONATHAN FREEMAN
Audit Committee Chairman

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FUTURA MEDICAL PLC

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of Futura Medical plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the parent company balance sheet, the parent company statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements comprise the notes to the consolidated financial statements and the notes to the parent company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that management have made significant assumptions in preparing the financial statements on a going concern basis. As stated in note 2.2, the group has recorded a loss for the year of £11.16m and had total cash of £2.51m at the year end. The most significant assumptions made in the cash flow forecast projection prepared by the directors include the ability to raise further financing, which could come from a variety of dilutive and non-dilutive sources, to support its ongoing activities, following the anticipated submission of marketing authorisation applications for MED3000 in Europe and the US, and to generate significant funding through entering into strategic collaborations for the commercialisation of MED3000 and its other products, in the US and Europe. These events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview of our audit approach

- Overall group materiality: £547,000, which represents approximately 4.9% of the group's loss on ordinary activities before taxation.
- The key audit matter identified was the valuation of investment in the subsidiary.
- We performed full scope audit procedures on the financial statements of the significant components Futura Medical plc and Futura Medical Developments Limited, and analytical procedures on the financial statements of Futura Consumer Healthcare Limited.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters – Parent company	How the matter was addressed in the audit – Parent company
Valuation of investment in the subsidiary The assessment of impairment of the investment is carried out when there is an indication of impairment. The assessment of any potential impairment requires management to make significant assumptions and judgements about the recoverability of the investment, especially as concerns the future cash flows of the subsidiary. We therefore identified the valuation of investment in the subsidiary as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Our audit work included, but was not restricted to:** ■ Obtaining management's impairment review and comparing the recoverable amounts to the valuation of the investment; ■ Inspecting in detail the key underlying assumptions within management's impairment review, assessing each against market data, where relevant and available, and performing a sensitivity analysis on each of these assumptions; ■ Corroborating the key inputs used in support of the key underlying assumptions to relevant supporting documentation; ■ An auditor expert assessed and challenged the key assumptions within management's model; ■ Assessing the disclosures of estimates and judgements made in the financial statements for compliance with the requirements of International Accounting Standard (IAS) 1 'Presentation of Financial Statements'. The company's accounting policy relating to carrying value of investment in subsidiaries is shown in note 2 of the parent's financial statements. **Key observations** Based on our audit work we determined that management's assesment that the recoverability of the investment exceeded the book value with reference to future cashflows was reasonable.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FUTURA MEDICAL PLC

OUR APPLICATION OF MATERIALITY

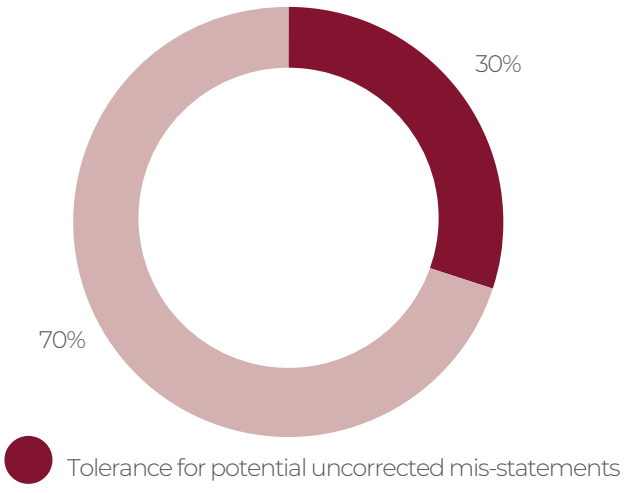
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

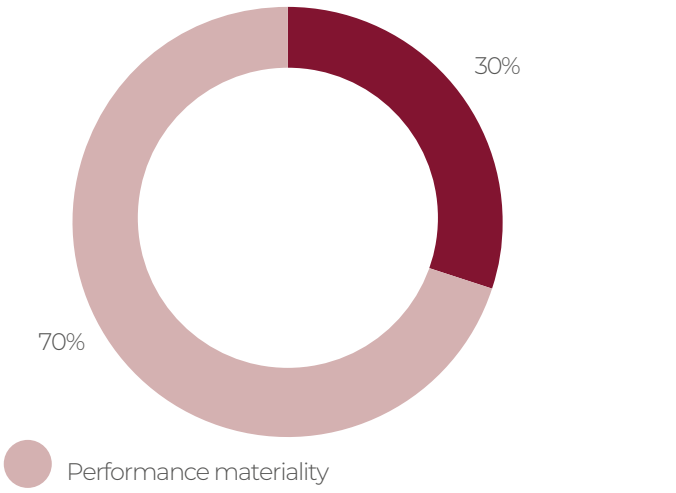
Materiality measure	Group	Parent
Financial statements as a whole	£547,000, which is approximately 4.9% of the group's loss on ordinary activities before taxation. This benchmark is considered the most appropriate because the purpose of the group is to produce economic benefit.	£513,000, which is approximately 1.0% of the parent company's total assets at year end. This benchmark is considered the most appropriate because the parent company is a holding company which has the purpose of holding significant assets on behalf of the group.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality, being £383,000.	70% of financial statement materiality, being £359,000.
Specific materiality	We determined a lower level of specific materiality for certain areas such as Directors' remuneration.	
Communication of misstatements to the audit committee	£27,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£26,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluating the group's internal control environment and documenting our understanding of controls relevant to the audit;
- Determining the scope of the group audit based on the relative contribution of revenue, expenses and net assets of each component to the group. We performed full scope audit procedures on the financial statements of Futura Medical plc and Futura Medical Developments Limited. We performed analytical procedures on the financial statements of Futura Consumer Healthcare Limited;
- Our audit procedures provided coverage of 100% of each of the group and parent company's revenue and 100% of the group's loss before tax; and
- Reperforming the group consolidation, to confirm the accuracy of management's computations and to demonstrate the group financial information was consistent with the financial information per the audited financial statements of the significant components.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts 2019, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FUTURA MEDICAL PLC

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the statement of directors' responsibilities in respect of the Annual Report and the financial statements set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK BISHOP FCA

Senior Statutory Auditor for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

31 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Revenue	2.4	**31,778**	–
Research and development costs		**(10,051,148)**	(6,038,941)
Administrative costs		**(1,144,397)**	(1,227,547)
Operating loss	6	**(11,163,767)**	(7,266,488)
Finance income	8	**22,283**	27,576
Loss before tax		**(11,141,484)**	(7,238,912)
Taxation recoverable	9	**2,222,194**	1,358,336
Loss for the year being total comprehensive loss attributable to owners of the Parent Company		**(8,919,290)**	(5,880,576)
Basic and diluted loss per share (pence)	10	**(4.36)**	(4.46)

All amounts relate to continuing activities.

The Notes on pages 59 to 74 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital £	Share Premium £	Merger Reserve £	Retained Losses £	Total Equity £
At 1 January 2018		**241,392**	**44,671,396**	**1,152,165**	**(36,959,195)**	**9,105,758**
Total comprehensive loss for the year		–	–	–	(5,880,576)	(5,880,576)
Share-based payment	18	–	–	–	146,833	146,833
Shares issued during the year	17	167,775	5,312,464	–	–	5,480,239
Transactions with owners		167,775	5,312,464	–	146,833	5,627,072
At 31 December 2018		**409,167**	**49,983,860**	**1,152,165**	**(42,692,938)**	**8,852,254**
Total comprehensive loss for the year		–	–	–	(8,919,290)	(8,919,290)
Share-based payment	18	–	–	–	101,404	101,404
Shares issued during the year	17	154	19,130	–	–	19,284
Transactions with owners		154	19,130	–	101,404	120,688
At 31 December 2019		**409,321**	**50,002,990**	**1,152,165**	**(51,510,824)**	**53,652**

Merger reserve represents the reserve arising on the acquisition of Futura Medical Developments Limited in 2001 via a share for share exchange accounted for as a group reconstruction previously using merger accounting under UK GAAP.

Retained losses represent all other net gains and losses not recognised elsewhere.

Share premium represents amounts subscribed for share capital in excess of nominal value, less the related costs of share issues.

The Notes on pages 59 to 74 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019 £	As at 31 December 2018 £
Assets			
Non-current assets			
Plant and equipment	11	59,505	47,473
Total non-current assets		59,505	47,473
Current assets			
Inventories	12	7,780	7,780
Trade and other receivables	14	101,192	306,408
Taxation recoverable	9	2,222,194	1,358,192
Cash and cash equivalents	15	2,510,501	9,157,916
Total current assets		4,841,667	10,830,296
Liabilities			
Current liabilities			
Trade and other payables	16	(4,847,520)	(2,025,515)
Total liabilities		(4,847,520)	(2,025,515)
Total net assets		53,652	8,852,254
Capital and reserves attributable to owners of the Parent Company			
Share capital	17	409,321	409,167
Share premium		50,002,990	49,983,860
Merger reserve		1,152,165	1,152,165
Retained losses		(51,510,824)	(42,692,938)
Total equity		53,652	8,852,254

The consolidated financial statements were approved and authorised for issue by the Board on 31 March 2020.

The Notes on pages 59 to 74 form part of these consolidated financial statements.

By order of the Board

JAMES BARDER
Chief Executive
Registered number: 04206001

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Cash flows from operating activities			
Loss before tax		(11,141,484)	(7,238,912)
Adjustments for:			
Depreciation	11	20,704	19,850
Loss on disposal of fixed assets		–	703
Finance income	8	(22,283)	(27,576)
Share-based payment charge	18	101,404	146,833
Cash flows used in operating activities before changes in working capital		(11,041,659)	(7,099,102)
Decrease in inventories	12	–	62,633
(Increase)/decrease in trade and other receivables		204,928	(125,332)
(Decrease)/increase in trade and other payables	16	2,822,004	1,526,375
Cash used in operations		(8,014,727)	(5,635,426)
Income tax received		1,358,480	927,391
Net cash used in operating activities		(6,656,247)	(4,708,035)
Cash flows from investing activities			
Purchase of plant and equipment	11	(32,736)	(4,510)
Interest received		22,283	27,576
Cash generated (used in)/by investing activities		(10,453)	23,066
Cash flows from financing activities			
Issue of ordinary shares	17	19,284	5,943,421
Expenses paid in connection with share issue		–	(463,182)
Cash generated by financing activities		19,284	5,480,239
(Decrease)/increase in cash and cash equivalents		(6,647,415)	795,270
Cash and cash equivalents at beginning of year		9,157,916	8,362,646
Cash and cash equivalents at end of year	15	2,510,501	9,157,916

The Notes on pages 59 to 74 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

Futura Medical plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom and whose shares are publicly traded on the AIM Market of the London Stock Exchange. The registered office is located at Surrey Technology Centre, 40 Occam Road, Guildford, Surrey, GU2 7YG.

These Group financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") for the year ended 31 December 2019.

The consolidated financial statements of the Company and the Group for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 31 March 2020.

The Group is principally engaged in the development of pharmaceutical and healthcare products.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention and have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling.

2.2 Going Concern

For the year ended 31 December 2019, the Group made an operating loss of £11.16 million. Cash and cash equivalents at 31 December 2019 were £2.51 million. The Board has considered the applicability of the going concern basis in the preparation of the financial statements. This included the review of internal budgets and financial results and a review of cash flow forecasts for the 12 months period following the date of signing the financial statements. Under current business plans which assume a significant reduction in R&D spend, the Group's cash resources will extend to Q2 2021. Based on this, additional funding is expected to be required to support the Group's and the Company's going concern status. Dependent upon the funds raised and the level of income generated from licensing activities, further funding may be required to reach profitability. The Group completed a £3.25 million fundraising with existing and new investors in January 2020. The Directors have a reasonable expectation that the Group will be able to raise further financing, which could come from a variety of dilutive and non-dilutive sources, to support its ongoing activities, following the anticipated submission of regulatory dossiers for MED3000 in Europe and the US, both expected in H2 2020. The Directors also have a reasonable expectation that the Group will be able to generate significant funding through entering into strategic collaborations for the commercialisation of MED3000 and its other products in the US and Europe.

However, there can be no guarantee that the Group will be able to raise sufficient funding from existing and new investors, nor that the Group will be able to secure strategic collaborations for its product pipeline. In the event that the Group does not successfully raise new financing, the Directors consider that the Group would be able to reduce expenditure on its development programmes, potentially extending the Group's cash resources to more than 12 months from the date of signing the financial statements.

Based on the above factors the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the above factors give rise to a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.3 Standards, amendments and interpretation to existing standards

The Directors have considered all new standards, amendments to standards and interpretations which are mandatory for the first time for the financial year beginning 1 January 2019. From 1 January 2019 the Group adopted IFRS 16 Leases.

The Group has taken the exemption not to account for short-term leases on the balance sheet. The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue

To determine whether to recognise revenue, the Group follows a five-step process:

1 Identifying the contract with a customer

2 Identifying the performance obligations

3 Determining the transaction price

4 Allocating the transaction price to the performance obligations

5 Recognising revenue when/as performance obligation(s) are satisfied.

During the year, revenue was recognised on a collaborative transaction. In accordance with IFRS 15, revenue is calculated based on the consideration to which the Group expects to be entitled and is recognised over the length of services provided under the contract and once performance obligations have been met. The transaction fee is allocated over the length of the service being provided in accordance with the project plan. It is recognised as a contract liability at the time of the initial transaction and is released over the expected period of service on the basis of work completed and performance obligations delivered. The progress is re-evaluated by management at each reporting date and the revenue recognised is remeasured accordingly. No revenue was recognised in the prior year.

2.5 Leased assets

As described in Note 2.3, the Group has applied IRFS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means that comparative information is still reported under IAS 17.

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- The Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Leases, which contain terms whereby the Group does not assume substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases. Operating lease rentals are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. The Group does not hold any assets under finance leases.

2.6 Intangible assets

Research and development ("R&D")

Expenditure incurred on the development of internally generated products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to out-license or sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

2. ACCOUNTING POLICIES (CONTINUED)

Capitalised development costs, including patents and trademarks, are amortised over the periods in which the Group expects to benefit from selling the products developed but not exceeding five years. The amortisation expense is included in R&D costs recognised in the Consolidated Statement of Comprehensive Income. The useful life and the value of the capitalised development cost are assessed for indicators of impairment at least annually. The value is written down immediately if impairment has occurred and the unimpaired cost amortised over the reduced useful life.

The Directors consider that the criteria to capitalise development expenditure are not yet met for any of its products as they have either not yet been approved or commercially launched in at least one major market therefore commercial feasibility of the product is not yet certain.

Development expenditure, not satisfying the above criteria, and expenditure on the research phase of internal projects are included in R&D costs recognised in the Consolidated Statement of Comprehensive Income as incurred.

2.7 Plant and equipment

Plant and equipment is initially recognised at cost, and subsequently at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the Consolidated Statement of Comprehensive Income at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over their estimated useful lives.

- Computer equipment — 2 – 5 years straight-line
- Fixtures and fittings — 3 – 10 years straight-line

The assets' residual values and useful lives are determined by the Directors and reviewed and adjusted, if appropriate, at each Consolidated Statement of Financial Position date.

2.8 Impairment of non-financial assets

An impairment review is carried out for assets being amortised or depreciated when a change in market conditions and other circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows.

2.9 Inventories

Inventories are consumable materials to be used in development and are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost includes materials, related contract manufacturing costs and other direct costs. Cost is calculated using the first in, first out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

A provision is recognised immediately in the Consolidated Statement of Comprehensive Income in respect of obsolete or defective items, where appropriate.

2.10 Financial instruments

i) Recognition and initial measurement

At the year-end, the Group had no financial assets or liabilities designated at fair value through the Consolidated Statement of Comprehensive Income (2018: £nil). Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions in the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for items not measured at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets

On initial recognition a financial instrument is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

2. ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (continued)

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on a specified date to cash flows that are solely the payment of principal and interest on the principal outstanding.

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. At the year-end, the Group had no financial assets or liabilities designated at FVOCI (2018: £nil).

iii) Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

2.11 Taxation

Income tax is recognised or provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date. R&D tax credits are recognised on an accruals basis and are included as an income tax credit under current assets.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability on the Consolidated Statement of Financial Position date differs from its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affects neither accounting profit nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the Consolidated Statement of Financial Position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

2. ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, on each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.12 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

2.13 Employee benefits

Defined contribution plans

The Group provides retirement benefits to all employees who wish to participate in defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions made by the Group are charged to the Consolidated Statement of Comprehensive Income in the period in which they become payable.

Accrued holiday pay

Provision is made at each Consolidated Statement of Financial Position date for holidays accrued but not taken, at applicable rates of salary. The expected cost of compensated short-term absence (holidays) is charged to the Consolidated Statement of Comprehensive Income on an accruals basis.

Share-based payment transactions

The Group operates an equity-settled share-based compensation plan. For all share options awarded to employees, and others providing similar services, the fair value of the share options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Consolidated Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of share options that eventually vest. There are no market vesting conditions. If the terms and conditions of share options are modified before they vest, the change in the fair value of the share options, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period. The proceeds received when share options are exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and the remaining balance to share premium. All employee share option holders enter into an HM Revenue & Customs joint election to transfer the employers' national insurance contribution potential liability to the employee, therefore no Group asset or liability arises.

Long-term incentive plan

The Group operates a long-term incentive plan for all staff and Directors. The quantum of any awards receivable will depend on the Group achieving set milestones and the share price at the time relative to targets set in advance. The Group plan is intended to be settled in equity with cash settlement possible at the discretion of the Board. There was no charge recognised in the year as the milestones and targets were not met.

2.14 Finance income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

3. CRITICAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of income and expenses in the year.

Critical accounting estimates, assumptions and judgements are continually evaluated by the Directors based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. No significant estimates were identified during the year. Other estimates are disclosed below.

3.1 Estimates and assumptions

Share-based payments

The Group operates an equity-settled share-based compensation plan for employee (and consultant) services to be received and the corresponding increases in equity are measured by reference to the fair value of the equity instruments as at the date of grant. The fair value determination is based on the principles of the Black–Scholes Model which uses an input of volatility based on historical data. Historical volatility may not be indicative of future volatility, yet the Directors judge this to be the most appropriate method of calculation. Given the share option expense of £101,404 (2018: £146,833), the volatility methodology used is not expected to have a material impact on these financial statements. Details of the fair value calculation for options granted during the year, including other inputs into the Black–Scholes model, are disclosed in Note 18.

3.2 Judgements

Deferred tax recognition

The determination of probable future profits, against which the Group's deferred tax profits can be offset, requires judgement. To date no deferred tax assets have been recognised.

R&D tax credits

The current tax receivable as disclosed in Note 9, represents an R&D tax credit based on an advance claim with HMRC. The final receivable is subject to the correct application of complex R&D rules and HMRC approval. Historically, claims have been successful and the Group expects the current year to be successful too.

R&D costs

Management are required to make a judgement about certainty of commercial success of their products. No Research and Development costs have been capitalised in the current or prior period and further details can be found in Note 2.6.

4. FINANCIAL RISK

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate risk, cash flow interest rate risk and fair value interest rate risk); credit risk and liquidity risk. It is Group policy not to enter into speculative positions using complex financial instruments.

(i) Market risk

Foreign exchange rate risk

The Group primarily enters into supplier contracts which are to be settled in sterling. However, some contracts involve other currencies including the US dollar and the euro. The Group may use forward exchange contracts as an economic hedge against currency risk, where cash flow can be judged with reasonable certainty. There were no material open forward contracts as at 31 December 2019 or at 31 December 2018.

At 31 December 2019 the Group had trade payables denominated in a foreign currency totalling £101,899 (31 December 2018: £931,532).

Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from short-term money market deposits.

4. FINANCIAL RISK (CONTINUED)

(ii) Credit risk

Credit risk arises from cash and cash equivalents and money market deposits as well as credit exposure in relation to outstanding receivables. The exposure relating to outstanding receivables is immaterial and the carrying amount of cash balances is as follows:

	31 December 2019 £	31 December 2018 £
Cash at bank and in hand	2,137,599	5,706,519
Sterling short-term money market funds	372,902	3,451,397
	2,510,501	9,157,916

The Directors consider the Group's exposure to credit risk to be acceptable and normal for a similar entity at its stage in development.

(iii) Liquidity risk

The Group's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to the Group's reputation.

The Group manages all of its external bank accounts centrally and in accordance with defined treasury policies. The policies include a minimum acceptable credit rating of relationship bank accounts and financial transaction authority limits. Any material change to the Group's principal bank facility requires Board approval.

4.2 Capital risk management

The Group's policy is to maintain a strong capital base. The Group does not yet have significant recurring revenues and has mainly financed its operations through the issue of new shares and management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £2,510,501 of cash and fixed-term deposits as at 31 December 2019 (31 December 2018: £9,157,916).

5. SEGMENT REPORTING

The Group is organised and operates as one segment. The Group's R&D costs are analysed by development programme as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
MED	8,019,710	3,538,059
TPR	230,639	172,925
CSD	41,554	391,782
Other	183,038	70,217
	8,474,941	4,172,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. OPERATING LOSS

Operating loss is stated after charging:	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Depreciation of plant and equipment (Note 11)	20,704	19,850
Loss on disposal of plant and equipment	–	703
Inventories consumed in R&D	–	62,633
Short-term leases: property	117,275	114,142
Gain/(loss) on foreign exchange	8,468	(12,606)

The 2019 fees of the Group's Auditor Grant Thornton LLP (2018: KPMG LLP) for services provided are analysed below:

Audit services	Year ended 31 December 2019 £
Parent Company	35,000
Subsidiaries	7,000
Other Non-audit services	
iXBRL Tagging	1,000
Total fees	43,000

The 2018 fees of the Group's Auditor KPMG LLP for services provided are analysed below:

Audit services	Year ended 31 December 2018 £
Parent Company	33,000
Subsidiaries	9,000
Tax services	
Parent Company	4,000
Subsidiaries	–
Total fees	46,000

7. STAFF NUMBERS AND COSTS

The average number of persons (including all Executive and excluding Non-Executive Directors) employed by the Group during the year, analysed by category, was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
R&D staff	8	10
Finance and Administration staff	2	2
Executive Directors	3	3
	13	15

7. STAFF NUMBERS AND COSTS (CONTINUED)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Wages and salaries	1,315,760	1,603,513
Social security costs	181,544	172,805
Other pension and insurance benefits costs	180,342	182,282
Total cash-settled emoluments	1,677,646	1,958,600
Share-based payment remuneration charge	101,404	146,833
Total emoluments	1,779,050	2,105,433

All employees of the Group are employed by Futura Medical Developments Limited.

Directors' emoluments

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Aggregate emoluments	693,353	929,608
Other pension and insurance benefit costs	22,506	19,748
Subtotal per remuneration report	715,859	949,356
Share-based payment remuneration charge	47,866	74,647
Employer's national insurance charge	73,811	86,991
Total emoluments	837,536	1,110,994

In 2019 there were no Directors whose share options were exercised under the Group share option schemes and no gain was realised (2018: £6,000). In respect of the highest paid Director the realised gain was £nil (2018: £nil).

In 2019 there were no Directors (2018: no Directors) who participated in a private money purchase defined contribution pension scheme. Emoluments for individual Directors are disclosed within the Remuneration Committee Report.

The Directors consider that there are no Key Management Personnel other than the Directors.

Emoluments above include the following amounts in respect of the highest paid Director:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Aggregate emoluments	235,593	273,855
Employer pension contributions	–	–
Subtotal per remuneration report	235,593	273,855
Share-based payment remuneration charge	18,410	28,711
Employer's national insurance charge	31,680	36,284
Total emoluments	285,683	338,850

8. FINANCE INCOME

Interest receivable in 2019 on treasury funds was £22,283 (2018: £27,576).

9. TAXATION

9.1 Current tax

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
UK corporation tax credit on loss on ordinary activities	2,222,194	1,358,336

The tax assessed for the year was lower than the UK corporation tax rate (2018: higher). The differences are explained below:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss on ordinary activities before tax	11,141,484	7,238,912
Loss on ordinary activities at an average standard rate of corporation tax in the UK of 19% (2018: 19%)	2,116,882	1,375,393
Expenses not deductible for tax purposes	(304)	(215)
Unrecognised deferred tax	(15,701)	(29,578)
Unutilised tax losses	(841,959)	(581,892)
Share scheme deduction	–	5,529
R&D expenditure credit	(4,969)	(3,296)
Loss surrendered for refund	(683,072)	(417,236)
Additional relief for R&D claims	1,630,136	995,722
UK corporation tax credit	2,201,013	1,344,427
Adjustment to tax charge relating to prior period	–	(144)
R&D expenditure credit re 2018	–	14,053
R&D expenditure credit re 2019	21,181	–
UK corporation tax credit reported in the Consolidated Statement of Comprehensive Income	2,222,194	1,358,336

The Group has tax losses of approximately £31,265,826 (2018: £26,834,483) available for offset against future taxable profits.

The corporation tax credit for the year represents research and development tax credits of £2,201,012 (2018: £1,344,428), arising from the surrender of losses (rather than carrying forward to future years) of £15,179,395 (2018: £9,271,916) at 14.5%, under HMRC's small and medium size enterprise scheme. The taxable loss for the year is in excess of the accounting loss for various reasons, principally the additional deductions given for tax purposes on research and development expenditure.

In addition a small claim under the large company Research and Development Expenditure Credit (RDEC) scheme resulted in a refund of £21,181 (2018: 14,053).

9. TAXATION (CONTINUED)

9.2 Deferred tax

Deferred tax assets amounting to £5,649,021 (2018: £4,881,640) have not been recognised due to it not being probable that taxable profits will be available, against which these deductible temporary differences can be utilised. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. The unrecognised deferred tax asset at 31 December 2019 has been calculated assuming a prevailing tax rate when the timing differences reverse of 17% (2018: 17%) and comprises:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Depreciation differential versus capital allowances	(1,770)	2,108
Other short-term timing differences	335,600	317,670
Unutilised tax losses	5,315,191	4,561,862
	5,649,021	4,881,640

10. LOSS PER SHARE

The calculation of basic and diluted earnings per share ("EPS") is based on the following data:

	2019	2018
Loss for the purposes of basic EPS and diluted EPS (£)	8,919,290	5,880,576
Weighted average of ordinary shares for purposes of basic and diluted EPS (number)	204,657,741	131,936,761
Loss per share basic and diluted (pence)	4.36	4.46

Diluted EPS is calculated in the same way as basic EPS but also with reference to reflect the dilutive effect of share options in existence at the year-end which were 7,255,000 (2018: 5,700,000). The diluted loss per share is identical to the basic loss per share, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

11. PLANT AND EQUIPMENT

Cost	Computer Equipment £	Furniture and Fittings £	Total £
At 1 January 2019	86,602	63,285	149,887
Additions	32,736	–	32,736
Disposals	–	–	–
At 31 December 2019	**119,338**	**63,285**	**182,623**
Depreciation			
At 1 January 2019	47,495	54,919	102,414
Eliminated on disposals	–	–	–
Charge for year	19,250	1,454	20,704
At 31 December 2019	**66,745**	**56,373**	**123,118**
Net book value			
At 31 December 2019	**52,593**	**6,912**	**59,505**
At 31 December 2018	39,107	8,366	47,473

Cost	Computer Equipment £	Furniture and Fittings £	Total £
At 1 January 2018	91,243	63,285	154,528
Additions	4,510	–	4,510
Disposals	(9,151)	–	(9,151)
At 31 December 2018	**86,602**	**63,285**	**149,887**
Depreciation			
At 1 January 2018	37,915	53,096	91,011
Eliminated on disposals	(8,447)	–	(8,447)
Charge for year	18,027	1,823	19,850
At 31 December 2018	**47,495**	**54,919**	**102,414**
Net book value			
At 31 December 2018	**39,107**	**8,366**	**47,473**
At 31 December 2017	53,328	10,189	63,517

All fixed assets of the Group are held in Futura Medical Developments Limited.

12. INVENTORIES

	31 December 2019 £	31 December 2018 £
Consumable materials used for development	7,780	7,780

13. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Assets as per Consolidated Statement of Financial Position Loans and receivables at amortised cost	31 December 2019 £	31 December 2018 £
Trade and other receivables (Note 14)	59,968	248,426
Cash and cash equivalents (Note 15)	2,510,501	9,157,916
Total receivables	2,570,469	9,406,342

Liabilities as per Consolidated Statement of Financial Position at amortised cost	31 December 2019 £	31 December 2018 £
Trade and other payables (Note 16)	4,847,520	1,246,247
Total payables	4,847,520	1,246,247

The Directors consider that there is no material difference between the carrying values of financial assets and liabilities and their fair value.

14. TRADE AND OTHER RECEIVABLES

Amounts receivable within one year:	31 December 2019 £	31 December 2018 £
Trade receivables	5,627	627
Other receivables	54,341	247,799
Financial assets (Note 13)	59,968	248,426
Prepayments	41,224	57,982
	101,192	306,408

Trade and other receivables do not contain any impaired assets. The Group does not hold any collateral as security and the maximum exposure to credit risk at the Consolidated Statement of Financial Position date is the fair value of each class of receivable.

15. CASH AND CASH EQUIVALENTS

	31 December 2019 £	31 December 2018 £
Cash at bank and in hand	2,137,599	5,706,519
Sterling short-term money market funds	372,902	3,451,397
	2,510,501	9,157,916

16. TRADE AND OTHER PAYABLES

	31 December 2019 £	31 December 2018 £
Trade payables	2,625,359	1,246,247
Social security and other taxes	39,970	42,684
Deferred Income	218,222	–
Accrued expenses	1,963,969	736,584
	4,847,520	2,025,515

The increase in payables is reflective of the increase in research and development activities relating to the Phase 3 study completed in the year.

17. SHARE CAPITAL

Authorised	31 December 2019 Number	31 December 2018 Number	31 December 2019 £	31 December 2018 £
Ordinary shares of 0.2 pence each	500,000,000	500,000,000	1,000,000	1,000,000

Allotted, called up and fully paid	31 December 2019 Number	31 December 2018 Number	31 December 2019 £	31 December 2018 £
Ordinary shares of 0.2 pence each	204,660,267	204,583,439	409,321	409,167

The number of issued ordinary shares as at 1 January 2018 was 120,696,002. During the year ended 31 December 2018, the Company issued shares of 0.2 pence each as follows:

Month	Reason for issue	Gross Consideration £	Shares Issued Number
January 2018	Option exercise at 30.00 pence per share	24,000	80,000
January 2018	Option exercise at 30.00 pence per share	24,000	80,000
May 2018	Option exercise at 30.00 pence per share	45,000	150,000
November 2018	Share placing at 7.00 pence per share	5,600,000	80,000,000
November 2018	Open Offer placing at 7.00 pence per share	250,421	3,577,437
		5,943,421	83,887,437

17. SHARE CAPITAL (CONTINUED)

The number of issued ordinary shares as at 1 January 2019 was 204,583,439. During the year ended 31 December 2019, the Company issued shares of 0.2 pence with each ordinary share carrying the right to one vote as follows:

Month	Reason for issue	Gross Consideration £	Shares Issued Number
January 2019	Non-Executive Director Share Award	19,284	76,828
		19,284	76,828

18. SHARE OPTIONS

At 31 December 2019, the number of ordinary shares of 0.2 pence each subject to share options granted under the Company's Approved and Unapproved Share Option Schemes were:

Exercise Period	Exercise Price per Share Pence	At 1 January 2019 Number	Options Exercised Number	Options Lapsed Number	Options Granted Number	At 31 December 2019 Number
1 October 2014 – 30 September 2019	61.50	310,000	–	(310,000)	–	–
1 October 2015 – 30 September 2020	71.50	620,000	–	–	–	620,000
1 October 2016 – 30 September 2021	51.75	580,000	–	–	–	580,000
1 October 2017 – 30 September 2022	30.00	750,000	–	–	–	750,000
1 October 2018 – 30 September 2023	57.50	960,000	–	–	–	960,000
1 October 2019 – 30 September 2024	30.50	1,140,000	–	–	–	1,140,000
7 January 2020 – 6 January 2029	7.20	–	–	–	212,500	212,500
31 August 2020 – 6 January 2029	7.20	–	–	–	212,500	212,500
1 October 2020 – 30 September 2025	7.50	1,340,000	–	–	–	1,340,000
1 October 2021 – 30 September 2026	31.00	–	–	–	1,440,000	1,440,000
		5,700,000	–	(310,000)	1,865,000	7,255,000

On 12 November 2019 share options over 1,390,000 new ordinary shares were granted to employees (including Executive Directors) at a price of 31.00p. The options have a two-year vesting period and the exercise period for these options is 1 October 2020 to 30 September 2025.

The share options outstanding at 31 December 2019 represented 3.54% of the issued share capital as at that date (2018: 2.78%) and would generate additional funds of £2,433,900 (2018: £2,159,300) if fully exercised. The weighted average remaining life of the share options outstanding at 31 December 2019 was 51 months (2018: 52 months) with a weighted average remaining exercise price of 33.55 pence (2018: 50.26 pence).

The share options exercisable at 31 December 2019 totalled 3,850,000 (2018: 3,220,200) with an average exercise price of 48.48 pence (2018: 51.28 pence) and would have generated additional funds of £1,766,650 (2018: £2,318,200) if fully exercised.

The Group's share option scheme rules apply to 6,550,000 of the share options outstanding at 31 December 2019 (31 December 2018: 5,320,000) and include a rule regarding forfeiture of unexercised share options upon the cessation of employment (except in specific circumstances).

Options have historically been issued to advisers under the unapproved scheme. Such options generally vest immediately and are exercisable between one and two years after grant. There were 705,000 share options outstanding to advisers at 31 December 2019 (31 December 2018: 380,000).

There were no market vesting conditions within the terms of the grant of the share options.

The Black–Scholes formula is the option pricing model applied to the grants of all share options made in respect of calculating the fair value of the share options.

18. SHARE OPTIONS (CONTINUED)

Share-based payments

Inputs to share option pricing model	31 December 2019	31 December 2018
Grant date	17 September	19 November
Number of shares under option	1,390,000	1,340,000
Share price as at date of grant	30.70 pence	6.95 pence
Option exercise price	31.00 pence	7.50 pence
Expected life of options: based on previous exercise history	3 years	3 years
Expected volatility: based on median fluctuations over 3 years	82.70%	82.70%
Dividend yield: no dividends assumed	0%	0%
Risk-free rate: yield on 3 year treasury stock as at date of grant	0.48% p.a.	0.84% p.a

Outputs generated from share option pricing model	31 December 2019	31 December 2018
Fair value per share under option	16.19 p	3.57p
Total expected charge over the vesting period	£225,041	£47,838

Recognised in Consolidated Statement of Comprehensive Income	31 December 2019 £	31 December 2018 £
The share-based remuneration charge comprises:		
Share-based payments – employees	32,019	3,016
Share-based payments – consultants	–	–
Share-based payments	32,019	3,016

The total expense recognised for the year arising from share-based payments is as follows:

	31 December 2019 £	31 December 2018 £
Group equity-settled share-based payment expense	101,404	146,833

19. PENSION COSTS

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 December 2019 amounted to £164,458 (2018: £86,990). Pension contributions payable in arrears at 31 December 2019, included in accrued expenses at the relevant Consolidated Statement of Financial Position date, totalled £10,225 (2018: £6,183).

20. COMMITMENTS

At 31 December 2019 the Group had operating lease commitments in respect of property leases cancellable on one month's notice of £9,802 (2018: £9,767).

21. RELATED PARTY TRANSACTIONS

Related parties, as defined by IAS 24 "Related Party Disclosures", are the wholly owned subsidiary companies, Futura Medical Developments Limited, Futura Consumer Healthcare Limited and the Board. Transactions between the Company and the wholly owned subsidiary companies have been eliminated on consolidation and are not disclosed.

Key management compensation

The Directors represent the key management personnel. Details of their compensation and share options are given in Note 7 and within the Remuneration Committee Report.

PARENT COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2019
Company No. 04206001

	Notes	As at 31 December 2019 £	As at 31 December 2018 £
Fixed assets			
Investment	2	50,178,526	43,023,474
Current assets			
Debtors – due within one year	3	13,267	10,559
Debtors – due after more than one year	3	–	–
Total debtors		13,267	10,559
Cash at bank and in hand		1,099,413	8,569,753
		1,112,680	8,580,312
Creditors: amounts falling due within one year	4	(200,158)	(119,328)
Net current assets		912,522	8,460,984
Net assets		51,091,048	51,484,458
Capital and reserves			
Called up share capital	5	409,321	409,167
Share premium account		50,002,990	49,983,860
Profit and loss account		678,737	1,091,431
Shareholders' funds		51,091,048	51,484,458

The loss in respect of the Company for the year was £514,098 (2018: £104,316). The Parent Company financial statements were approved and authorised for issue by the Board on 31 March 2020.

The Notes on pages 77 to 79 form part of these Parent Company financial statements.

By order of the Board

JAMES BARDER
Chief Executive

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share Capital £	Share Premium £	Profit and Loss Account £	Total Equity £
At 1 January 2018		**241,392**	**44,671,396**	**1,048,914**	**45,961,702**
Total comprehensive loss for the year		–	–	(104,316)	(104,316)
Share-based payment		–	–	146,833	146,833
Issue of shares	5	167,775	5,312,464	–	5,480,239
At 31 December 2018		**409,167**	**49,983,860**	**1,091,431**	**51,484,458**
Total comprehensive loss for the year		–	–	(514,098)	(514,098)
Share-based payment		–	–	101,404	101,404
Issue of shares	5	154	19,130	–	19,284
At 31 December 2019		**409,321**	**50,002,990**	**678,737**	**51,091,048**

Share premium represents amounts subscribed for share capital in excess of nominal value, less the related costs of share issues.

Profit and loss account represents the cumulative net profit recognised. The total comprehensive loss for the year represents the total recognised income and expense for the year.

The Notes on pages 77 to 79 form part of these Parent Company financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

The Parent Company financial statements have been prepared on a going concern basis and under the historical cost convention and have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The principal accounting policies applied in the preparation of the financial information and where advantage of the FRS 101 disclosure exemptions have been taken are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The Parent Company financial statements presented are in sterling.

As a Consolidated Statement of Comprehensive Income is published, no separate statement of comprehensive income for the Parent Company has been included in these financial statements, as permitted by section 408 of the Companies Act 2006. The loss in respect of the Company for the year was £514,098 (2018: £104,316). The remuneration of the Directors of the Company is disclosed in Note 7 to the consolidated financial statements. Auditor's remuneration is disclosed in Note 6 to the consolidated financial statements.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- financial instrument disclosures;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the Group; and
- disclosure of impairment of assets.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and treasury fund units.

Share-based employee remuneration

The Company has no employees but does issue shares to satisfy share option awards made by its subsidiary company Futura Medical Developments Limited.

The grant date fair value of share-based payments awards granted to employees is recognised as an increase in the investment, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using the Black–Scholes model, taking into account the terms and conditions upon which the awards are granted.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2. INVESTMENT IN SUBSIDIARY

The investment represents 100% of the issued ordinary £1 shares in the subsidiary undertaking Futura Medical Developments Limited whose registered address is: 40 Occam Road, Guildford, Surrey GU2 7YG. The principal activity of the Company is the research and development of pharmaceutical drugs and medical devices and their commercial exploitation. The investment is stated at cost plus amounts capitalised in respect of the intercompany receivable (refer to Note 3). The results of the subsidiary are included in the consolidated financial statements.

The Company capitalises intercompany balances with its subsidiaries at each month-end (creating an investment in subsidiaries) up to the point where it believes the subsidiary is in a position to repay any balances within the next 12 months. Capitalised balances are reviewed for impairment annually. It was concluded that there was no impairment required. This conclusion requires judgement and if regulatory approval of MED3000 is rejected, this could result in material impairment.

	£
At 1 January 2018	1,321,798
Additions in the year	41,701,676
At 31 December 2018	43,023,474
Additions in the year	7,155,052
At 31 December 2019	**50,178,526**

Futura Medical Developments Limited owns 100% of the issued ordinary £1 shares of Futura Consumer Healthcare Limited whose registered address is: 40 Occam Road, Guildford, Surrey GU2 7YG. The principal activity of Futura Consumer Healthcare Limited is the commercial exploitation and branding of pharmaceutical drugs and medical devices developed by Futura Medical Developments Limited. This is an indirect investment and Futura Consumer Healthcare Limited has been dormant since the start of 2018.

3. DEBTORS

	31 December 2019 £	31 December 2018 £
Amounts receivable within one year: prepayments	13,267	10,559

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2019 £	31 December 2018 £
Trade creditors	107,299	78,282
Accruals	92,859	41,046
	200,158	119,328

5. CALLED UP SHARE CAPITAL

Authorised	31 December 2019 Number	31 December 2018 Number	31 December 2019 £	31 December 2018 £
Ordinary shares of 0.2 pence each	500,000,000	500,000,000	1,000,000	1,000,000

Allotted, called up and fully paid	31 December 2019 Number	31 December 2018 Number	31 December 2019 £	31 December 2018 £
Ordinary shares of 0.2 pence each	204,660,267	204,583,439	409,321	409,167

Details of shares issued by the Company in the year and details of share options outstanding are given in Notes 17 and 18 to the consolidated financial statements.

6. RELATED PARTY TRANSACTIONS

The Company has taken the exemption in line with FRS 101 not to disclose related party transactions between wholly owned subsidiaries.

COMPANY INFORMATION

COMPANY NUMBER

04206001

DIRECTORS

John Clarke	Non-Executive Chairman
James Barder	Chief Executive Officer
Angela Hildreth	Finance Director and Chief Operating Officer
Ken James	Executive Director
Jonathan Freeman	Non-Executive Director

AUDIT COMMITTEE

Jonathan Freeman
John Clarke

REMUNERATION COMMITTEE

Jonathan Freeman
John Clarke

NOMINATIONS COMMITTEE

John Clarke
Jonathan Freeman

SECRETARY AND REGISTERED OFFICE

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